



DAILY ENERGY COMPLEX COMMENTARY

Friday May 05, 2017

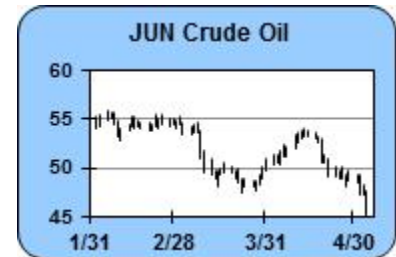
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05/05/17

The market is technically much closer to being washed out

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE +1, HEATING OIL +142, UNLEADED GAS +63

CRUDE OIL MARKET FUNDAMENTALS: With a huge range down failure in crude oil and unleaded gas yesterday and again overnight, we suspect part of the selling was the result of capital and margin liquidation pressures. In fact with a quasi-deflationary environment in place this week and the market disappointed in comments that greater production cut levels were not likely from the producers that should mean the bear camp retains a lot of ammunition. Adding into the bearish headline avalanche in the energy complex this week were increases in weekly Amsterdam, Rotterdam and Antwerp (ARA) gasoline stocks, gas oil stocks, jet fuel stocks and Naphtha stocks which suggests a slight oversupply in European markets. While the energy market failed to benefit from a Texas refinery problem, fresh economic warfare developments from Russia toward the Ukraine with a halt in gas exports, and it also failed to benefit from a definitive washout in the Dollar, a big range down washout and stellar recovery this morning gives significant credence to the argument that the washout has technically run its course. However, news that Chinese refined oil exports for last year were up by more than 33% over the prior year, a deflationary environment, and a "mere" extension of the production restraint program, makes a definitive recovery problematic. We do think the record spec and fund long in crude oil has been reduced by more than one third from its peak because of the last four week's high to low slide of \$9.00.



PRODUCT MARKET FUNDAMENTALS: As mentioned already, the gasoline and heating oil markets were clearly helped lower by the extensive weakness in crude oil prices yesterday but also because of the rise in weekly Amsterdam, Rotterdam and Antwerp product stock levels. We also think that gasoline prices deserve to track lower because of a relatively high US refinery rate, the slack seasonal demand period and also because of significant levels of physical supplies moving within the marketing chain toward ultimate sales points ahead of the upcoming driving season. Surprisingly the market discounted news of trouble at a Texas refinery but that speaks to the dominating status of the bear case. We would caution fresh sellers of the gasoline market as the 56,000 contract net spec long from the last COT report should be moderated significantly as a result of the 30 cent decline in prices since April 12th.

NATURAL GAS: Inventories rose by 67 bcf to 2,256 bcf last week versus the average estimate of a 62 bcf increase and the five year average of an increase of 63 bcf. Stockpiles are now 15.5% above the five year average and have risen more than normal for a third straight week. Over the last four weeks, natural gas storage has increased 205 bcf. The temperatures in the Northeast will continue to be below normal from May 9th to the 17th according to the National Weather Service 6-10 and 8-14 day outlooks. The benign weather will continue to push for large builds in the coming weeks. June natural gas weakened with the sharp sell-off in crude and petroleum markets. In fact, there was a definite risk off attitude in most commodities yesterday. June natural gas closed just above the 50 day moving average at \$3.173 and the longer term 200 day moving average at \$3.158. With the managed money trader category still holding a net long of 180,000 contracts a close below the moving averages should spark some long liquidation. Pullback retracement support is seen at \$3.119 followed by \$3.048.

EIA Natural Gas Storage Report Summary

In Billion Cubic Feet

Week Of	Week Change	Total Storage	Change From Last Year	4 Week Combined Weekly Change	Percent Change vs 5 Year Average	Percent Change vs 10 Year Average
4/28/2017	67	2256	-359	205	15.5%	25.0%

TODAY'S MARKET IDEAS:

As mentioned already, the net spec and fund long in both crude oil and gasoline should be moderated significantly in the wake of the last 30 days washout in prices. However the presence of a deflationary environment and the lack of a threat of even more production restraint is a bearish cocktail for prices. We do think the declines in the prior session and overnight are overdone and that the technical condition of the market has now become balanced and oversold at the same time but there might not be support in crude oil for another dollar off the weekly charts. Unleaded gasoline on the other hand has violated the 2017 lows and might not have support for another 1.5 cents.

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) 05/05/2017: 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. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next downside target is 43.51. With a reading under 20, the 9-day RSI indicates the market is extremely oversold. The next area of resistance is around 46.65 and 48.43, while 1st support hits today at 44.19 and below there at 43.51.

HEATING OIL (JUN) 05/05/2017: Momentum studies are declining, but have fallen to oversold levels. The close below the 9-day moving average is a negative short-term indicator for trend. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside target is 135.96. With a reading under 20, the 9-day RSI indicates the market is extremely oversold. The next area of resistance is around 144.29 and 149.01, while 1st support hits today at 137.77 and below there at 135.96.

RBOB GAS (JUN) 05/05/2017: Daily stochastics are trending lower but have declined into oversold territory. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The close below the 2nd swing support number puts the market on the defensive. The next downside target is now at 142.82. Selling may soon dry up since the RSI is under 20 indicating the market is extremely oversold. The next area of resistance is around 151.13 and 155.14, while 1st support hits today at 144.97 and below there at 142.82.

NATURAL GAS (JUN) 05/05/2017: The close below the 40-day moving average is an indication the longer-term

trend has turned down. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market's short-term trend is negative as the close remains below the 9-day moving average. The daily closing price reversal down puts the market on the defensive. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next upside objective is 3.290. The next area of resistance is around 3.238 and 3.290, while 1st support hits today at 3.150 and below there at 3.113.

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	45.42	16.64	23.37	12.44	6.68	47.44	48.49	50.44	50.51	51.51
CLAN7	45.80	16.83	23.51	12.46	7.10	47.81	48.84	50.79	50.86	51.83
HOAM7	141.03	11.95	19.57	9.56	4.82	1.46	1.50	1.56	1.56	1.59
HOAN7	141.80	12.07	19.63	9.42	4.94	1.47	1.51	1.57	1.57	1.60
RBAM7	148.05	17.11	21.95	8.30	6.07	1.51	1.56	1.63	1.65	1.68
RBAN7	148.36	17.02	21.90	8.39	6.03	1.52	1.56	1.63	1.65	1.68
NGAM7	3.194	44.82	47.22	39.75	40.69	3.21	3.22	3.24	3.20	3.17
NGAN7	3.279	44.68	47.33	40.68	41.15	3.29	3.30	3.31	3.27	3.23

Calculations based on previous session. Data collected 05/04/2017

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	43.51	44.19	45.97	46.65	48.43
CLAN7	Crude Oil	43.90	44.58	46.34	47.02	48.78
HOAM7	Heating Oil	135.95	137.76	142.48	144.29	149.01
HOAN7	Heating Oil	136.82	138.60	143.22	145.00	149.62
RBAM7	RBOB Gas	142.82	144.97	148.98	151.13	155.14
RBAN7	RBOB Gas	143.36	145.38	149.32	151.34	155.28
NGAM7	Natural Gas	3.112	3.149	3.201	3.238	3.290
NGAN7	Natural Gas	3.206	3.239	3.286	3.319	3.366

Calculations based on previous session. Data collected 05/04/2017

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