



## DAILY ENERGY COMPLEX COMMENTARY

Tuesday May 23, 2017

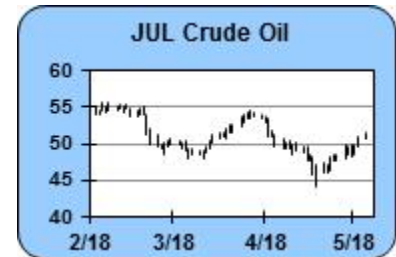
### DAILY ENERGY COMPLEX COMMENTARY

05/23/17

**Sell a rally today off word of an official output cut deal**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**CRUDE -25, HEATING OIL -79, UNLEADED GAS -115**

**CRUDE OIL MARKET FUNDAMENTALS:** All things considered, strength in crude oil at the start of the new trading week was not only surprising but impressive as prices temporarily reached up to the highest level since April 20th, and forged those gains on little in the way of "additive" bullish dialogue from the Oil Producers. Clearly the OPEC meeting has the capacity to leave a bid in energy prices, but we get the sense that the bull camp needs at least some hint of a deepening of production cuts this week to add to the rather stellar rally off the May lows. While the Saudis, Russians and Iraqis seem to agree to a nine month extension, the trade was already aware of the prospect of a cut extension out into 2018 and that extension is reportedly being disputed by Iran. While the Saudi Oil Minister indicated that oil output cuts helped the world energy market balance in the month of March, he also indicated that an extension of the cuts was needed to further the balancing effort. Issues holding back oil prices today include US budget proposals to sell half its strategic oil reserves, word that Chinese oil exports rose by 38% in April compared to year ago levels, weakness in several international cash crude benchmarks and news that Chinese gasoline exports climbed by 29% in the first 4 months of 2017. With the US becoming significantly less reliant on foreign supply the probability of sales from US reserves is more palatable. Therefore it goes without saying that ongoing weakness in the dollar and strength in non-dollar currencies combined with further improvement in economic sentiment off strong equities is needed directly ahead to send oil prices to more new highs for the move. While one has to be careful turning bearish toward oil in the face of the producer's meeting we continue to be skeptical that oil prices will continue to rise. An issue that might provide a measure of support to prices going forward is a forecast from the World Bank that they think oil prices will average \$55.00 this year and \$60 next year.



**PRODUCT MARKET FUNDAMENTALS:** Like the crude oil market, the gasoline market forged yet another higher high for the move and reached up to the highest level since April 21st yesterday in a move that hints at some exhaustion. Unfortunately for the bulls, the brunt of the May rally off the lows was accompanied by declining open interest and that may suggest a declining appetite for gasoline prices above the \$1.60 level. A fresh issue underlining gasoline prices is news that Chinese gasoline exports in the first four months of 2017 expanded by 29%. However, currency-related support and the beginning of the northern hemisphere driving season should leave the bull camp with a number of themes. On the other hand, July New York Harbor gasoline has now risen above the middle of the March through May consolidation range, and prices are becoming somewhat rich. The bull camp will suggest that the unleaded gasoline contract in the latest COT positioning report showed the least net spec and fund long reading since 2010 and that should leave the market with ongoing buying fuel. With the 50 day moving average last week seen as resistance and the market climbing definitively above that level support moves up to \$1.6454 and resistance is seen at a quasi-double high at \$1.6795.

**NATURAL GAS:** While the natural gas market is looking forward to some sustained cooling demand off National Weather Service 6-10 and 8-14 day forecasts showing above normal temperatures for the East Coast and Southeast region of the US from May 28th through June 5th we think prices into this week's highs have factored in that news. Support is seen at \$3.354 followed by \$3.331, with resistance today at \$3.380 in July natural gas. In conclusion with July Natural gas gapping higher on Monday and reversing that action this morning that points to a

technical failure/reversal.

### **TODAY'S MARKET IDEAS:**

We continue to be surprised in the upward extension in crude oil pricing as the high on Monday was roughly \$13 a barrel above the May spike low and there continues to be evidence of strong Chinese energy exports, periodic weakness in cash crude oil grades and a lack of earth-shattering news from the Oil Producers meeting. Granted, an official extension of the oil production cut agreement for nine months would project the hold back into the end of the first quarter of 2018 and that carries some weight. However once the markets have had 24 hours to factor in the official reduction and once prices (basis the nearby) climb above \$52, we will become extremely skeptical of further gains.

### **NEW RECOMMENDATIONS:**

None.

### **PREVIOUS RECOMMENDATIONS:**

Long August Crude oil \$50.00/\$47.00 bear put spread from 95. Use an objective of 225. \* Risk to 55.

### **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) 05/23/2017:** Rising stochastics at overbought levels warrant some caution for bulls. 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 51.75. The next area of resistance is around 51.39 and 51.75, while 1st support hits today at 50.71 and below there at 50.39.

**HEATING OIL (JUL) 05/23/2017:** Rising stochastics at overbought levels warrant some caution for bulls. 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 162.81. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 161.87 and 162.81, while 1st support hits today at 159.49 and below there at 158.06.

**RBOB GAS (JUL) 05/23/2017:** 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. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside target is at 167.40. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 166.55 and 167.40, while 1st support hits today at 164.69 and below there at 163.69.

**NATURAL GAS (JUL) 05/23/2017:** A bullish signal was given with an upside crossover of the daily stochastics. 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 gap up on the day session chart gave a bullish indicator and more follow through could be seen this session. With the close over the 1st swing resistance number, the market is in a moderately positive position. The near-term upside objective is at 3.462. The next area of resistance is around 3.443 and 3.462, while 1st support hits today at 3.390 and below there at 3.355.

## 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
<b>ENERGY COMPLEX</b>										
CLAN7	51.05	69.12	60.15	77.29	88.84	50.20	49.22	48.49	50.08	50.60
CLAQ7	51.32	69.75	60.65	77.49	89.01	50.48	49.51	48.78	50.35	50.86
HOAN7	160.68	75.09	65.15	77.60	90.33	1.57	1.53	1.50	1.55	1.56
HOAQ7	161.35	75.15	65.16	77.84	90.75	1.58	1.54	1.51	1.56	1.57
RBAN7	165.62	71.11	61.64	77.10	90.14	1.63	1.60	1.56	1.63	1.64
RBAQ7	164.99	71.63	62.11	77.68	90.69	1.62	1.59	1.56	1.62	1.63
NGAN7	3.417	58.29	56.13	49.47	50.29	3.34	3.38	3.34	3.33	3.28
NGAQ7	3.454	59.03	56.74	51.30	52.72	3.37	3.41	3.37	3.36	3.30

Calculations based on previous session. Data collected 05/22/2017

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

## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>ENERGY COMPLEX</b>						
CLAN7	Crude Oil	50.39	50.71	51.07	51.39	51.75
CLAQ7	Crude Oil	50.61	50.94	51.36	51.69	52.11
HOAN7	Heating Oil	158.05	159.49	160.43	161.87	162.81
HOAQ7	Heating Oil	159.34	160.41	161.22	162.29	163.10
RBAN7	RBOB Gas	163.68	164.69	165.54	166.55	167.40
RBAQ7	RBOB Gas	163.18	164.14	164.87	165.83	166.56
NGAN7	Natural Gas	3.355	3.389	3.409	3.443	3.462
NGAQ7	Natural Gas	3.396	3.429	3.445	3.478	3.494

Calculations based on previous session. Data collected 05/22/2017

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