



DAILY ENERGY COMPLEX COMMENTARY

Friday May 19, 2017

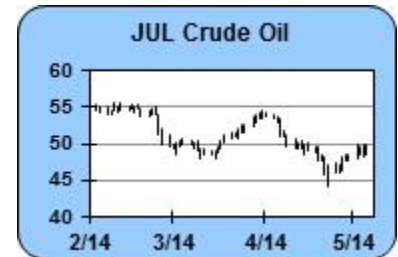
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05/19/17

The bulls start with control can they end with control?

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE +66, HEATING OIL +176, UNLEADED GAS +175

CRUDE OIL MARKET FUNDAMENTALS: Once again the crude oil market has performed admirably in the wake of lingering geopolitical uncertainty and at times in the face of carnage in global equity markets. Going forward the prospect of an even weaker US dollar ahead provides a cushion to crude as a falling currency adjusted price for US crude could make US supplies more attractive to foreign customers. Other issues that might support the energy complex this morning is news of strength in crude oil prices (both Dubai and Brent) in the wake of overnight buying from Chinaoil and news of a decline in Amsterdam, Rotterdam and Antwerp (ARA) gasoil weekly stocks. In fact, traders think the decline in European gas oil stocks is primarily the result of increased export demand. However, it could be difficult for nearby crude oil prices to rise sharply above the \$50.00 level in the wake of news in the prior trading session of an increase in export cargoes from both Nigeria and Saudi Arabia, but that news was offset by reports that OPEC managed to reduce its April exports by 1.12 million barrels per day. An issue that has been dormant over the past four to five months is talk that afloat supply in China is back into a building pattern again but that news is more than counter vailed by the Chinaoil buying interest overnight. All things considered, the lack of a financial meltdown today could allow crude oil rally moderately.



PRODUCT MARKET FUNDAMENTALS: An issue that supports the product market into the last trading session of the week is the news of a decline in Amsterdam, Rotterdam and Antwerp (ARA) gasoil weekly stocks. In fact, traders think the decline in European gas oil stocks is primarily the result of increased export demand. On the other hand, gasoline stocks at the ARA hub rose in the latest week from 1.02 million tons to 1.046 million tons, and that might be seen as a slight tempering factor going forward today. We acknowledge some potential pressure from reports earlier in the week of rising Russian crude and gasoline export cargoes but better overall market sentiment today and positive early action in crude oil gives the bull camp control. In the end, the June gasoline contract made a fresh four day low in the prior trading session but was able to rally nearly 6 cents above its lows and return to the vicinity of its 50 day moving average which comes in up at \$1.6241 in the July RBOB contract this morning.

NATURAL GAS: The weekly natural gas storage report showed an injection of 68 bcf compared to analyst's estimates of a 62 bcf increase. Total storage stands at 2,369 bcf or 12.1% above the 5 year average. Over the last four weeks natural gas storage has increased 254 bcf. The market tried to rally after the release of the inventory number but could not hold on to gains. The National Weather Service 6-10 day and 8-14 day forecasts have below normal temperatures for the entire Central and eastern US through June 1st. This should keep air conditioning demand at a minimum as we enter June. While July natural closed above the 200 day moving average of \$3.170 yesterday and the market enters the final trading day of the week down 6.9% it remains within a negative chart formation. Last week's managed money traders were long 217,864 contracts and today's numbers on that positioning will be much anticipated by the trade. Fibonacci retracement support comes in at \$3.128 (50%) followed by \$3.057 (61.8%).

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
5/12/2017	68	2369	-375	254	12.1%	20.5%

TODAY'S MARKET IDEAS:

As indicated already, the crude oil market showed a fresh three day low in the trade on Thursday, but clearly rejected that probe with a midsession bounce but more importantly prices have flashed back above the 50 day moving average of \$50.01 (July) and even more importantly they have also engineered an upside breakout early today. It should also be noted that crude oil prices on this week's setback resulted in a decline in open interest and that might signal a lack of bearish resolve. We give the edge to the bull camp, but have an aversion to paying up for fresh long positions with prices nearly \$7.00 a barrel above this month's lows. However, demand windfalls from a sliding dollar, a normal seasonal recovery in gasoline demand and a fresh but perhaps temporary recovery in sentiment is probably capable of dragging prices higher. Furthermore talk of strong air travel passenger miles and upbeat summer driving projections should put an additional fundamental bid under prices. There is little resistance in July crude oil until an old double low of \$50.86 July.

