



## DAILY ENERGY COMPLEX COMMENTARY

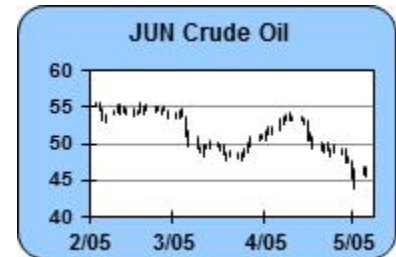
Wednesday May 10, 2017

### DAILY ENERGY COMPLEX COMMENTARY

05/10/17

**A temporary bounce unless EIA crude draw is big**

**OVERNIGHT CHANGES THROUGH 6:06 AM (CT):**  
**CRUDE +52, HEATING OIL +102, UNLEADED GAS +63**



**CRUDE OIL MARKET FUNDAMENTALS:** Chart action in the energy complex has generally been poor this week, and that action seems to be indicative of further downside potential ahead. Fortunately the bull camp was blessed with news of a 5.8 million barrel decline in US crude oil stocks yesterday afternoon from the API. Unfortunately the bulls have also seen news that Libya would see its daily production rise to 800,000 barrels per day but that was in some ways countervailed by an upward revision of roughly 40,000 barrels per day in an EIA US oil demand forecast for 2017. Perhaps the benefit of the upwardly revised EIA 2017 US demand forecast was also tempered by news from the EIA that 2017 US crude oil production was expected to be up by 90,000 barrels per day versus an earlier forecast. Another issue that leaves the market flat-footed this week is an EIA forecast that world oil demand "growth" would largely remain unchanged from their initial forecast of an annual world oil demand expansion of demand of 1.63 million barrels per day over 2016 levels. Our summarization of the current oil market focus is that US production gains are currently being only partially offset by production restraint from international producers, and that leaves fear of burgeoning supplies in place. In fact news overnight suggests that Russia is increasing exports to India in a move that appears to be making up for reduced Middle East supply flow and that could spark talk that Russia is not complying with the agreement. While cyclical growth in world oil demand as a result of forward progress in the global economy could swing the world oil supply and demand balance in favor of the bull camp, production in the US appears to be rising faster than evidence of expanding demand. Other issues that leave crude oil prices vulnerable are strength in the Dollar, renewed US rate hike fears and a lack of interest in physical commodities by the funds. If one adds in fresh chart damage and little in the way of support in June crude oil until the \$45 level, it is difficult to call for an end to the May slide.

**PRODUCT MARKET FUNDAMENTALS:** Like the crude oil market, the gasoline market freshly damaged charts yesterday and is facing the prospect of selling from a risk-off vibe early today. While the US dollar strength has less of an impact on gasoline and heating oil prices, that issue combined with EIA forecasts of moderating retail gas prices leaves the bear camp with some ammunition today. A residual pressure on gasoline and heating oil prices is a second day of fears of increased product cargoes flowing from West Africa into the European market. Another issue that should restrict the initial rally bias is news of an increase in API gasoline stocks yesterday afternoon of 3.2 million barrels. As if the fundamental news facing the product markets wasn't bad enough, the trade also saw a forecast overnight from "Euroilstock" calling for a significant increase in European refinery intake last month and that might signal a jump in European product stocks ahead. Given the fresh failure yesterday there might be little in the way of significant support until \$1.4683 basis the June gasoline contract. A closer in pivot point in the June gas contract could be seen at \$1.4812.

#### Weekly EIA Petroleum Estimates - Week Ending 5/5/2017 - In Million Barrels

	High Estimate	Low Estimate	Stocks Last Week	Stocks Change Last Week
Crude Oil	-1.6	-2	527.8	-0.9

Distillates	-0.8	-1.2	150.4	-0.6
Gasoline	-0.3	-0.7	241.2	0.2

**NATURAL GAS:** June natural gas rebounded yesterday and settled more than 1.5% higher on the day. It is clear that prices this morning have extended the positive track with a bid above the prior days high and we suspect the market is seeing some support from average estimates for Thursday's inventory report that are looking for an injection of 55 bcf compared to the five year average of a 73 bcf increase. Weaker than normal injections for early May is probably the result of temperatures in the Southeast region jumping 4 degrees to an average of 75.3 degrees Fahrenheit. The EIA raised the 2017 U.S. natural gas price estimate to \$3.17 compared to last month's \$3.10 estimate according to the agency's Short Term Energy Outlook. July natural gas traded inside yesterday's range with the market topping out at the 100 day moving average at \$3.241. Yesterday saw a third consecutive day of lower highs within a well-defined sideways pattern. With managed money net length at 205,264 contracts, a close below the 200 day moving average at \$3.161 could spark several days of liquidation. Trend line resistance is at \$3.275 with support at \$3.119 followed by \$3.048.

