



DAILY ENERGY COMPLEX COMMENTARY

Thursday May 04, 2017

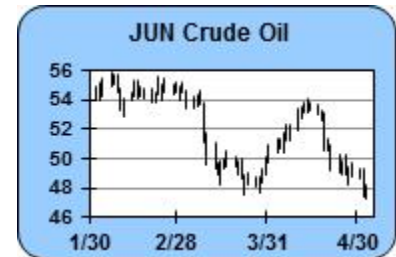
DAILY ENERGY COMPLEX COMMENTARY

05/04/17

Fresh tech damage & a lack of supply fears favors the bears

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE -59, HEATING OIL -191, UNLEADED GAS -323

CRUDE OIL MARKET FUNDAMENTALS: Energy prices had a bumpy ride yesterday, and were unable to regain a footing this morning. While the EIA crude stocks reading showed a decline (as did a major private survey earlier in the week), the 930,000 barrel drop in the EIA figures sparked a disappointment washout. However, we would suggest that the private survey did show a decline of nearly 2 million barrels earlier this week and there has also been developing pattern of declining US stocks (albeit small declines) and that should help cushion prices, as prices have already come down sharply over the last month. In fact, seeing crude oil stocks come down during a slack seasonal demand period for gas is also somewhat impressive. Furthermore, the refinery operating rate is running strong as the refiners are building summer product supplies to meet demand, and that is surely helping crude stocks trickle lower. Another issue that should serve to provide a measure support to crude oil prices this morning is news that "global air passenger miles" in March increased by nearly 7%. However, Crude stocks at 527.7 million barrels are the highest ever for this week. EIA crude stocks fell 930,000 barrels and are 15.677 million barrels above year ago levels. Also, crude stocks stand 116.913 million barrels above the five year average. Crude oil imports for the week stood at 8.264 million barrels per day compared to 8.912 million barrels the previous week. The refinery operating rate was 93.30% down, 0.80% from last week but compared to just 89.70% last year and the five year average of 89.26%.



PRODUCT MARKET FUNDAMENTALS: Yesterday gasoline stocks rose by less than expected, while distillates stocks fell versus expectations of a sizable build. While it might be premature to suggest that this week's low of puts prices closer to a low zone, the net spec and fund long in the gasoline market probably remains high enough to fuel ongoing long liquidation. However, the net spec and fund has probably come down significantly with the \$0.16 per gallon decline since the last positioning report was measured. However in the wake of a very active US refinery operating rate, it is likely that gasoline stocks and other products stocks will show signs of expanding in the weeks ahead. Fortunately for the bull camp, the summer demand season is looming and retail/distribution players are moving supplies into position. We would also suggest that gasoline is not only oversold technically, but it appears to have found some form of value zone around the \$1.50 level. On the other hand, in the face of an extremely disappointing US nonfarm payroll report at the end of the week, it is possible that gasoline and other physical commodities might be temporarily pulled below their equilibrium values. EIA gasoline stocks rose 191,000 barrels and are 563,000 barrels below last year and 20.230 million above the five year average. Average total gasoline demand for the past four weeks was down 2.72% compared to last year. Gasoline imports came in at 693,000 barrels per day compared to 916,000 barrels the previous week. EIA distillate stocks fell 562,000 barrels and stand at 6.624 million barrels below last year and 22.337 million above the five year average. Distillate imports came in at 112,000 barrels per day compared to 54,000 barrels the previous week. Average total distillate demand for the past four weeks was up 3.33% compared to last year. Heating oil stocks at 9.38 million barrels is the lowest for this week since 2015. EIA heating oil stocks fell 265,000 barrels and are 2.620 million barrels below last year and 6.065 million below the five year average.

