

# THE ANGUS ENERGY REPORT

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Post-report pricing		HEATING OIL (SEP)	GASOLINE-RBOB (SEP)	NATURAL GAS (SEP)	CRUDE OIL (OCT)
<b>Crude – .75 lower</b> <b>Products –</b> <b>Heat- 100 lower</b> <b>Gasoline – 200</b> <b>lower</b> <b>Natural Gas - .05</b> <b>lower</b>	HIGH	1.9283	2.0624	2.954	75.00
	LOW	1.8373	1.9792	2.819	71.11
	SETTLE	1.8559	2.0070	2.882	72.05
	CHANGE	-.0675	-.0421	-.041	-2.32
	14 DAY RSI	51	55	31	53
	5 DAY MA	1.8976	2.0137	2.935	73.41
	9 DAY MA	1.8804	1.9975	3.056	72.11
14 DAY MA	1.8931	2.0101	3.256	72.26	

**D.O.E. stats....** Crude oil stocks rose .13 mmbbls. Distillate stocks rose .767 mmbbls. Gasoline stocks fell 1.700 mmbbls. Refinery runs were 84.1% of capacity, up .09%. Last night A.P.I. numbers led traders to move prices a little lower, and that is where they spent most of the session today. The market has been spending time in a fairly narrow trading range, while it awaits news to move it in a new direction – news other than the exuberance that seems to be driving Wall Street prices higher.

**-Peak oil?** After moving up to \$75.00/bbl. yesterday, representing the highest price since June and 2<sup>nd</sup> highest price of the year, October crude oil futures saw a good deal of profit-taking that took the contract down to as low as \$70.67/bbl. this morning, but maintaining the support of the \$70./bbl. level. Heating oil, too, continues to move up towards recent highs, only to see prices fall back down towards support levels. There are many mixed indicators – from stock market strength and weakening U.S. Dollar (supportive), to increased economic uncertainty and growing unemployment (bearish) – and while crude keeps seeming to be poised to move up towards the \$80/bbl. level, there seem to be enough reasons to keep a lid on prices getting out of control. Bear in mind that once the heating season begins, and HDD's show up – or not – all bets will be off with regards to the direction of heating oil prices. Winter heating oil futures are about 90 cents away from last winter's lows, and over \$2.00 away from last summer's highs – it would probably be foolish to believe that all of the volatility is now behind us.

**-Although you cannot tell from the thermometer,** we are (happily) getting closer to the days when we

NYH Barge (est.)	NYMEX #2 Oil	NYMEX #2 Oil	Jan '10 futures
08/19/09	1.9037	08/19/09 1.9187	08/19/09 2.0276
08/20/09	1.8702	08/20/09 1.8852	08/20/09 1.9904
08/21/09	1.8899	08/21/09 1.9049	08/21/09 2.0052
08/24/09	1.9109	08/24/09 1.9234	08/24/09 2.0190
08/25/09	1.8447	08/25/09 1.8559	08/25/09 1.9602

will see dropping temperatures in the evenings, which will be followed by days with colds temps during the day time. Forecasters are still battling over whether it is fair to expect a cold winter or a warm one, but the annual activity of those with exposure to (too few or too many) HDD's has begun. Purchasing protection against the possibility/probability that winter-time HDD's will be less than normal is a logical hedge for any heating oil company that depends upon a "normal" number of HDD's to achieve their volume and profit goals. Given the high costs of other types of hedges, it is comforting to know that for a fairly low cost you can protect yourself against the negative economic impact on your company that a warm winter might have. For a review of your exposure and how to protect, contact your Angus representative.

**- Are you in balance?** As we are entering the month of September, the time is probably ripe to do a stress test of any hedges that you have on – focusing on whether the anticipated "exposure" and existing "coverage" are in alignment. You should review to see about monthly volumes of all gallons – fixed, capped, etc., - are aligned with storage, wetbarrels, swaps, options and the like. Even though it often seems to come out differently, once positions are in place, there really shouldn't be any major surprises with regards to

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gross profit margins. If you do not know how to properly try to match up everything, give us a call.

