



DAILY ENERGY COMPLEX COMMENTARY

Tuesday May 09, 2017

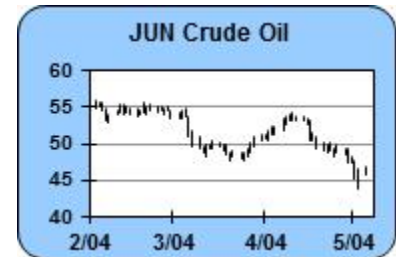
DAILY ENERGY COMPLEX COMMENTARY

05/09/17

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

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE +15, HEATING OIL +43, UNLEADED GAS +102

CRUDE OIL MARKET FUNDAMENTALS: After taking out the Friday high, June crude oil yesterday fell back and was content to waffle around both sides of unchanged for most of the trading session and the market is showing similar indecisive action this morning. Perhaps the energy trade was disappointed in the lack of follow-through macroeconomic optimism from the better than expected US April non-farm payrolls, especially since that positive news was followed by the passing of French election anxiety. Clearly the energy complex has become less impressed and less sensitive to oil producer promises of an extension of the oil production cut deal as Saudi Arabia yesterday indicated the potential for an extension of the deal to the end of this year (maybe even into 2018), and yet energy prices failed to benefit from that news. Some players even think that producers will have to raise their restraint efforts just to provide support to June crude oil prices above the \$46.00 level. Another issue taking away from the bull case to start this week was the restart of a Port Arthur, Texas refinery following its shutdown late last week, and perhaps even more important is the fact that April crude imports into China fell back sharply from their record levels in the prior month. However, energy prices should see the negative Chinese crude import headline counter-veiled by evidence that the first four months of 2017 still saw Chinese crude imports increase by 12.5% over the same period last year. While both WTI and Brent crude oil have seen their massive net spec and fund long positions reduced since early February, one can hardly suggest that those positions are mostly liquidated. It goes without saying that the trade today will once again dredge up the fear of rising crude oil inventories from both private readings today and public weekly reporting sources on Wednesday. In conclusion, without a stellar forward global economic view and a fresh supply-side incident, we have to leave the path of least resistance pointing downward.



PRODUCT MARKET FUNDAMENTALS: Like the crude oil market, the gasoline market managed to climb back above Friday's high but instead it managed to spend a large measure of the Monday trade in positive territory. Therefore, one might conclude that the early May low is some form of value zone especially with news that Indian air travel is expanding and exports of jet fuel from India is expected to decline. However the restart of a troubled Texas refinery and strength in the dollar certainly creates some overhead resistance for both gasoline and heating oil. On the other hand, one might have expected the product markets to have benefited more from news that Chinese April fuel exports declined by 25% versus the prior month as that could allow for a slight tightening of global fuel stocks into the US summer driving season. Unfortunately, a moderately high US refinery operating rate would seem to ensure the normal rebuilding of products stocks ahead of the summer driving season kickoff at the end of this month. It should also be noted that gasoline managed the gains in the prior two trading sessions on fairly soft volume and a decline in open interest which in turn could suggest a lack of bullish resolve. Issues that might provide some minimal support to product prices today are the slight firming of refinery margins in Europe, and hope that European consumer sentiment and energy demand can recover now that the French election has passed.

NATURAL GAS: June natural gas fell to the lowest level since April 25th, trading down to a low of \$3.140 and settling down 2.9% at \$3.172 yesterday. A mild and unseasonably cool start to the spring season is limiting air conditioning demand leaving stockpiles above normal. The 6-10 day forecast has below normal temperatures for

the East Coast and Southeast for May 14th-18th. The 8-14 day forecast does begin to warm up beyond May 20th. The managed money trader category increased their net long by 24,454 contracts to a record 205,264 contracts as of May 2nd. The volume of the July NYMEX \$3.00 put options was double the normal average with potential hedge put buying by the trend following longs seen. The market has been in a sideways to lower trade over the last ten trading sessions with the market closing below 100 day moving average (\$3.243) and the 50 day moving average at (\$3.185). A close below the 200 day moving average at \$3.160 could start a liquidation phase. The slow stochastics have also crossed over pointing lower and indicating waning momentum. Initial support is seen at \$3.109 followed by \$3.048.

TODAY'S MARKET IDEAS:

The producer production cut threats are basically old news to the market and there will probably be a return of US inventory supply fears again into weekly data flows over the coming 2 trading sessions. We suggest that traders look to sell \$0.50 recoveries in crude oil as we think supply fears are likely to dominate over demand hopes for the coming 2 days. However, it is possible that last week's lows were made off an overstatement of the bear case, especially with respect to anemic demand. At least in the short-term, we see critical support above the washout lows from last week at the \$45.29 level. Critical pivot point support in June unleaded gasoline today is seen at even numbers of \$1.50 with an extremely critical pivot point on the downside seen at \$1.4812.

