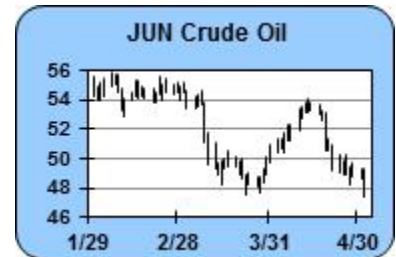




DAILY ENERGY COMPLEX COMMENTARY
 05/03/17

A mild rebound off weekly stocks numbers but bulls are weak

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE +31, HEATING OIL +117, UNLEADED GAS +247



CRUDE OIL MARKET FUNDAMENTALS: While crude oil saw some badly-needed relief from the US supply situation yesterday it will still need to get stronger signals that major producer output cuts will be officially extended in order for prices to avoid further downside action ahead. In fact with energy markets making a positive start yesterday and then finishing Tuesday's trading with a sizable loss that leaves technical conditions in the bear's favor. A report that Russian oil production fell during April provided some support as did talk that the Oil Producers Agreement will be extended but indications of friction between Saudi Arabia and Iran are expected to hamper negotiations that were expected to finish up by the May 25th OPEC meeting. Furthermore a sharp jump in Iranian product exports suggests that respect for the oil producer's agreement can still be undermined by other supply side issues. After the close, a major private survey showed that weekly US crude oil stocks fell by more than 4 million barrels and that has provided some short covering but we don't get the sense that the bull case is poised to come back into vogue for long off US weekly inventory results. Although crude oil stocks were expected to decline last week, the private result decline was larger than trade forecasts and could show US supplies may finally be starting to fall back from their multi-decade high levels. An issue that might support prices but may not be completely true is reports from Russia that their production cuts are exceeding their commitments.

PRODUCT MARKET FUNDAMENTALS: RBOB and heating oil remain near the bottom end of their recent downdrafts and have chart patterns that hardly illicit bullish psychology. However, the products have been able to put together a decent-sized rebound from this week's lows and that has to put some bears off balance to start today. While RBOB saw early short-covering in front of a key private survey released after the close yesterday, both product markets still ended up with sizable losses on Tuesday as well as reaching new lows for the move! The major private survey showed a draw in weekly gasoline stocks of nearly 2 million barrels, which was in contrast to expectations for a build of over 1 million while they showed a modest draw in distillates versus forecasts for a weekly build. Gasoline stocks remain fairly high, but will also start to feel downward pressure from the summer driving season that will begin in a few weeks. Chances of a temporary low sit directly with the need for a decline in crude oil and gasoline stocks from the EIA.

Weekly EIA Petroleum Estimates - Week Ending 4/28/2017 - In Million Barrels

	High Estimate	Low Estimate	Stocks Last Week	Stocks Change Last Week
Crude Oil	-2.1	-2.5	528.7	-3.6
Distillates	0.9	0.5	150.9	2.7
Gasoline	1.5	1.1	241	3.4

NATURAL GAS: The National Weather Service 6-10 day and 8-14 day forecasts continue to point to below-

normal temperatures through May 15th in the eastern half of the country, deferring any potential cooling demand and providing very limited residual heating demand. Highs in Chicago on May 6th could be 53 degrees Fahrenheit, which is 14 degrees below normal. Natural gas inventories totaled 2,189 bcf as of April 21st, which is 16% above the five year average. Early estimates for Thursday's weekly gas storage report are looking for a 50 to 68 bcf injection versus the five year average of a 63 bcf injection. June natural gas continued with a weaker tone after Monday's outside day lower close. Yesterday's trade saw the market settle in the lower third of the range with momentum waning. The slow stochastics are getting ready to cross over pointing down, indicating a sell signal. The managed money traders continue to hold a net 180,810 contract long position as of April 25th. A close below the 50 day (\$3.158) and 200 day (\$3.156) moving averages could spark long liquidation. Close-in resistance is at \$3.217, followed by \$3.250.

