



DAILY ENERGY COMPLEX COMMENTARY

Thursday May 18, 2017

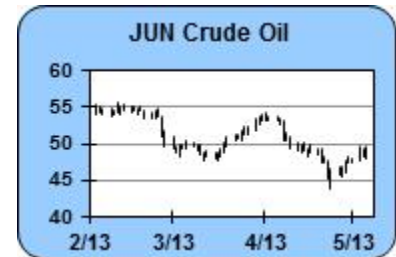
DAILY ENERGY COMPLEX COMMENTARY

05/18/17

We doubt slight support from EIA readings will support prices

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE -83, HEATING OIL -227, UNLEADED GAS -359

CRUDE OIL MARKET FUNDAMENTALS: In retrospect, the energy complex held up impressively yesterday in the face of what could have been a downward revision in energy demand expectations from the definitive deterioration of economic psychology. However, the markets were probably cushioned as a result of a six straight week of declining US crude oil inventories, another decline in gasoline stocks and a 1.9 million barrel decline in distillates stocks. While the market continues to benefit as a result of talk that the producer cut agreement will be extended until March of next year that news is countervailed this morning by ongoing global financial and economic turmoil. Another issue weighing on crude oil prices early today is reports that Saudi Arabia saw its March crude oil exports reach up to 7.23 million barrels per day. However, the bull camp could make the argument that significant declines in the US dollar are making US crude supply much cheaper to a broad collection of potential consumers worldwide. In other words, there are outside market forces that could help to pull out burdensome crude supplies onto the world market and that could firm up WTI relative to Brent crude oil. In the end it would appear that energy prices are now set to "catch a cold" from the carnage in US equities. Crude stocks at 520.772 million barrels is the highest ever for this week. EIA crude stocks fell 1.753 million barrels and are 10.9 million barrels above year ago levels. Also, crude stocks stand 112.19 million barrels above the five year average. Crude oil imports for the week stood at 8.59 million barrels per day compared to 7.62 million barrels the previous week. The refinery operating rate was 93.40% up, 1.90% from last week compared to 90.50% last year and the five year average of 89.40%.



PRODUCT MARKET FUNDAMENTALS: With the RBOB contract showing increased volatility yesterday but rejecting a lower probe in the face of negative spillover from US equity markets, it is possible the gas contract isn't as vulnerable as many might expect. However, gasoline stocks were expected to decline in the latest week, there are signs this morning of negative early action in crude oil prices and the charts in the RBOB have been damaged in the early going today. On the other hand implied gasoline demand notched higher yesterday and that provides some fundamental support for prices. While a pickup in seasonal demand is now in the windshield, some of that potential demand improvement is already factored in by the \$0.15 rally off the early May lows. It should also be noted that distillate stocks fell by nearly 2 million barrels and distillate stocks are 5 million barrels below year-ago levels. While we think nearby gasoline has found a value zone around \$1.60 it would be foolish to think the market will avoid some weakness in the event of an ongoing knockdown in the stock market. Gasoline stocks at 240.6 million barrels are the highest for this week since 2016. EIA gasoline stocks fell 413,000 barrels and are 2.601 million barrels above last year and 21.25 million above the five year average. Average total gasoline demand for the past four weeks was down 2.63% compared to last year. Gasoline imports came in at 696,000 barrels per day compared to 953,000 barrels the previous week. EIA distillate stocks fell 1.944 million barrels and stand at 5.338 million barrels below last year and 19.930 million above the five year average. Distillate imports came in at 161,000 barrels per day compared to 115,000 barrels the previous week. Average total distillate demand for the past four weeks was down 0.80% compared to last year. Heating oil stocks at 9.655 million barrels is the lowest for this week since 2015 EIA heating oil stocks rose 460,000 barrels and are 2.400 million barrels below last year and 6.271 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
5/12/2017	520.772	-1.753	10.975	408.581	8.59	93.4	90.5
DISTILLATES	Stocks				Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
5/12/2017	146.824	-1.944	-5.338	126.894	0.161	4.215	4.326
GASOLINE	Stocks				Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
5/12/2017	240.669	-0.413	2.601	219.414	0.696	9.452	9.755

NATURAL GAS: June natural gas traded down to low of \$3.165 yesterday but as able to rebound off the lows. The average estimate for today's inventory report is looking for stockpiles to increase by 60 to 70 bcf compared to the five year average of an 87 bcf increase. This would be the second straight below-normal gain in gas inventories during the shoulder season. Temperatures will continue to be below normal through the end of May in the Eastern and Central portions of the US. July natural traded down to the 200 day moving average at \$3.170 and found support after a 7.0% slide in prices since Monday morning. Today's inventory report will provide direction for the balance of the week as weak longs from last week have liquidated. Close-in support remains at the 200 day moving average at \$3.170 followed by the 50% Fibonacci retracement level of \$3.128.

