



# DAILY ENERGY COMPLEX COMMENTARY

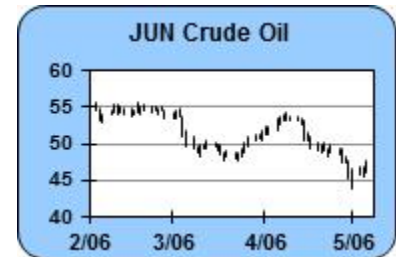
Thursday May 11, 2017

## DAILY ENERGY COMPLEX COMMENTARY

05/11/17

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

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):  
CRUDE +65, HEATING OIL +159, UNLEADED GAS +232**



**CRUDE OIL MARKET FUNDAMENTALS:** The magnitude of the run-up in crude oil prices yesterday and again this morning is somewhat surprising given that the trade was already anticipating a large decline in US crude oil stocks from the EIA weekly report on Wednesday. In fact, the market had already seen some recovery action off the API crude stocks decline but apparently the trade now sees last week's lows as too cheap for conditions. Adding into the bullish tilt in energy prices from this week's EIA report was news that US crude oil imports declined, news that Saudi Arabia would reduce shipments of oil into Asia and the reality that the largest international oil supplier (Saudi Arabia) is living up to its production cut promise. While we can understand a measure of short covering buying following the steep selloff at the beginning of May, and we also concede to some fresh buying off the sharp inventory declines, we have to think that the energy market has largely overreacted to a slightly tighter supply condition within the US especially since OPEC overnight expressed concern of rising oil supply this year from its competitors (meaning the US). In fact, US crude stocks still stand at 522.5 million barrels and that is still the highest tally ever for this week. On the other hand, EIA crude stocks did fall by 5.247 million barrels and that was the 6th straight week of inventory declines. In the bear's defense, crude oil remains 14.03 million barrels above year ago levels and crude stocks stand 112.335 million barrels above the five year average. Furthermore, the refinery operating rate was 91.50% down, 1.80% from last week and compared to 89.10% last year and the five year average of 89.08% and should mean that the pull on crude stocks is starting to level out with the industry seemingly completing its efforts to build gasoline stocks into the Memorial Day summer driving season kick off.

**PRODUCT MARKET FUNDAMENTALS:** Certainly the rally yesterday in the gasoline market was largely led from the action in crude oil prices. We do think that part of the gains in product prices yesterday were the result of the extreme oversold condition put in place by the April and May beating of prices. Furthermore, EIA gasoline stocks did fall by 150,000 barrels and they are now only 518,000 barrels above last year but they also remain 20.7 million above the five year average. It should be noted that China overnight lowered retail gasoline prices as that could stimulate the economy and in turn stimulate gasoline imports. An issue arguing against a continued sharp rise in gasoline prices today is the fact that average total gasoline demand for the past four weeks was down 2.45% compared to last year. Gasoline imports came in at 953,000 barrels per day compared to 693,000 barrels the previous week. Some might argue that distillates might have a better post report setup as EIA distillate stocks on the week fell 1.58 million barrels and they now stand 6.5 million barrels below last year. However, distillate stocks are 1.5 million above the five year average and distillate imports came in at 115,000 barrels per day compared to 112,000 barrels the previous week. Average total distillate demand for the past four weeks was down 0.73% compared to last year. Heating oil stocks at 9.195 million barrels is the lowest for this week since 2015 EIA heating oil stocks fell 185,000 barrels and are 2.215 million barrels below last year and 6.479 million below the five year average.

Weekly EIA Petroleum Report		In Million Barrels	
CRUDE OIL	Stocks	Imports	Refinery Capacity(%)

Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
5/5/2017	522.525	-5.247	14.038	410.19	7.62	91.5	89.1
<b>DISTILLATES</b>	<b>Stocks</b>				<b>Imports</b>	<b>Demand</b>	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
5/5/2017	148.768	-1.587	-6.564	127.229	0.115	4.139	4.014
<b>GASOLINE</b>	<b>Stocks</b>				<b>Imports</b>	<b>Demand</b>	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
5/5/2017	241.082	-0.15	0.518	220.331	0.953	9.408	9.658

**NATURAL GAS:** June natural gas traded to a high of \$3.349 yesterday, which is the highest level since April 10th. The market surged on news that federal regulators will limit new drilling along some segments of the \$4.2 billion Rover pipeline, expectations of a smaller than normal weekly injection later today and perhaps because of news that China is moving to restrict imports of low quality coal as that might increase their demand for natural gas and that might also increase the cost of competitive coal relative to gas. The Fed move to limit drilling follows a request by Ohio regulators to review spills of drilling fluid and other environmental violations related to the construction of the line. The average estimate for today's EIA natural gas inventory report is an increase of only 55 bcf compared to the five year average of a 73 bcf increase. Inventories totaled 2,256 bcf on April 28th which is 16% above the five year average. July natural gas surged higher on Wednesday closing above trendline resistance at \$3.268. The market found support at the 50 day moving average of \$3.198 early yesterday and rallied on the possible delay in starting the new pipeline. Look for support against the 100 day moving average at \$3.240 with a possible test of the recent high at \$3.422 in the near term.

