



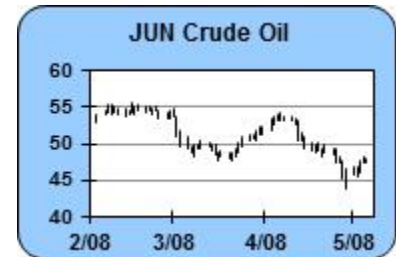
DAILY ENERGY COMPLEX COMMENTARY Monday May 15, 2017

DAILY ENERGY COMPLEX COMMENTARY 05/15/17

Apparently production cut extension is still supportive

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE +133, HEATING OIL +358, UNLEADED GAS +294**

CRUDE OIL MARKET FUNDAMENTALS: Apparently the stellar gains in crude oil prices last week have not put the market in an overbought condition as prices this morning have streaked higher and have reached the highest level since the end of April. Somewhat surprisingly the market appears to be feeding higher off renewed assertions that the oil producers reduction agreement will be extended. Given the magnitude of the April and May washout in crude prices we thought the oil producer cut extension would no longer serve to support prices. However the market has now seen an extended pattern of weekly crude stock declines with the most recent weekly decline much larger than expected. Given the massive washout, spike down and recovery back above the \$48 level one might suggest \$48 oil is indeed some form of equilibrium value. In other words, ongoing global growth and a slight reduction of international production is apparently enough to offset gradually rising US production. While the market saw some additional downside action in the early afternoon Friday trade in the wake of news that US drilling rigs in operation rose for the 17th straight week, the declines were clearly not that damaging to the charts. Not surprisingly, the US added 8 horizontal drills while gas drilling rigs actually declined. Until the pattern of declining US crude oil inventories is halted and or the global economic view is derailed. It is possible that June crude oil could make a bid to trade above the \$50 level. The trading range in June crude oil this week might be bound by \$47.55 on the downside and \$50.20 on the upside. The Commitments of Traders Futures and Options report as of May 9th for Crude Oil showed Non-Commercial and Non-reportable combined traders held a net long position of 411,250 contracts and since that represents a decrease of 64,371 contracts in the net long position the market is less concerned about the "overbought" threat".



PRODUCT MARKET FUNDAMENTALS: Despite some weakness in cash gasoline prices at the end of last week, July RBOB finished last week on a very strong note and it has extended the rally in a fashion that has to have the bear camp rocked back on their heels. In fact, July RBOB market this morning managed to reach up to the highest level since April 26th and that seriously extends the May recovery bid. From the May low, July RBOB has now seen a \$0.15 rally and that should leave the bear camp in control. Initial resistance in July unleaded is seen at \$1.6280. The Commitments of Traders Futures and Options report as of May 9th for Gasoline (RBOB) showed Non-Commercial and Non-reportable combined traders held a net long position of 23,807 contracts. This represents a decrease of 17,823 contracts in the net long position held by these traders. The Commitments of Traders Futures and Options report as of May 9th for Heating Oil showed Non-Commercial and Non-reportable combined traders held a net long position of only 7,851 contracts. This represents a decrease of 8,650 contracts in the net long position held by these traders.

NATURAL GAS: While the US added 8 horizontal drills last week, natural gas drilling rigs actually declined on the week and that partially justifies the range up extension of the last week. With the natural gas market also seeing a smaller than expected injection last week there is more than one bullish fundamental theme in place to start the new trading week. However, we now think the market is overbought from both a fundamental and technical perspective and without better economic vibes, spillover support from physical commodities in general and/or noted weakness in the dollar it could be difficult for June natural gas to maintain above \$3.40. In our opinion, the direct extension up in the natural gas market will have to be the product of something more significant than is

currently facing the market. Seeing smaller than normal "injections" and a lack of new drilling rigs is hardly justification for a sharp extension of a rally that has already gained over 20% off its February lows. Initial resistance today is seen at \$3.4310 and potentially very critical support is seen at \$3.368. The Commitments of Traders Futures and Options report as of May 9th for Natural Gas showed Non-Commercial and Non-reportable combined traders held a net long position of 53,716 contracts. This represents an increase of 233 contracts in the net long position held by these traders.

