

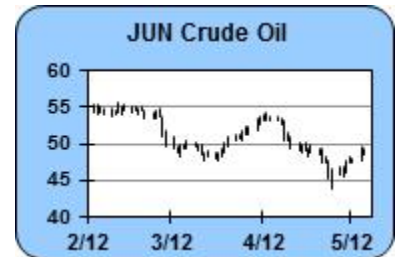


DAILY ENERGY COMPLEX COMMENTARY
 Wednesday May 17, 2017

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 05/17/17

Beware of falling objects

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE +19, HEATING OIL +66, UNLEADED GAS +29



CRUDE OIL MARKET FUNDAMENTALS: While the energy complex spent the early Tuesday trade in positive territory, the market was unable to consistently hold those gains and eventually waffled around both sides of unchanged levels as if a new trend direction was in the offing. We suggest the energy market has lost upside momentum, the market is overbought and the hope for a long term extension of the production cut scheme is mostly into prices already. In addition to the prospect of a risk-off vibe toward physical commodities in the wake of the US political flap, the energy complex also has to contend with reports yesterday that North Sea oil production showed a jump and it will also have to contend the fact that a private source yesterday afternoon posted an increase of 900,000 barrels in weekly crude oil inventories. With the average weekly US crude stocks decline (as reported by the EIA) over the last five weeks hinting at a decline of 2.6 million barrels in crude stocks this week and stocks rising by nearly 1 million barrels the trade has to be discouraged with the argument of "balancing". In fact the API numbers could put the 5-week EIA draw streak in jeopardy later today. All things considered, the bull camp really needs fresh bullish fundamental headlines to hope to extend the May bounce without a temporary setback down to solid support down of \$48.00. However it is possible that more significant declines in the Dollar and a China Oil purchase overnight could cushion but probably not prevent a dip in oil prices ahead. Perhaps more importantly for longer term considerations is the fact that Chinese May arrivals were noted overnight to be running 7% above the April arrivals but that could mean the Chinese have already secured needed supply!

PRODUCT MARKET FUNDAMENTALS: Like the crude oil market, the RBOB contract appears to have partially exhausted itself with the May run up, especially if crude oil provides less spillover support and specifically if crude oil and equities manage to pull down "commodities". A wave of fresh bearish fundamental news has been seen in the form of evidence that Russian gasoline exports were rising sharply and have achieved a significant surplus, that Japanese gasoline stocks have increased in the latest week and finally that gasoline output from Kazakhstan rose by 4.6% in the first four months of 2017. In short current developments tip the pendulum in favor of the bear camp. Furthermore we suspect that the net spec and fund long has re-built up since the last COT report was compiled and that could leave RBOB prices vulnerable to normal back and fill action. On the other hand, gasoline is getting close enough to the period of increased seasonal demand that it might be able to hold within relative proximity to the \$1.60 level in the event that the energy complex displays some weakness. A major private survey showed that weekly gasoline stocks fell by nearly double trade forecasts and that should help RBOB hold up better than crude in the face of a minor corrective dip ahead.

Weekly EIA Petroleum Estimates - Week Ending 5/12/2017 - In Million Barrels

	High Estimate	Low Estimate	Stocks Last Week	Stocks Change Last Week
Crude Oil	-2.1	-2.5	522.5	-5.2
Distillates	-1.1	-1.5	148.8	-1.6
Gasoline	-0.7	-1.1	241.1	-0.2

NATURAL GAS: June natural gas closed more than 3.5% lower yesterday and has given back most of last week's gains. The National Weather service 8 to 14 day forecast through May 29th has below normal temperatures which should keep demand for air conditioning limited. The EIA weekly gas storage report on Thursday is estimated to show an increase of 50 to 85 bcf for last week compared to the five year average of an injection of 87 bcf. With managed money traders holding a net long position of 217,864 contracts as of May 9th the market is vulnerable to long liquidation in the near term. July natural gas traded down to a low of \$3.216 just below the 50 day moving average at \$3.224 and the 100 day moving average at \$3.240. A second close below these moving averages could spark further speculative fund selling. The slow stochastics crossed over indicating waning momentum, and a test of the 200 day moving average at 3.169 cannot be ruled out. Pullback support is seen at \$3.169, followed by \$3.128.

