

THE ANGUS ENERGY REPORT

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Mid-Day pricing		HEATING OIL (JAN)	GASOLINE-RBOB (JAN)	NATURAL GAS (JAN)	CRUDE OIL (JAN)
Crude - .20 lower Products – Heat- 75 lower Gasoline – 200 lower Natural Gas - .40 higher	HIGH	2.0083	1.9516	5.230	73.87
	LOW	1.9060	1.8523	4.847	70.13
	SETTLE	1.9093	1.8573	4.898	70.67
	CHANGE	-.0816	-.0673	-.216	-1.95
	14 DAY RSI	36	37	48	33
	5 DAY MA	1.9972	1.9381	4.806	73.83
	9 DAY MA	2.0176	1.9658	4.818	75.27
	14 DAY MA	2.0177	1.9765	4.825	76.04

D.O.E. stats.... Crude oil stocks fell 3.82 mmbbls. Distillate stocks rose 1.62 mmbbls.

Gasoline stocks rose 2.25 mmbbls. Refinery runs were 81.1% of capacity, up 1.39%. With hindsight being 20/20 (the report came out yesterday), the stats were/are being viewed in a bearish light. Coupling that with the recent strength in the dollar, and traders ran out of excuses to NOT drive prices lower. By the end of yesterday's session, the \$70.00/bbl., "support" was well within range, and the bears had taken the short-term control of the market. There really isn't much new in the way of market fundamentals, but the inability to hold support at \$70/bbl, today might bring in some additional selling. As attractive as the notion may be of seeing continued weakness in prices – particularly in heating oil prices – we have seen, all too often, that "technical sell-offs" often lead to equally unexpected rallies. For now, as rack prices fall, and cold weather hits, it might be time to start to widen out some margins, where available, to dig into the deficit that the very warm November created.

- Is the dollar really getting stronger? I was listening to a currency analyst this morning who was pointing out that what we have seen over the past week has been much less of a rally in the dollar than it has been extreme weakness in European currencies, in particular in the Euro – thanks to some recent debt downgrades. We do spend a lot of time focusing on the relative strength of the dollar, as it applies to movements in the price of oil, but without the European

NYH Barge (est.)		NYMEX #2 Oil		NYMEX #2 Oil	Jan '11 futures
12/03/09	2.0020	12/03/09	2.0495	12/03/09	2.3080
12/04/09	1.9818	12/04/09	2.0268	12/04/09	2.2895
12/07/09	1.9622	12/07/09	2.0097	12/07/09	2.2656
12/08/09	1.9497	12/08/09	1.9909	12/08/09	2.2336
12/09/09	1.8781	12/09/09	1.9093	12/09/09	2.1629

weakness, we might be seeing a much weaker dollar, and would have to wonder what would happen to oil prices then.

- Cold weather? Is it true? Seeing the first string of "colder than normal" weather forecasts in the middle of December will hopefully be the ticket to catching up on those lost HDD's from earlier on in the season. There are way too many "seasonal drivers" who are sitting at home waiting for the phone call.

- 2010 is right around the corner. Accordingly, a number have been setting up their plans for the 2010-2011 heating season (a few actually started in December, but most wait till after the 1st of the year). Looking out to next winter, we are seeing prices that have been in the \$2.30's, but have now fallen to the \$2.10's. The drop has been welcome, but we are still at levels for next winter that have not been achieved this winter. Using that as an excuse "to wait" might not make sense, though, as last year at this time heating oil prices had moved down to below \$1.20/gallon, before marching up almost a full dollar from the winter-time lows.

