



DAILY ENERGY COMPLEX COMMENTARY

Monday May 08, 2017

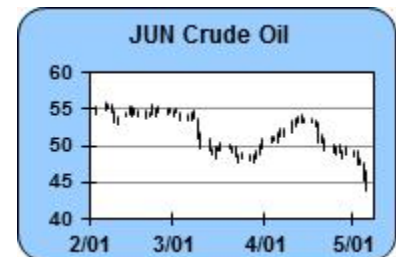
DAILY ENERGY COMPLEX COMMENTARY

05/08/17

Crude might see \$46.00 as a critical junction in prices

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE +4, HEATING OIL +73, UNLEADED GAS +92

CRUDE OIL MARKET FUNDAMENTALS: With a high to low slide last week of \$5.56, early strength in the dollar last week and a lack of respect for extending the production cut agreement quickly, energy prices took a deserved beating last week. With part of the decline in prices seen from renewed fears of excess US supply, three days of rate hike fears and less than expected declines in US crude oil inventory stocks, the negative bias in prices had a number of origins. In fact an issue that might serve to limit further recovery action in crude oil prices this week is yet another increase in the rig operating count as that measure has now seen 16 straight weeks of new drills operating. Even more damaging to the bull case is the fact that operating rigs are getting close to doubling versus levels one year ago. Furthermore, reports overnight that Chinese oil imports in April fell by 9% when compared to the record March imports should disappoint some traders. An offset to the 16 straight weeks of increased driller activity is the fact that falling prices appear to be slowing the number of new rigs coming into operation each week and it would not be surprising to see new rigs operating dissipate with nearby prices briefly dropping below \$44. However, going forward the market has seen a distinct improvement in macroeconomic sentiment, which in turn should stimulate better global energy demand views especially with the dollar finishing last week fully on its backside. In fact, one should not underestimate the positive benefits of improving demand views especially if the strong US data pattern from last Thursday and Friday combines with more new all-time highs in equities this morning as industrial commodities could come back into vogue in the eyes of the funds. However, potential buying fuel for crude oil could be limited by an ongoing generally overbought condition by the spec and fund players. In the bulls defense the net long positioning from its all-time high to the most recent COT report reading has seen the funds liquidate 128,000 contracts and that liquidation level is clearly understated as the crude oil market at times late last week was as much as four dollars per barrel below the level where the COT report was calculated. In conclusion, last week's massive spike down washout might have exhausted the sellers and the market might have found some value. The Commitments of Traders Futures and Options report as of May 2nd for Crude Oil showed Non-Commercial and Non-reportable combined traders held a net long position of 475,621 contracts.



PRODUCT MARKET FUNDAMENTALS: Like the crude oil market, the gasoline market ranged down sharply last week with a high to low slide of nearly \$0.10 a gallon. In addition to negative spillover from crude oil, there has been slack seasonal demand news and an extremely high refinery operating rate which is probably serving to flood the marketing channel ahead of the summer driving season. We do suspect that summer gasoline demand is likely to rise above year ago levels with gasoline prices this year sitting moderately below commensurate levels at the beginning of last summer's driving season. Another issue that might help to firm up last week's low as a key low is the fact that Chinese fuel exports in April declined. With the addition of last week's late washout on the charts the RBOB market might have temporarily saw the smallest net long positioning since 2014 and that could signal a technical bottom. Furthermore, the gasoline market might be seen as the least overbought sector of the energy complex as we enter this week. As in crude oil, the gasoline market needs ongoing weakness in the dollar, positive leadership from crude oil and an ongoing improvement in US economic sentiment. The Commitments of Traders Futures and Options report as of May 2nd for Gasoline (RBOB) showed Non-Commercial and Non-reportable combined traders held a net long position of 41,630 contracts. This represents a decrease of 14,911 contracts in the net long position held by these traders but that decrease might be understated due to the extension of the washout in the final 3 sessions last week. The Commitments of Traders Futures and Options

report as of May 2nd for Heating Oil showed Non-Commercial and Non-reportable combined traders held a net long position of 16,501 contracts. This represents a decrease of 24,422 contracts in the net long position held by these traders.

NATURAL GAS: We suspect that part of the gains in the natural gas market late last week were the result of a reversal of long crude oil/short natural gas spec plays, but it is also likely that improved economic data last Thursday and Friday provided some fresh speculative buying on the prospect of improving natural gas demand. Unfortunately for the bull camp, the US added 7 gas rigs for the latest week and the prospect of heating demand is only expected to increase for a short period of time off colder than normal temps. While we can't deny a temporary probe back above \$3.30 in June natural gas we see little reason for the market to move outside of a wide trading range bound by \$3.13 and \$3.165 off current fundamentals. The Commitments of Traders Futures and Options report as of May 2nd for Natural Gas showed Non-Commercial and Non-reportable combined traders held a net long position of 53,483 contracts. This represents an increase of 26,527 contracts in the net long position held by these traders. As indicated already, there does not appear to be the fundamentals to justify an upside extension from last week's late gains. In fact with the natural gas market recently posting a net spec and fund long in excess of 53,000 contracts, one could conclude that natural gas is overbought and without enough reserve buying fuel to take out last week's high of \$3.313.