TODAY'S MARKET IDEAS:

As suggested already, we think the energy complex is poised for a setback as it balances short term overbought technical conditions and looks for fresh bullish fundamental news to offset what could become very negative outside market influences. While the markets have surprised with their capacity to renew buying interest on repetitive stories like the production cut extension, the latest bump up off the prospect of a long term extension would seem to thoroughly price that fundamental influence. We are a little surprised to see oil prices holding together this morning in the face of negative economic vibes and unless EIA crude stocks post a decline and that offsets the negative news from the API yesterday afternoon, we have to return control to the bear camp. In conclusion the \$48.00 level in June crude oil should be a very important level into the EIA period later this morning.

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) 05/17/2017: Momentum studies are rising from mid-range, which could accelerate 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's close below the pivot swing number is a mildly negative setup. The next upside objective is 49.63. The next area of resistance is around 49.00 and 49.63, while 1st support hits today at 48.13 and below there at 47.88.

HEATING OIL (JUN) 05/17/2017: 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. The market has a slightly positive tilt with the close over the swing pivot. The next upside objective is 153.93. The next area of resistance is around 152.57 and 153.93, while 1st support hits today at 150.44 and below there at 149.66.

RBOB GAS (JUN) 05/17/2017: Momentum studies are rising from mid-range, which could accelerate 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. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside target is at 162.78. The next area of resistance is around 161.78 and 162.78, while 1st support hits today at 159.50 and below there at 158.21.

NATURAL GAS (JUN) 05/17/2017: The market back below the 40-day moving average suggests the longer-term trend could be turning down. The daily stochastics have crossed over down which is a bearish indication. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. The close below the 2nd swing support number puts the market on the defensive. The next downside target is now at 3.108. The next area of resistance is around 3.305 and 3.413, while 1st support hits today at 3.153 and below there at 3.108.

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	48.57	52.67	47.99	49.52	64.26	48.27	47.16	48.06	49.69	50.58
CLAN7	48.90	53.44	48.43	49.71	64.68	48.63	47.54	48.42	50.05	50.91
HOAM7	151.51	55.33	49.36	48.08	63.70	1.50	1.47	1.49	1.54	1.56
HOAN7	152.14	55.72	49.55	47.15	63.14	1.51	1.48	1.50	1.55	1.57
RBAM7	160.64	59.49	52.46	46.81	65.83	1.59	1.54	1.56	1.63	1.65
RBAN7	160.31	58.49	51.73	46.27	64.73	1.58	1.54	1.56	1.63	1.65
NGAM7	3.229	45.88	48.16	66.69	61.46	3.34	3.28	3.25	3.24	3.18
NGAN7	3.314	46.16	48.55	68.40	62.52	3.43	3.36	3.33	3.31	3.25

Calculations based on previous session. Data collected 05/16/2017

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	47.87	48.12	48.75	49.00	49.63
CLAN7	Crude Oil	48.23	48.47	49.08	49.32	49.93
HOAM7	Heating Oil	149.65	150.43	151.79	152.57	153.93
HOAN7	Heating Oil	150.50	151.16	152.45	153.11	154.40
RBAM7	RBOB Gas	158.20	159.49	160.49	161.78	162.78
RBAN7	RBOB Gas	157.94	159.16	160.22	161.44	162.50
NGAM7	Natural Gas	3.107	3.152	3.260	3.305	3.413
NGAN7	Natural Gas	3.201	3.242	3.345	3.386	3.489

Calculations based on previous session. Data collected 05/16/2017

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