TODAY'S MARKET IDEAS:

All things considered, the energy complex has held up impressively against significantly negative outside market forces. However, despite seeing weekly inventory data that was supportive for prices, it would be folly to think that energy prices will be immune from an extension of the US political crisis. Some might suggest the word crisis is an overstatement of US troubles, but markets typically assume the worst out of the box before the eventual outcome levels psychology. The ability to reject weakness early yesterday and an attempt to return to the \$50.00 level in July crude oil might help the bull camp stand up to the negative outside market tide this morning. However, we have been skittish all week long in suggesting that traders pay up for long crude positions closer to the \$50.00 mark than to the \$47.50 level. Classic internal fundamentals are supportive but energies don't trade in a vacuum.

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) 05/18/2017: 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 upside daily closing price reversal gives the market a bullish tilt. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside objective is at 50.35. The next area of resistance is around 49.73 and 50.35, while 1st support hits today at 48.27 and below there at 47.42.

HEATING OIL (JUN) 05/18/2017: Momentum studies are trending higher but have entered overbought levels. A positive signal for trend short-term was given on a close over the 9-bar moving average. The outside day up is a positive signal. A positive setup occurred with the close over the 1st swing resistance. The next upside target is 157.52. The next area of resistance is around 155.78 and 157.52, while 1st support hits today at 151.16 and below there at 148.27.

RBOB GAS (JUN) 05/18/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market tilt is slightly negative with the close under the pivot. The next upside objective is 163.66. The next area of resistance is around 161.84 and 163.66, while 1st support hits today at 158.34 and below there at 156.65.

NATURAL GAS (JUN) 05/18/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The close below the 9-day moving average is a negative short-term indicator for trend. The market's close below the pivot swing number is a mildly negative setup. The next downside target is 3.108. The next area of resistance is around 3.258 and 3.316, while 1st support hits today at 3.155 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	49.00	56.48	50.60	57.05	71.81	48.59	47.56	48.03	49.70	50.48
CLAN7	49.33	56.35	50.50	57.06	71.76	48.92	47.92	48.38	50.05	50.81
HOAM7	153.47	61.09	53.63	56.48	73.13	1.51	1.48	1.49	1.54	1.56
HOAN7	154.05	60.89	53.38	55.62	72.55	1.52	1.49	1.50	1.55	1.57
RBAM7	160.09	57.90	51.46	55.36	72.69	1.59	1.55	1.56	1.63	1.65
RBAN7	159.81	58.14	51.53	55.00	72.44	1.59	1.56	1.56	1.63	1.64
NGAM7	3.207	44.01	46.84	60.55	48.19	3.30	3.28	3.25	3.24	3.18
NGAN7	3.297	43.36	46.55	61.49	47.66	3.38	3.37	3.33	3.32	3.26

Calculations based on previous session. Data collected 05/17/2017

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	47.41	48.26	48.88	49.73	50.35
CLAN7	Crude Oil	47.74	48.59	49.21	50.06	50.68
HOAM7	Heating Oil	148.26	151.15	152.89	155.78	157.52
HOAN7	Heating Oil	149.01	151.81	153.49	156.29	157.97
RBAM7	RBOB Gas	156.64	158.33	160.15	161.84	163.66
RBAN7	RBOB Gas	156.40	158.07	159.87	161.54	163.34
NGAM7	Natural Gas	3.107	3.154	3.211	3.258	3.316
NGAN7	Natural Gas	3.205	3.248	3.301	3.344	3.397

Calculations based on previous session. Data collected 05/17/2017

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

***This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Opinions expressed are subject to change without notice. Any information or recommendation contained herein: (i) is not based on, or tailored to, the commodity interest or cash market positions or

other circumstances or characterizations of particular investors or traders; (ii) is not customized or personalized for any such investor or trader; and (iii) does not take into consideration, among other things, risk tolerance, net worth, or available risk capital. Any use or reliance upon the information or recommendations is at the sole discretion and election of the subscriber. The risk of loss in trading futures contracts or commodity options can be substantial, and traders should carefully consider the inherent risks of such trading in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of Lakefront Futures is strictly prohibited.