

# THE ANGUS ENERGY REPORT

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September 23, 2009  
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Post-report pricing		HEATING OIL (OCT)	GASOLINE-RBOB (OCT)	NATURAL GAS (OCT)	CRUDE OIL (NOV)
<b>Crude – 2.00 lower</b> <b>Products – Heat- 400 lower</b> <b>Gasoline – 600 lower</b> <b>Natural Gas - .15 higher</b>	<b>HIGH</b>	1.8193	1.7995	3.729	72.03
	<b>LOW</b>	1.7548	1.7515	3.502	69.74
	<b>SETTLE</b>	<b>1.8121</b>	<b>1.7816</b>	<b>3.609</b>	<b>71.76</b>
	<b>CHANGE</b>	<b>+.0604</b>	<b>+.0302</b>	<b>+.023</b>	<b>+1.83</b>
	<b>14 DAY RSI</b>	50	46	55	51
	<b>5 DAY MA</b>	1.8117	1.8130	3.636	72.00
	<b>9 DAY MA</b>	1.7889	1.7956	3.446	71.41
<b>14 DAY MA</b>	1.7774	1.7997	3.186	70.85	

**D.O.E. stats....** Crude oil stocks rose 2.86 mmbbls. Distillate stocks rose 2.96 mmbbls. Gasoline stocks rose 5.41 mmbbls. Refinery runs were 85.6% of capacity, down 1.36%. The D.O.E. numbers are more bearish than last night's A.P.I. data, and the oil markets are selling off, once again. The inventory overhang may well keep prices from any sustained rally, but we still seem to be on one hand very volatile, but on the other hand still quite contained within recent trading ranges.

**- Nothing to fear but fear itself...** As the uncertainty over the direction of the economy continues to show no sign of letting up, traders are more and more non-committal towards predicting oil market direction. The swings in prices are self-evident (a 7-cent drop in heating oil prices on Monday, followed by a 6-cent increase in prices yesterday, and then this morning's drop – so far), and there are reports of record premiums being paid for fairly short-term put options (the "right to sell") to predict against a decline. There is usually some sort of balance between those who are buying options for the market to rise (calls) and those who are buying puts. The measure of anticipated market movement is known as Implied Volatility – the higher the "vol", the more the purchaser of an option will pay for the right to have the price protection. At present, some December put options have "vols" that are about 55%, while seemingly equivalent call options have a "vol" that is under 45%. In reality, these opinions should have no bearing on the ultimate price direction, but do point out that although prices have shown strength since the beginning of the year, there is a real fear that without tangible signs of economic

NYH Barge (est.)	NYMEX #2 Oil	NYMEX #2 Oil	Jan '10 futures		
09/16/09	1.8083	09/16/09	1.8258	09/16/09	1.9194
09/17/09	1.8234	09/17/09	1.8409	09/17/09	1.9332
09/18/09	1.8019	09/18/09	1.8279	09/18/09	1.9214
09/21/09	1.7180	09/21/09	1.7517	09/21/09	1.8548
09/22/09	1.7796	09/22/09	1.8121	09/22/09	1.9090

improvement (a/k/a increasing demand), that the rally might fizzle, and lead to lower energy prices.

**- Readily available supply....** As demand faltered over the past year, refiners kept chugging along, and product supplies are at very high levels. Gasoline supplies, per the Energy Department, ended the "summer driving season" at higher levels than they started the season. Distillate supplies are at levels not seen in over 25 years. How the prices will react if we don't see the "inventory overhang" start to diminish is tough to call – if we know anything about oil prices, it's that what seems logical is not necessarily what ends up happening!

**- Anything "supportive"? Increased terror threat...** The case for lower prices seems to be bolstered even more by reports of excess production capabilities by several OPEC members, and the fact that in some places, even with improvement in other areas of the economy, the demand for energy supply is growing at a slower pace (i.e. China). With all that, we are never too far from geopolitical/terror issues. Homeland Security has given out warning – taking us to the highest security levels since the Obama inauguration – after the arrest this past weekend of an al-Qaida trained "potential terrorist". The focus is on hotels, subway

systems and stadiums, in response to information that was retrieved by his computer, and on information from related arrests.

**- Green light for Israel?...** Although the current administrations' support for Israel does not seem as apparent as in recent administrations, it seems to be almost a "given" that there will be some sort of attack by Israel on an Iranian nuclear facility. As Iran continues (quite aggressively) with their nuclear programs, many in power agree that "something" needs to be done, but refuse to look like an aggressor. So, if all goes as postulated, Israel attacks and

neutralizes the facility, the world (including the U.S.) shakes their fingers on one hand, and gives a pat on the back with the other hand. Selfishly, we do need to follow this closely, as to the potential impact on oil prices.

**- Natural gas futures** are continuing to hold onto their recent gains. The question remains as to whether the gains are due to strength in the markets, or simply that the downwards pressure on that market was unable to be sustained.

**- Not a word about the Jets!!**

*Heating oil prices (spot) since January.*



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