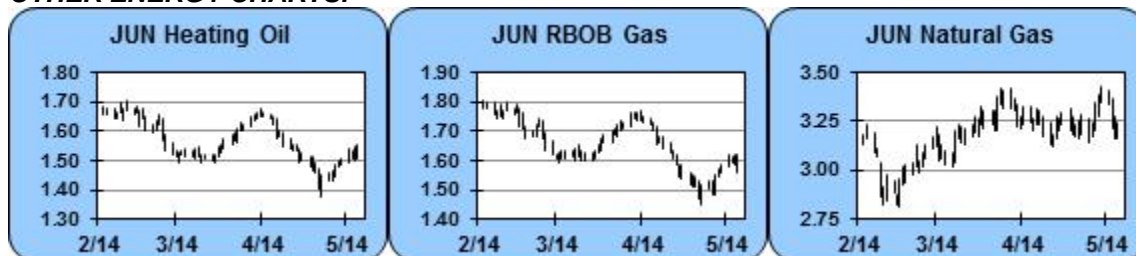
NEW RECOMMENDATIONS:

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 (JUL) 05/19/2017: Momentum studies are trending higher but have entered overbought levels. The market's short-term trend is positive on the close above the 9-day moving average. The close over the pivot swing is a somewhat positive setup. The next upside target is 50.94. The next area of resistance is around 50.41 and 50.94, while 1st support hits today at 48.87 and below there at 47.85.

HEATING OIL (JUL) 05/19/2017: The upside crossover of the 9 and 18 bar moving average is a positive signal. 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. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside target is at 159.01. The next area of resistance is around 157.47 and 159.01, while 1st support hits today at 152.81 and below there at 149.69.

RBOB GAS (JUL) 05/19/2017: The upside crossover (9 above 18) of the moving averages suggests a developing short-term uptrend. Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's short-term trend is positive on the close above the 9-day moving average. 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 next upside target is 165.18. The next area of resistance is around 163.22 and

165.18, while 1st support hits today at 157.60 and below there at 153.93.

NATURAL GAS (JUL) 05/19/2017: 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is now at 3.215. The next area of resistance is around 3.322 and 3.364, while 1st support hits today at 3.248 and below there at 3.215.

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										
CLAN7	49.64	58.99	52.39	64.53	79.18	49.30	48.27	48.39	50.04	50.74
CLAQ7	49.89	53.44	51.95	61.63	85.05	38.57	43.67	46.22	49.33	50.25
HOAN7	155.14	63.74	55.56	63.70	79.96	1.53	1.50	1.50	1.55	1.57
HOAQ7	155.88	63.53	55.35	63.81	80.17	1.54	1.51	1.51	1.56	1.57
RBAN7	160.41	59.14	52.25	62.88	78.65	1.60	1.57	1.56	1.63	1.64
RBAQ7	159.93	59.80	52.78	63.54	79.34	1.59	1.56	1.55	1.62	1.63
NGAN7	3.285	43.08	46.35	53.55	37.68	3.33	3.36	3.33	3.32	3.26
NGAQ7	3.326	43.74	46.94	54.77	39.51	3.36	3.39	3.36	3.35	3.29

Calculations based on previous session. Data collected 05/18/2017

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						
CLAN7	Crude Oil	47.84	48.86	49.39	50.41	50.94
CLAQ7	Crude Oil	48.12	49.12	49.65	50.65	51.18
HOAN7	Heating Oil	149.69	152.81	154.35	157.47	159.01
HOAQ7	Heating Oil	150.62	153.63	155.11	158.12	159.60
RBAN7	RBOB Gas	153.92	157.59	159.55	163.22	165.18
RBAQ7	RBOB Gas	153.79	157.26	159.12	162.59	164.45
NGAN7	Natural Gas	3.214	3.247	3.289	3.322	3.364
NGAQ7	Natural Gas	3.259	3.291	3.327	3.359	3.395

Calculations based on previous session. Data collected 05/18/2017

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