**TODAY'S MARKET IDEAS:**

As indicated already, we think the path of least resistance remains down in crude oil and the product markets. Clearly the sharp slide in US crude oil inventories from the API is giving the market its lift this morning but without confirmation of declining inventories from the EIA later this morning the rally might dissipate rather quickly. Certainly there are some signs of improved demand but the supply situation continues to dominate. We do acknowledge the significant leveling of the spec long with the April and May slide, but those levels do not suggest to us that the technical condition is balanced already. Critical support in June crude oil today comes in down at \$45.69, and it could take a close back above \$46.78 to effectively shut off the 1 1/2 month downtrend pattern. The fact that the EIA raised its 2017 US production growth again clearly offsets a large portion of the increase in global oil demand growth. As we indicated yesterday, a quick bottom in crude oil probably requires a fresh geopolitical supply threat from the Middle East or a surprise suggestion from the producers that output reductions could be increased.

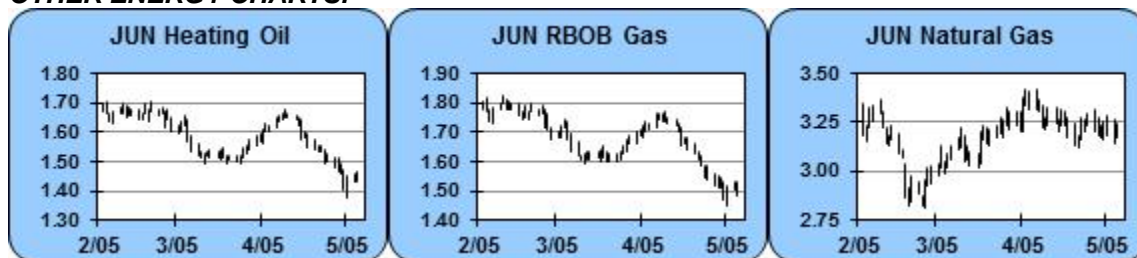
**NEW RECOMMENDATIONS:**

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) 05/10/2017: 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The next upside objective is 47.29. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 46.55 and 47.29, while 1st support hits today at 45.31 and below there at 44.80.

HEATING OIL (JUN) 05/10/2017: 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 downside closing price reversal on the daily chart is somewhat negative. It is a slightly negative indicator that the close was under the swing pivot. The near-term upside target is at 148.01. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 145.92 and 148.01, while 1st support hits today at 142.54 and below there at 141.24.

RBOB GAS (JUN) 05/10/2017: 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 outside day down and close below the previous day's low is a negative signal. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next upside objective is 154.40. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 151.29 and 154.40, while 1st support hits today at 146.75 and below there at 145.31.

NATURAL GAS (JUN) 05/10/2017: A bullish signal was given with an upside crossover of the daily stochastics. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. 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 target is at 3.286. The next area of resistance is around 3.254 and 3.286, while 1st support hits today at 3.182 and below there at 3.141.

## 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
<b>ENERGY COMPLEX</b>										
CLAM7	45.93	26.01	29.33	17.90	22.64	46.03	47.41	49.22	50.00	51.10
CLAN7	46.33	26.07	29.29	17.93	22.69	46.40	47.76	49.56	50.35	51.42
HOAM7	144.23	29.88	31.37	16.20	22.20	1.44	1.47	1.53	1.55	1.57
HOAN7	144.84	28.97	30.66	15.41	20.93	1.44	1.47	1.54	1.56	1.58
RBAM7	149.02	27.54	28.88	13.04	16.28	1.50	1.52	1.59	1.64	1.67
RBAN7	149.49	27.40	28.82	13.02	16.24	1.50	1.52	1.59	1.63	1.66
NGAM7	3.218	49.21	49.55	43.40	44.63	3.21	3.22	3.23	3.21	3.16
NGAN7	3.306	51.13	51.03	46.47	49.84	3.30	3.30	3.31	3.28	3.23

Calculations based on previous session. Data collected 05/09/2017

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

## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>ENERGY COMPLEX</b>						
CLAM7	Crude Oil	44.79	45.30	46.04	46.55	47.29
CLAN7	Crude Oil	45.18	45.70	46.43	46.95	47.68
HOAM7	Heating Oil	141.23	142.53	144.62	145.92	148.01
HOAN7	Heating Oil	141.89	143.19	145.19	146.49	148.49
RBAM7	RBOB Gas	145.30	146.74	149.85	151.29	154.40
RBAN7	RBOB Gas	145.84	147.29	150.24	151.69	154.64
NGAM7	Natural Gas	3.140	3.181	3.213	3.254	3.286
NGAN7	Natural Gas	3.229	3.271	3.299	3.340	3.369

Calculations based on previous session. Data collected 05/09/2017

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