**- Nat gas – if there were only storage available.**

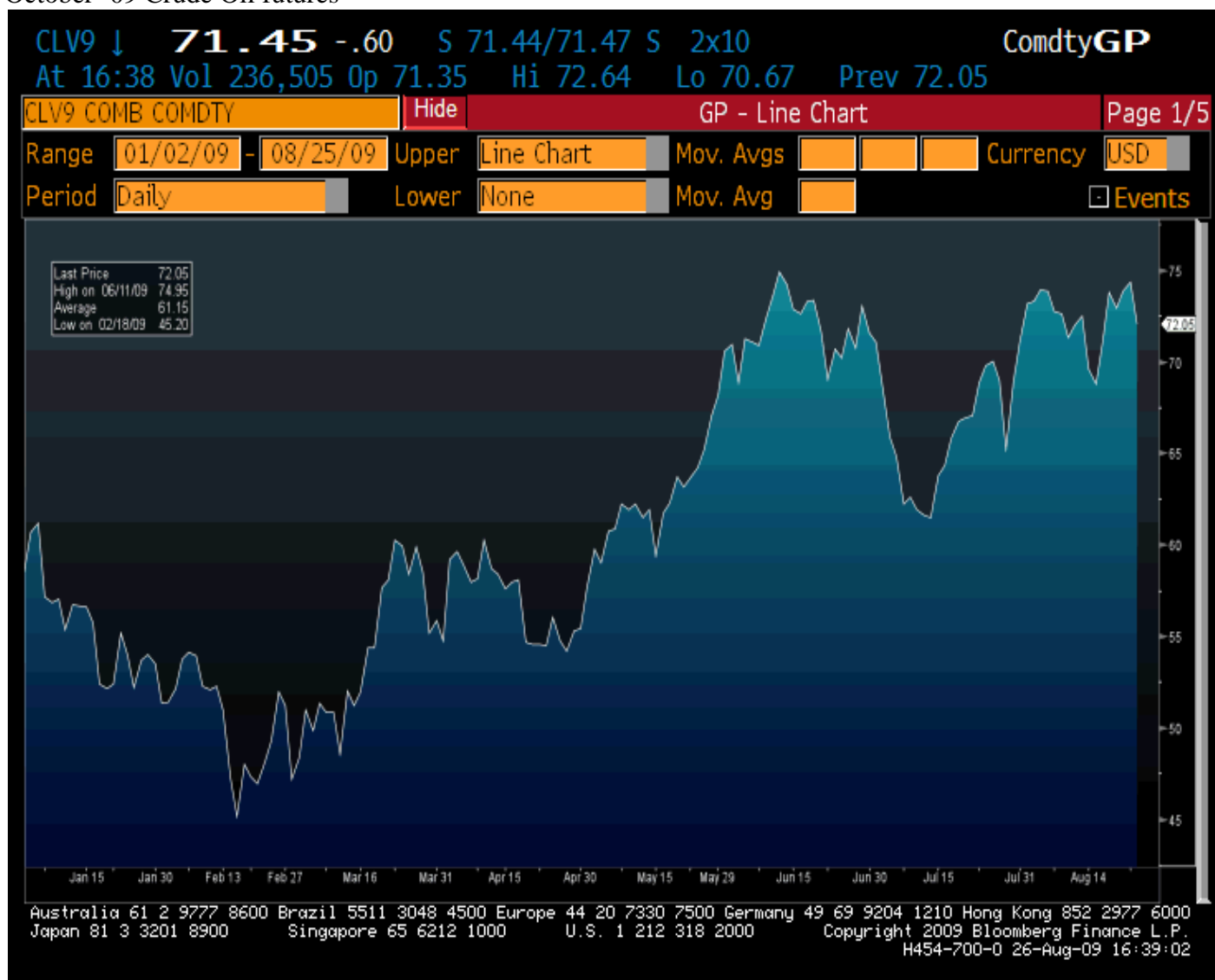
With natural gas futures at very, very low levels (less than \$3.00/dkt for September delivery), and winter natural gas at more reasonable levels (January at \$5.40/dkt.), many are looking at the possibility of a sustained rally in natural gas over the next year. It seems rather odd that stocks have rallied, the dollar has weakened and oil has strengthened – all with natural gas remaining in a weak position. It is possible that gas traders know something that we don't know?

**- Wake up call!!** It looks like some in political power have come to their own irrefutable decision that heating oil is bad, and natural gas is good. Recently proposed legislation would provide as much as \$4,000

in Federal tax credits to homeowners who convert from heating oil to natural gas or wood. It's incredible that all of us who are involved in the heating oil industry, and who pay millions and millions of dollars in taxes are subsidizing efforts to put ourselves out of business!! I know that there have been many efforts to correct these incorrect notions – most recently with the launching of the American Energy Coalition – but action needs to be taken, before the gas lobby's efforts to get heating oil equipment out of every home in America succeeds. Your Congressman needs to hear from you, and you would be well advised to see what your local industry association is doing about this.

**-Heading to a game tonight** between the Marlins and a bunch of Minor Leaguers in Mets uniforms. Oh, how cruel the baseball gods can be!! Wait till next year!

October '09 Crude Oil futures



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