TODAY'S MARKET IDEAS:

While energy prices have benefited from the private survey results yesterday afternoon, remember that today's EIA crude oil numbers may not be in-line with the major private survey and crude oil and gasoline stocks will in the end still remain close to multi-year high levels. Unless there are clearer signs of an Oil Producers Agreement extension, better US/Chinese growth prospects and a general decline in US inventories later this morning the recovery rally in energy prices may run out of steam fairly quickly. Near-term resistance for June crude oil is at \$48.59 while support is seen at \$47.66. Near-term resistance for June heating oil is at \$1.4890 while near-term resistance for June RBOB is at \$1.5540.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

OTHER ENERGY CHARTS:



ENERGY COMPLEX TECHNICAL OUTLOOK:

Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

CRUDE OIL (JUN) 05/03/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market is in a bearish position with the close below the 2nd swing support number. The next downside target is 46.03. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 48.55 and 49.88, while 1st support hits today at 46.63 and below there at 46.03.

HEATING OIL (JUN) 05/03/2017: Daily stochastics are trending lower but have declined into oversold territory. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside target is 142.99. With a reading under 20, the 9-day RSI indicates the market is extremely oversold. The next area of resistance is around 149.36 and 152.56, while 1st support hits today at 144.58 and below there at 142.99.

RBOB GAS (JUN) 05/03/2017: Momentum studies are declining, but have fallen to oversold levels. The market's short-term trend is negative as the close remains below the 9-day moving average. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is now at 147.79. The 9-day RSI under 20 suggests the market is extremely oversold. The next area of resistance is around 153.91 and 156.88,

while 1st support hits today at 149.37 and below there at 147.79.

NATURAL GAS (JUN) 05/03/2017: The close under the 40-day moving average indicates the longer-term trend could be turning down. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market's close below the 9-day moving average is an indication the short-term trend remains negative. It is a slightly negative indicator that the close was under the swing pivot. The next upside target is 3.300. The next area of resistance is around 3.233 and 3.300, while 1st support hits today at 3.139 and below there at 3.111.

DAILY TECHNICAL STATISTICS

	CLOSE	9 DAY RSI	14 DAY RSI	14 DAY SLOW STOCH D	14 DAY SLOW STOCH K	4 DAY M AVG	9 DAY M AVG	18 DAY M AVG	45 DAY M AVG	60 DAY M AVG
ENERGY COMPLEX										
CLAM7	47.59	23.21	29.78	17.79	10.86	48.68	49.27	51.08	50.87	51.76
CLAN7	47.91	22.92	29.63	17.71	10.96	49.02	49.62	51.42	51.21	52.08
HOAM7	146.97	15.20	24.52	14.47	7.25	1.49	1.53	1.58	1.57	1.59
HOAN7	147.67	15.03	24.18	14.09	6.71	1.50	1.54	1.59	1.58	1.60
RBAM7	151.63	12.76	20.74	10.74	5.41	1.54	1.59	1.66	1.66	1.69
RBAN7	152.00	12.40	20.46	10.82	5.05	1.54	1.59	1.66	1.66	1.68
NGAM7	3.186	43.53	46.54	36.79	38.53	3.23	3.22	3.25	3.19	3.17
NGAN7	3.265	44.61	47.49	38.40	40.53	3.31	3.30	3.33	3.26	3.24

Calculations based on previous session. Data collected 05/02/2017

Data sources can & do produce bad ticks. Verify before use.

DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
ENERGY COMPLEX						
CLAM7	Crude Oil	46.02	46.62	47.95	48.55	49.88
CLAN7	Crude Oil	46.36	46.95	48.27	48.86	50.18
HOAM7	Heating Oil	142.98	144.57	147.77	149.36	152.56
HOAN7	Heating Oil	143.71	145.29	148.47	150.04	153.23
RBAM7	RBOB Gas	147.78	149.36	152.33	153.91	156.88
RBAN7	RBOB Gas	148.09	149.68	152.72	154.31	157.35
NGAM7	Natural Gas	3.110	3.138	3.205	3.233	3.300
NGAN7	Natural Gas	3.191	3.218	3.284	3.311	3.377

Calculations based on previous session. Data collected 05/02/2017

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