TODAY'S MARKET IDEAS:

We suspect that the selloff in the energy complex has run its course. However, the magnitude of potential near term gains is seriously hindered by absolute supply and residual damage to bullish psychology from last week's pummeling. Short-term technical parameters are significantly oversold and recovery back to the underside of the March and April trading range of \$47.58 could be seen in June crude oil. Similar corrective capacity in RBOB is seen up at \$1.5820 but a more logical corrective point might be seen closer-in at \$1.5530. We see critical support in June crude oil at the beginning of this week at \$45.52 with similar critical pivot point support in RBOB seen at \$1.5141.

NEW RECOMMENDATIONS:

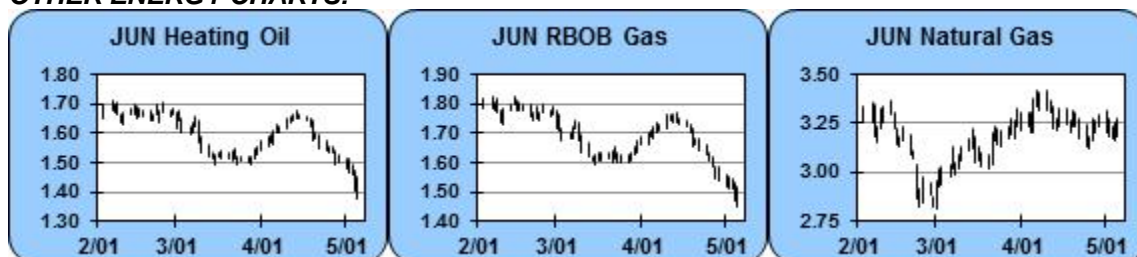
None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 4/25/2017 - 5/2/2017							
	Non-Commercial		Net Position	Commercial		Non-Reportable	
	Net Position	Weekly Net Change		Weekly Net Change	Net Position	Weekly Net Change	
Energies							
Crude Oil	429,219	-27,474	-475,621	+7,544	46,402	+19,930	
Heating Oil	14,352	-17,052	-16,500	+24,423	2,149	-7,370	
Natural Gas	21,388	+24,286	-53,483	-26,527	32,095	+2,241	
Gas (RBOB)	41,206	-10,624	-41,630	+14,911	424	-4,287	

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) 05/08/2017: The crossover up in the daily stochastics is a bullish signal. The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. A negative signal for trend short-term was given on a close under the 9-bar moving average. The daily closing price reversal up on the daily chart is somewhat positive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside target is 48.75. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 47.90 and 48.75, while 1st support hits today at 44.98 and below there at 42.91.

HEATING OIL (JUN) 05/08/2017: The daily stochastics gave a bullish indicator with a crossover up. The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The market's short-term trend is negative as the close remains below the 9-day moving average. The upside closing price reversal on the daily chart is somewhat bullish. With the close over the 1st swing resistance number, the market is in a moderately positive position. The near-term upside target is at 150.95. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 148.66 and 150.95, while 1st support hits today at 140.78 and below there at 135.19.

RBOB GAS (JUN) 05/08/2017: The daily stochastics have crossed over up which is a bullish indication. Daily stochastics are showing positive momentum from oversold levels, which should reinforce a move higher if near term resistance is taken out. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The upside daily closing price reversal gives the market a bullish tilt. A positive setup occurred with the close over the 1st swing resistance. The next upside target is 156.11. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 154.41 and 156.11, while 1st support hits today at 148.01 and below there at 143.30.

NATURAL GAS (JUN) 05/08/2017: The cross over and close above the 40-day moving average is an indication the longer-term trend has turned positive. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The intermediate trend could be turning up with the close back above the 18-day moving average. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next upside target is 3.345. The next area of resistance is around 3.319 and 3.345, while 1st support hits today at 3.225 and below there at 3.157.

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	46.44	28.28	31.10	13.63	15.70	46.86	48.20	50.06	50.36	51.39
CLAN7	46.83	25.89	29.41	13.24	14.81	47.17	48.51	50.39	50.70	51.70
HOAM7	144.72	28.53	30.62	10.95	13.52	1.45	1.49	1.55	1.56	1.58
HOAN7	145.37	28.15	30.28	10.59	12.93	1.46	1.50	1.56	1.57	1.59
RBAM7	151.21	29.62	30.45	9.53	11.93	1.51	1.54	1.62	1.65	1.68
RBAN7	151.53	29.68	30.53	9.55	11.86	1.51	1.55	1.62	1.64	1.67
NGAM7	3.272	55.19	53.49	43.32	51.27	3.22	3.23	3.23	3.21	3.16
NGAN7	3.356	56.15	54.33	45.13	54.01	3.30	3.31	3.31	3.28	3.23

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

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	42.91	44.98	45.83	47.90	48.75
CLAN7	Crude Oil	43.29	45.37	46.20	48.28	49.11
HOAM7	Heating Oil	135.19	140.78	143.07	148.66	150.95
HOAN7	Heating Oil	136.24	141.59	143.80	149.15	151.36
RBAM7	RBOB Gas	143.29	148.00	149.70	154.41	156.11

RBAN7	RBOB Gas	143.76	148.38	150.05	154.67	156.34
NGAM7	Natural Gas	3.157	3.225	3.251	3.319	3.345
NGAN7	Natural Gas	3.250	3.313	3.335	3.398	3.420

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

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