**TODAY'S MARKET IDEAS:**

As suggested already, we don't see a complete upward shift in the trend to the upside off a surprise single week decline in crude oil inventories. However, an extreme oversold condition into this month's lows and the fact that crude stocks have declined for six straight weeks has probably pushed some shorts to the sidelines at the same time that some fresh buyers have moved back into position. A normal recovery retracement off the steep April and May washout targets a near term bounce up to \$1.5720 in June gasoline and a bounce to the 50% retracement in June crude oil of \$48.95. It should be noted that the initial retracement point in June crude oil contract at \$47.72 was taken out already and that speaks of a bigger technical upside recovery.

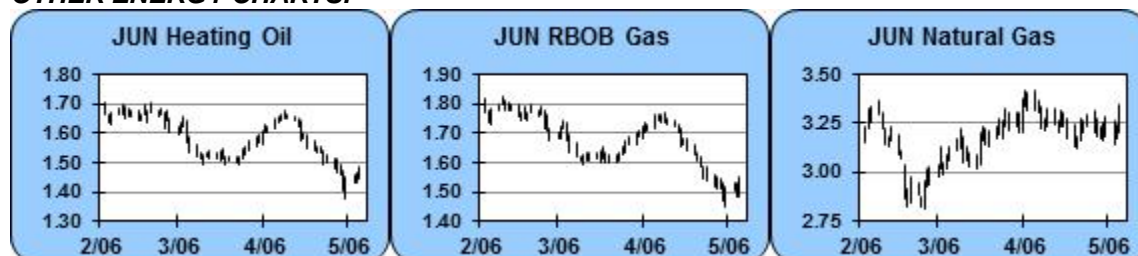
**NEW RECOMMENDATIONS:**

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) 05/11/2017: Momentum studies are trending higher from mid-range, which should support a

move higher if resistance levels are penetrated. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next upside objective is 48.87. The next area of resistance is around 48.19 and 48.87, while 1st support hits today at 46.43 and below there at 45.34.

HEATING OIL (JUN) 05/11/2017: Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. A positive signal for trend short-term was given on a close over the 9-bar moving average. With the close over the 1st swing resistance number, the market is in a moderately positive position. The near-term upside objective is at 151.44. Daily studies suggest buying dips today. The next area of resistance is around 149.84 and 151.44, while 1st support hits today at 145.40 and below there at 142.57.

RBOB GAS (JUN) 05/11/2017: The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The market's short-term trend is positive on the close above the 9-day moving average. The outside day up and close above the previous day's high is a positive signal. A positive setup occurred with the close over the 1st swing resistance. The next upside objective is 160.13. Consider buying pull-backs since daily studies are bullish. The next area of resistance is around 157.85 and 160.13, while 1st support hits today at 150.68 and below there at 145.78.

NATURAL GAS (JUN) 05/11/2017: The upside crossover (9 above 18) of the moving averages suggests a developing short-term uptrend. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The cross over and close above the 18-day moving average is an indication the intermediate-term trend has turned positive. The market setup is supportive for early gains with the close over the 1st swing resistance. The near-term upside objective is at 3.423. The next area of resistance is around 3.350 and 3.423, while 1st support hits today at 3.204 and below there at 3.130.

## 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	47.31	41.75	39.85	22.14	30.76	46.46	47.22	48.86	49.85	50.99
CLAN7	47.68	41.98	40.01	22.31	31.05	46.85	47.58	49.22	50.20	51.31
HOAM7	147.62	42.79	40.33	20.72	29.78	1.45	1.46	1.52	1.55	1.57
HOAN7	148.16	42.29	39.86	19.76	28.46	1.46	1.47	1.52	1.55	1.58
RBAM7	154.27	44.38	40.90	16.55	23.64	1.51	1.52	1.58	1.63	1.66
RBAN7	154.60	43.45	40.25	16.45	23.32	1.52	1.52	1.58	1.63	1.66
NGAM7	3.277	55.50	53.69	47.29	54.06	3.24	3.23	3.23	3.22	3.16
NGAN7	3.364	56.36	54.51	50.18	57.58	3.32	3.31	3.31	3.29	3.23

Calculations based on previous session. Data collected 05/10/2017

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	45.33	46.42	47.10	48.19	48.87
CLAN7	Crude Oil	45.74	46.81	47.47	48.54	49.20
HOAM7	Heating Oil	142.56	145.40	147.00	149.84	151.44
HOAN7	Heating Oil	143.19	145.98	147.54	150.33	151.89
RBAM7	RBOB Gas	145.77	150.67	152.95	157.85	160.13
RBAN7	RBOB Gas	146.52	151.21	153.29	157.98	160.06
NGAM7	Natural Gas	3.129	3.203	3.276	3.350	3.423
NGAN7	Natural Gas	3.223	3.295	3.362	3.433	3.500

Calculations based on previous session. Data collected 05/10/2017

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