

THE ANGUS ENERGY REPORT

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Today's pricing		HEATING OIL (AUG)	GASOLINE-RBOB (AUG)	NATURAL GAS (AUG)	CRUDE OIL (AUG)
Crude – .25 lower Products – Heat- 50 lower Gasoline – 150 higher Natural Gas - .075 higher	HIGH	1.5910	1.7200	3.410	62.68
	LOW	1.5324	1.6290	3.337	60.01
	SETTLE	1.5379	1.6333	3.353	60.14
	CHANGE	-.0628	-.0995	-.076	-2.79
	14 DAY RSI	32	31	32	33
	5 DAY MA	1.6465	1.7513	3.536	64.63
	9 DAY MA	1.7176	1.8186	3.728	67.10
14 DAY MA	1.7517	1.8492	3.858	67.95	

D.O.E. stats.... Crude oil stocks fell 2.90 mmbbls. Distillate stocks rose 3.74 mmbbls. Gasoline stocks rose 1.90 mmbbls. Refinery runs were 86.8% of capacity, down .19%. The supportive crude oil numbers couldn't stop the recent free-fall in energy prices. The main reason is that energy itself is being held hostage to the perceived forward economic activities – and there is more confusion over that than we have seen in many years. Weakness is brining out some buyers, but all will be up in the air until we get a clearer understanding of the success or failure of the assorted stimulus packages.

-Margin-enhancement? Although all of the “excitement” in the energy markets is usually generated when oil prices are spiking higher, the simple fact remains that declining prices (ignoring for the moment the REASONS for the declines) are the best thing for heating oil retailers as it applies to gross profit margins. The declines of the past week and a half have allowed to some additional “coverage” for next winters’ pricing programs – for those who were “short” – and have enabled dealers to grab some extra margin during this light-volume time of the year.

-Wall Street continues to lead energy traders by the nose. The continuing stumbling economy, fraught with questions over whether the myriad of new programs and incentives that have been and are being put in place by the economy will work, has traders as nervous as ever. Comments over

NYH Barge (est.)	NYMEX #2 Oil	NYMEX #2 Oil	Jan '10 futures
07/01/09	1.6957	07/01/09 1.7657	07/01/09 1.9586
07/02/09	1.6241	07/02/09 1.7016	07/02/09 1.8989
07/06/09	1.5554	07/06/09 1.6266	07/06/09 1.8259
07/07/09	1.5270	07/07/09 1.6007	07/07/09 1.7993
07/08/09	1.4667	07/08/09 1.5379	07/08/09 1.7348

the past week from some in Congress that a 2nd stimulus package (a/k/a a tidal wave of future debt to be lopped upon the current tidal wave) frightened equity investors, as they wondered whether corporate profits would ever be able to return to “normalcy” with the debt burden that is rapidly approaching. As traders turned “stocks to cash”, oil traders took the opportunity to take profits on the trades that they had placed in the oil markets during the string 2nd quarter rally. The level of uneasiness is rising, as is the fear factor over whether the end of the recession is truly in sight, or whether it is here to stay. All said and done, we are about 20-cents off of the highs that we saw two weeks ago, and about 40 cents higher than where we were before the “spring rally”.

-The “I” word. There is hardly a conversation with an economist or energy analyst that does not include either a veiled or an obvious reference to the growing concern of rising (perhaps dramatically rising) inflation, “right around the corner”. Around the corner means different things to different people, but the notion that prices – all prices – might be in an upwards pattern for quite

some time is concerning to many. How it will, if at all, impact oil prices for this coming season is not clear at all, but the fact that a jump in costs of everything will have some consequences to oil dealers cannot be ignored. You can't keep borrowing large chunks of money, and ignore the ultimate day of reckoning.

-Technicals...do they matter? Often in times where there are serious fundamental or political/military issues occurring, the value of oil

being "overbought" or "oversold" is of little importance. However, when there is nothing that is very newsworthy going on, a look at the technicals might be of some value. We are sitting at or near oversold levels, and barring some further (good/bad, depending upon where you sit) news to take prices lower, there might be some profit-taking from those who benefitted from their short positions over the last 2 weeks.

-Does one game constitute a winning streak?

January 2010 heating oil futures



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