CRUDE OIL	Stocks				Imports	Refinery Capacity(%)	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
4/28/2017	527.772	-0.93	15.677	410.859	8.264	93.3	89.7
DISTILLATES	Stocks				Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
4/28/2017	150.355	-0.562	-6.624	128.018	0.112	4.256	3.946
GASOLINE	Stocks				Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
4/28/2017	241.232	0.191	-0.563	221.002	0.693	9.156	9.502

NATURAL GAS: June natural gas rebounded yesterday after two consecutive lower closes to start out the week. The average estimate for today's inventory report is looking for stockpiles to increase by 55 to 61 bcf compared to the five year average increase of 63 bcf. Inventories have totaled 2,189 bcf as of April 21st which is 16% above the five year average. The weather remains benign, with below normal temperatures confined to the Northeast from May 9th to the 17th. June natural gas closed higher yesterday but still in a consolidating type trade. With the market already loaded with speculative length and going into a period with storage increases expected until cooling demand really kicks in, more sideways to lower action could be seen. Resistance is at \$3.248 followed by \$3.311 with support at \$3.123.

TODAY'S MARKET IDEAS:

Unfortunately for crude oil bulls, the June crude contract made a fresh lower low for the move yesterday and it has forged yet another downside extension this morning. While demand for crude oil remains because of the strong US refinery operating rate (the rate did decline from the prior week) and the market appears to have grown weary of waiting for an extension of the Oil Producers Agreement. In fact, a large portion of the trade probably anticipates an extension but since that won't become reality until May 23rd there is little reason to checkup prices off of that force. Support and an initial pivot point today in June crude oil is seen at \$46.95 and then again down at \$46.30. However, traders should be extremely watchful of this week's lows as we think the net spec and fund long has been cut by nearly 1/3rd by the current washout.

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) 05/04/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. 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 lower than the pivot swing number. The next downside target is 46.78. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 48.11 and 48.63, while 1st support hits today at 47.19 and below there at 46.78.

HEATING OIL (JUN) 05/04/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. 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 lower than the pivot swing number. The next downside target is now at 144.25. Selling may soon dry up since the RSI is under 20 indicating the market is extremely oversold. The next area of resistance is around 148.66 and 150.28, while 1st support hits today at 145.64 and below there at 144.25.

RBOB GAS (JUN) 05/04/2017: Daily stochastics are trending lower but have declined into oversold territory. The market's short-term trend is negative as the close remains below the 9-day moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is now at 148.98. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 154.57 and 156.45, while 1st support hits today at 150.83 and below there at 148.98.

NATURAL GAS (JUN) 05/04/2017: The market now above the 40-day moving average suggests the longer-term trend has turned up. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's short-term trend is positive on the close above the 9-day moving average. The daily closing price reversal up on the daily chart is somewhat positive. The market has a slightly positive tilt with the close over the swing pivot. The next upside target is 3.270. The next area of resistance is around 3.250 and 3.270, while 1st support hits today at 3.192 and below there at 3.155.

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	47.65	23.47	30.01	15.01	9.20	48.37	48.94	50.84	50.72	51.65
CLAN7	48.02	23.43	29.92	14.85	9.13	48.70	49.28	51.17	51.05	51.96
HOAM7	147.15	17.46	25.70	11.80	6.67	1.48	1.52	1.58	1.57	1.59
HOAN7	147.79	18.74	26.31	11.66	6.80	1.49	1.52	1.58	1.57	1.60
RBAM7	152.70	20.09	25.09	9.09	6.07	1.53	1.57	1.65	1.66	1.69
RBAN7	153.00	23.42	27.27	9.57	7.05	1.53	1.58	1.65	1.65	1.68
NGAM7	3.221	48.34	49.40	38.93	42.34	3.23	3.21	3.24	3.20	3.17
NGAN7	3.301	49.86	50.55	40.45	44.55	3.31	3.30	3.32	3.27	3.24

Calculations based on previous session. Data collected 05/03/2017

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	46.77	47.18	47.70	48.11	48.63
CLAN7	Crude Oil	47.14	47.55	48.06	48.48	48.98
HOAM7	Heating Oil	144.24	145.64	147.26	148.66	150.28
HOAN7	Heating Oil	145.01	146.34	147.92	149.24	150.82
RBAM7	RBOB Gas	148.97	150.83	152.71	154.57	156.45
RBAN7	RBOB Gas	149.44	151.22	153.00	154.78	156.56
NGAM7	Natural Gas	3.154	3.192	3.212	3.250	3.270
NGAN7	Natural Gas	3.235	3.272	3.293	3.330	3.351

Calculations based on previous session. Data collected 05/03/2017

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