

THE ANGUS ENERGY REPORT

http://www.angusenergy.com
e-mail pbaratz@angusenergy.com

March 24, 2010
Written by Philip J. Baratz, C.T.A.

Post Inventory prices		HEATING OIL (APR)	GASOLINE-RBOB (APR)	NATURAL GAS (APR)	CRUDE OIL (MAY)
Crude – 1.50 lower Products – Heat- 250 lower Gasoline – 350 lower Natural Gas - .03 lower	HIGH	2.1046	2.2664	4.160	82.20
	LOW	2.0683	2.2323	4.058	80.85
	SETTLE	2.1018	2.2628	4.130	81.91
	CHANGE	.0181	.0066	.051	.31
	14 DAY RSI	54	55	28	55
	5 DAY MA	2.1042	2.2770	4.153	82.05
	9 DAY MA	2.1002	2.2678	4.260	81.81
	14 DAY MA	2.0985	2.2678	4.365	81.81

D.O.E. stats.... Crude stocks rose 7.25 mmbbls., Distillate stocks fell 2.42 mmbbls., gasoline stocks fell 2.72 mmbbls. Refinery operations were at 81.1% of capacity, up 0.56%. Oil prices had been lower before the release of the D.O.E. data – on news not related to inventories – and the surprisingly large build in crude oil inventories took prices even lower, with crude oil moving temporarily back below \$80/bbl, before moving back to pre-report levels. For the moment, actual inventory levels have taken a back seat to other news, but remain “range bound”.

- Influence of Greece. Over the past few weeks, nothing seems to have impacted the price of oil more so than the soap-opera with regards to the Greek isle’s debt burden. After several weeks of seeing severe currency fluctuations – first European nations were offering a bailout, then they weren’t, then they were, then.... Finally (probably not, but the closest we have had to finality – today), the lack of support from some European nations, most notably, Germany, has driven Greece to make their “bailout request” of the IMF. The impact of today’s announcement is a

NYH Barge (est.)	NYMEX #2 Oil		NYMEX #2 Oil		Jan ‘11 futures
3/17/10	2.1265	3/17/10	2.1395	3/17/10	2.2884
3/18/10	2.1066	3/18/10	2.1191	3/18/10	2.2836
3/19/10	2.0667	3/19/10	2.0767	3/19/10	2.2425
3/22/10	2.0737	3/22/10	2.0837	3/22/10	2.2554
3/23/10	2.0918	3/23/10	2.1018	3/23/10	2.2648

further strengthening of the U.S. Dollar, as the Eurodollar is now at its lowest level in almost a year.

- Strong dollar is good for (lowering) oil prices. Historically, the weaker that the U.S. Dollar was, the higher the price of crude oil was – and vice-versa. As comforting as it may be vis-a-vie oil prices to see a strong dollar, we are still seeing oil prices hovering around \$80/bbl. The concern here is that if the rally in the Dollar stops (although some are anticipating continued strength until the Europeans put their financial house in order), we might see crude oil prices move up to even higher levels than we are seeing forecast. Considering that the U.S. economy is still very weak, and that – for heating oil dealers competing against Natural Gas utilities – competing fuels HAVE fallen in price, the current prices of petroleum products defy logic (yes, not the first time we have seen that). The question remains as to whether we will see “reality”

hit energy traders, and we will watch prices fall precipitously with an ever-weakening domestic economy, OR if we will see the anticipated economic turnaround, and see a mini-repeat of the spring and summer of 2008. Neither choice is particularly appealing, but we should all be aware of the extremes that might be ahead of us.

-Segue time. Many companies are well into the process of setting up (and executing) their hedging plans for next winter, and are starting to look at their program offerings and budgeting processes. This winters' weather volatility has raised concerns over hitting budget numbers, and caused many (we wish more!) to work as hard as they can to

manage street margins, and operating overhead. If you haven't started the planning and execution process, it is time to do so. If you haven't even thought about the budgeting process, and how to best approach it, you should probably pick up the phone and give us a call.

- If anything good has come from the extreme uncertainty that has become the norm in oil trading, it is that the \$75-\$85/bbl. range in crude oil (and \$1.90-\$2.20/gal. range in heating oil has lowered the trading volatility, and made the costing of some program hedges lower – certainly lower than 2 years ago, and still lower than last year – for now.

- Opening day is right in front of us!

Eurodollar (spot) value