TODAY'S MARKET IDEAS:

We are somewhat surprised in the direction and magnitude of gains in the energy complex to start the new trading week. However the trade has apparently reconsidered the importance of a minor extension of the producer cut agreement. Some might suggest the energy markets have simply returned to economic value with the recovery of the last three weeks. After all US crude oil stocks are showing a pattern of consistent declines and the global economy appears to be moving forward. As suggested already critical support in June crude oil seems to have moved up above the \$47 level especially if the trade is convinced of an oil producer reduction deal extension later this month. Initial resistance in June crude oil might not be seen until the \$50 level whereas July gasoline might not see resistance until \$1.65. In fact, with the net spec and fund long in crude oil as of May 9th showing only 411,250 net longs the market is substantially less overbought that it was in early April.

NEW RECOMMENDATIONS:

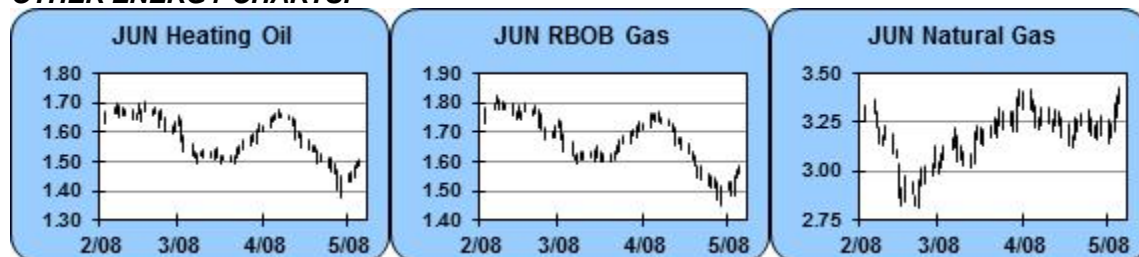
None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 5/2/2017 - 5/9/2017						
	Non-Commercial		Net Position	Commercial		Non-Reportable
	Net Position	Weekly Net Change		Weekly Net Change	Net Position	
Energies						
Crude Oil	387,606	-41,613	-411,250	+64,371	23,644	-22,758
Heating Oil	10,352	-4,000	-7,851	+8,649	-2,501	-4,650
Natural Gas	20,325	-1,063	-53,715	-232	33,391	+1,296
Gas (RBOB)	29,519	-11,687	-23,808	+17,822	-5,712	-6,136

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) 05/15/2017: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. 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 next upside objective is 48.52. The next area of resistance is around 48.26 and 48.52, while 1st support hits today at 47.54 and below there at 47.09.

HEATING OIL (JUN) 05/15/2017: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. 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 next upside target is 151.51. The next area of resistance is around 150.43 and 151.51, while 1st support hits today at 148.39 and below there at 147.44.

RBOB GAS (JUN) 05/15/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. 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 next upside objective is 160.21. The next area of resistance is around 159.38 and 160.21, while 1st support hits today at 156.74 and below there at 154.92.

NATURAL GAS (JUN) 05/15/2017: 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. The close over the pivot swing is a somewhat positive setup. The next upside objective is 3.482. The next area of resistance is around 3.453 and 3.482, while 1st support hits today at 3.373 and below there at 3.321.

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	47.90	47.09	43.65	34.67	47.61	47.24	46.95	48.30	49.73	50.77
CLAN7	48.22	46.70	43.38	34.80	47.65	47.60	47.32	48.65	50.08	51.09
HOAM7	149.41	48.59	44.52	32.98	46.03	1.48	1.46	1.50	1.54	1.57
HOAN7	150.00	48.08	44.04	31.82	44.67	1.48	1.47	1.51	1.55	1.57
RBAM7	158.06	53.65	47.97	28.89	43.21	1.54	1.52	1.57	1.63	1.66
RBAN7	157.85	51.94	46.70	28.61	42.21	1.54	1.53	1.57	1.63	1.65
NGAM7	3.413	66.63	61.68	64.25	80.79	3.33	3.26	3.24	3.23	3.17
NGAN7	3.482	67.34	62.46	67.21	83.80	3.41	3.35	3.33	3.30	3.24

Calculations based on previous session. Data collected 05/12/2017

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	47.08	47.54	47.80	48.26	48.52
CLAN7	Crude Oil	47.40	47.84	48.14	48.58	48.88
HOAM7	Heating Oil	147.43	148.38	149.47	150.43	151.51
HOAN7	Heating Oil	148.00	148.99	150.02	151.01	152.04
RBAM7	RBOB Gas	154.91	156.73	157.56	159.38	160.21
RBAN7	RBOB Gas	154.96	156.60	157.45	159.09	159.94
NGAM7	Natural Gas	3.320	3.372	3.401	3.453	3.482
NGAN7	Natural Gas	3.405	3.446	3.476	3.517	3.547

Calculations based on previous session. Data collected 05/12/2017

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