



DAILY ENERGY COMPLEX COMMENTARY

Friday May 12, 2017

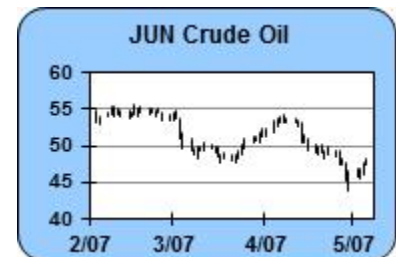
DAILY ENERGY COMPLEX COMMENTARY

05/12/17

The market is now short term overbought

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE -14, HEATING OIL +6, UNLEADED GAS +9

CRUDE OIL MARKET FUNDAMENTALS: The energy complex had a number of supportive developments in Thursday's trading, but a potential oil worker strike in Nigeria and troubles with Angola's oil exports might help to sustain the positive track in prices today. Other issues that might lend support to energy prices going forward were indications that Amsterdam, Rotterdam and Antwerp (ARA) fuel oil and gasoline stocks fell on the week. In fact, fuel oil stocks fell by a sharp 25% apparently because of increased export flow. Another minor supportive development facing the market is evidence of stronger Dubai crude oil pricing which was supposedly the result of demand from China. In fact, it is becoming clear that Saudi shipment cuts to Asia are already serving to soak up supply from sources outside of OPEC. While weakness in equities might undermine sentiment somewhat today, favorable US retail sales and an uptick in US inflation readings might help facilitate bullish sentiment in a nondescript trade. From a technical perspective, the gains this week were not confirmed by sharp gains in volume but they were confirmed by a steady rise in open interest. It is also possible that favorable US and European data this week prompted some fresh buying but that buying resolver might be tested today if equities add to early losses.



PRODUCT MARKET FUNDAMENTALS: It probably goes without saying that the strength in gasoline prices in the second half of this week was largely the result of positive spillover strength in crude oil pricing. While jet fuel and naphtha stocks at Europe's Amsterdam, Rotterdam and Antwerp (ARA) hub increased on the week, gas oil, gasoline and fuel oil stocks declined and that should help to underpin some of the gains in prices over the last 48 hours. It is also possible that news of a reduction in Chinese retail gasoline pricing earlier this week will continue to lend support to gasoline futures going forward. However, from a technical perspective the recovery action in gasoline this week was not confirmed by a notable increase in volume but there was partial confirmation of this week's bullish action with a rise in open interest. Critical support in June unleaded today moves up to \$1.5422, and there might be little in the way of resistance until an old quasi-double high of \$1.5873.

NATURAL GAS: July natural gas traded to the highest level since April 7th on Thursday. The market found support off the EIA inventory report showing stockpiles increased by only 45 bcf last week versus analyst's estimates looking for a 55 bcf increase and compared to the five year average of a 73 bcf gain. This is the first lower than average inventory gain since early April and has the bull camp somewhat excited. Total inventories now stand at 2,301 bcf which is 14% above the five year average. The cushion over the five year average is tightening as last week we stood at 16% above the five year average. July natural gas has closed above the 100 day moving average of \$3.240 for the second consecutive day with the next upside target at \$3.422. A close above \$3.422 brings the Fibonacci retracement level of \$3.656 into play. Look for continued support against the 100 day moving average on any pullbacks. The slow stochastics have turned up and are in positive mode.

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
5/5/2017	45	2301	-372	240	13.6%	22.5%

TODAY'S MARKET IDEAS:

While there has been a tightening signal toward US oil inventory levels, this week's information might not justify anything more than a classic technical bounce from an oversold standing. On the other hand, there are signs of rising demand throughout the world and evidence that the US is capturing some of that demand with exports. Therefore, the six week consecutive decline in US crude oil inventories is not something to discount and it may help to firm up support in the June crude oil contract around the \$46.43 level. Some traders will suggest the rise above \$48 could project a follow-through up to \$50.

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) 05/12/2017: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The close above the 9-day moving average is a positive short-term indicator for trend. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside objective is at 48.67. The next area of resistance is around 48.25 and 48.67, while 1st support hits today at 47.37 and below there at 46.92.

HEATING OIL (JUN) 05/12/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. A positive signal for trend short-term was given on a close over the 9-bar moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside objective is at 151.11. The next area of resistance is around 150.20 and 151.11, while 1st support hits today at 148.00 and below there at 146.70.

RBOB GAS (JUN) 05/12/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's short-term trend is positive on the close above the 9-day moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside target is at 159.06. The next area of resistance is around 158.17 and 159.06, while 1st support hits today at 155.31 and below there at 153.33.

NATURAL GAS (JUN) 05/12/2017: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The close above the 9-day moving average is a positive short-term indicator for trend. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next upside target is 3.463. The next area of resistance is around 3.423 and 3.463, while 1st support hits

today at 3.309 and below there at 3.234.

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	47.81	46.27	43.08	28.18	40.19	46.86	47.06	48.57	49.78	50.88
CLAN7	48.16	46.51	43.25	28.37	40.51	47.25	47.43	48.93	50.13	51.20
HOAM7	149.10	47.55	43.78	26.51	38.17	1.47	1.46	1.51	1.54	1.57
HOAN7	149.69	46.89	43.18	25.40	36.75	1.47	1.47	1.52	1.55	1.58
RBAM7	156.74	50.50	45.56	21.98	33.12	1.53	1.52	1.57	1.63	1.66
RBAN7	156.79	49.25	44.65	21.81	32.52	1.53	1.52	1.57	1.63	1.66
NGAM7	3.366	63.21	59.13	55.48	70.22	3.26	3.24	3.23	3.23	3.17
NGAN7	3.450	63.85	59.83	58.36	72.91	3.35	3.32	3.32	3.30	3.24

Calculations based on previous session. Data collected 05/11/2017

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	46.91	47.37	47.79	48.25	48.67
CLAN7	Crude Oil	47.30	47.73	48.15	48.58	49.00
HOAM7	Heating Oil	146.69	147.99	148.90	150.20	151.11
HOAN7	Heating Oil	147.26	148.58	149.47	150.79	151.68
RBAM7	RBOB Gas	153.32	155.30	156.19	158.17	159.06
RBAN7	RBOB Gas	153.40	155.37	156.23	158.20	159.06
NGAM7	Natural Gas	3.233	3.308	3.348	3.423	3.463
NGAN7	Natural Gas	3.326	3.396	3.434	3.504	3.542

Calculations based on previous session. Data collected 05/11/2017

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