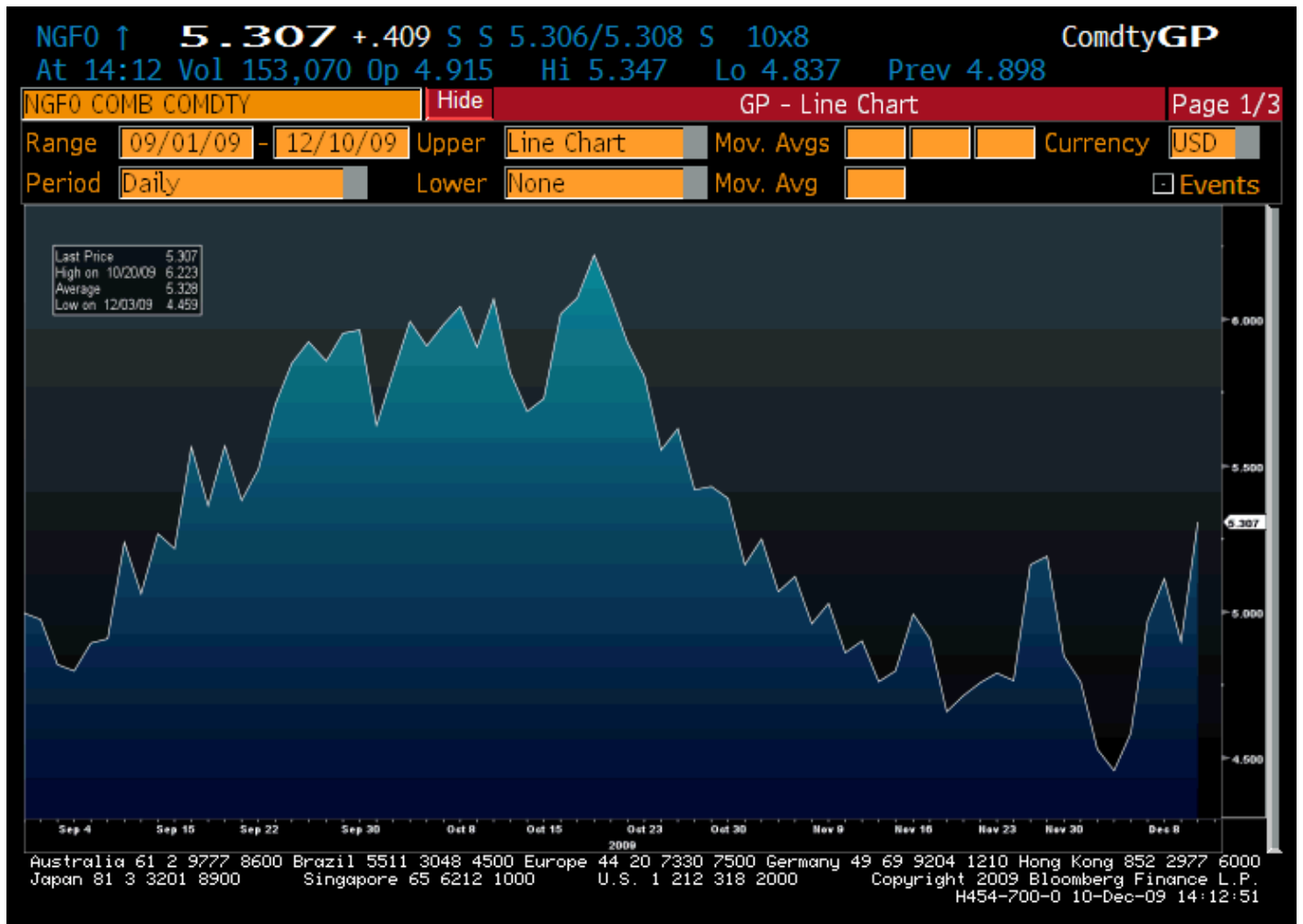
NG – closing the gap? Ever since natural gas prices peaked in October, we had seen a freefall in prices of almost \$2.00/dkt, putting even further pressure on the spread between nat gas and heating oil, with utilities taking full advantage of

the big price discrepancy. Since bottoming in early December (12/3), natural gas prices have moved up by almost \$1.00/dkt, while heating oil prices have meandered lower. There is still a sizable gap, but should we continue to see cold weather out West, and sizable withdrawals of natural gas, we can (hopefully) continue to ebb away at that economic disadvantage.

-OPEC meeting around the corner. Although there is STILL talk about seeing the oil cartel

increase their production levels/quotas, the “roar” that was heard with crude oil hitting \$80/bbl., has quieted substantially. Most importantly, the OPEC members continue to claim that their job is to keep the world supplied with oil, not to manage the price of that oil (yes, no one believes them!!). However, with abundant oil inventories sitting idle, it is kind of hard to make a compelling argument that the world need MORE supply. **AFC East. Things are getting interesting!**

January Natural Gas Futures.



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