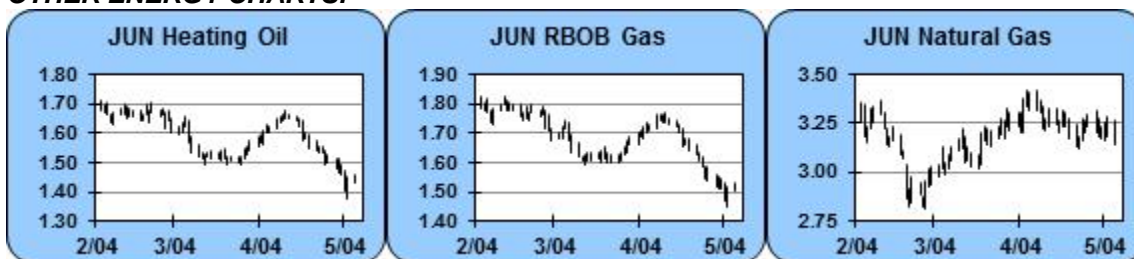
NEW RECOMMENDATIONS:

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) 05/09/2017: 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 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 upside objective is 47.66. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 47.10 and 47.66, while 1st support hits today at 45.86 and below there at 45.17.

HEATING OIL (JUN) 05/09/2017: Daily momentum studies are on the rise from low levels and should accelerate a move higher on a push through the 1st swing resistance. A negative signal for trend short-term was given on a close under the 9-bar moving average. The close over the pivot swing is a somewhat positive setup. The near-term upside objective is at 148.20. The next area of resistance is around 147.35 and 148.20, while 1st support hits today at 144.41 and below there at 142.31.

RBOB GAS (JUN) 05/09/2017: The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The market's close below the 9-day moving average is an indication the short-term trend remains negative. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside objective is 154.63. The next area of resistance is around 153.55 and 154.63, while 1st support hits today at 150.74 and below there at 148.99.

NATURAL GAS (JUN) 05/09/2017: 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 close below the 18-day moving average is an indication the intermediate-term trend has turned down. The swing indicator gave a moderately negative reading with the close below the 1st support number. The near-term upside objective is at 3.317. The next area of resistance is around 3.245 and 3.317, while 1st support hits today at 3.121 and below there at 3.068.

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	46.48	29.04	31.53	15.60	20.16	46.51	47.83	49.64	50.19	51.26
CLAN7	46.88	28.87	31.37	15.56	20.19	46.88	48.17	49.99	50.53	51.57
HOAM7	145.88	33.64	34.03	13.34	19.15	1.45	1.48	1.54	1.55	1.58
HOAN7	146.47	31.48	32.44	12.66	17.74	1.45	1.48	1.55	1.56	1.59
RBAM7	152.15	33.36	32.96	11.58	16.33	1.51	1.53	1.61	1.64	1.67
RBAN7	152.39	33.22	32.92	11.56	16.23	1.51	1.53	1.61	1.64	1.67
NGAM7	3.183	44.65	46.75	43.39	44.19	3.22	3.23	3.23	3.21	3.16
NGAN7	3.266	44.08	46.54	44.79	44.82	3.30	3.31	3.31	3.28	3.23

Calculations based on previous session. Data collected 05/08/2017

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	45.16	45.85	46.41	47.10	47.66
CLAN7	Crude Oil	45.54	46.24	46.81	47.51	48.08
HOAM7	Heating Oil	142.30	144.40	145.25	147.35	148.20
HOAN7	Heating Oil	142.95	145.02	145.85	147.92	148.75
RBAM7	RBOB Gas	148.99	150.73	151.81	153.55	154.63
RBAN7	RBOB Gas	149.23	150.97	152.06	153.80	154.89
NGAM7	Natural Gas	3.067	3.120	3.192	3.245	3.317
NGAN7	Natural Gas	3.158	3.206	3.277	3.325	3.396

Calculations based on previous session. Data collected 05/08/2017

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

***This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Opinions expressed are subject to change without notice. Any information or recommendation contained herein: (i) is not based on, or tailored to, the commodity interest or cash market positions or other circumstances or characterizations of particular investors or traders; (ii) is not customized or personalized for any such investor or trader; and (iii) does not take into consideration, among other things, risk tolerance, net worth, or available risk capital. Any use or reliance upon the information or recommendations is at the sole discretion and election of the subscriber. The risk of loss in trading futures contracts or commodity options can be substantial, and traders should carefully consider the inherent risks of such trading in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of Lakefront Futures is strictly prohibited.