

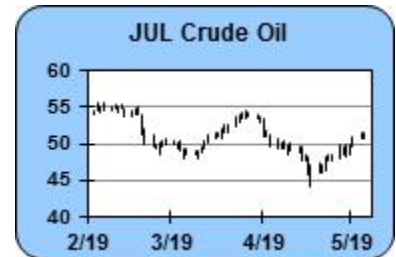


**DAILY ENERGY COMPLEX COMMENTARY**  
 Wednesday May 24, 2017

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 05/24/17

**The bull camp retains a slight edge again today**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**CRUDE +0, HEATING OIL +29, UNLEADED GAS +82**



**CRUDE OIL MARKET FUNDAMENTALS:** While July crude oil forged a lower low early in Tuesday's trade, it clearly rejected that slide and at times was trading nearly a dollar above the initial Tuesday lows. Also technically, the July crude oil contract did manage a higher high yesterday and it spent a lot of time near the upper end of the last month's trading range. With the market overnight showing another higher high for the move the technical picture today favors the bull camp. While a private survey yesterday afternoon showed less than expected declines in crude oil stocks the pattern of declining stocks remained in place and US product stocks showed bigger than expected declines. Therefore the initial weekly inventory data remains supportive of energy prices and that could make this morning's EIA data more impactful but less capable of sending prices sharply lower. The private source showed US crude oil inventories fell by 1.5 million barrels while gasoline stocks fell by a noticeably large 3.1 million barrels. However, the crude oil market is probably being held back by slack US scheduled data, the downgrade of Chinese credit and by a recovery attempt in the dollar. Apparently news from the proposed US budget of a possible large sale of strategic petroleum reserves has tempered some bullish opinions in the marketplace. Early expectations for the EIA weekly crude oil inventories call for a 1.5 to 2 million barrel decline in crude oil stocks but the markets might have lowered the bar for today's crude stocks decline.

**PRODUCT MARKET FUNDAMENTALS:** Like the crude oil market, the gasoline market did manage a higher high for the move yesterday but the magnitude of that breakout up was minimal at best. Further strengthening in European crack spreads and a larger than expected decline in US gasoline inventories may signal improving seasonal demand, and could be seen as the beginning of supportive summer-gasoline demand talk. However, open interest and volume in the gasoline market has declined throughout the May rally and that suggests the bull camp could be running out of buying capacity. However private survey results yesterday showed weekly draws that were larger than trade forecasts and that has provided some early support to RBOB and heating oil prices. This week's initial forecast for EIA product inventory declines has probably been revised upward in the wake of a noted decline of 3.15 million barrels in API gasoline stocks yesterday. Furthermore API distillate inventories dropped by 1.85 million barrels, which is supportive of heating oil prices later this morning.

**Weekly EIA Petroleum Estimates - Week Ending 5/19/2017 - In Million Barrels**

	High Estimate	Low Estimate	Stocks Last Week	Stocks Change Last Week
Crude Oil	-2.2	-2.6	520.8	-1.8
Distillates	-0.5	-0.9	146.8	-1.9
Gasoline	-1	-1.4	240.7	-0.4

**NATURAL GAS:** The natural gas market dropped and gave back almost all of the previous two day gains on less heat in the forecast and that weakness has extended to start today. In fact the National Weather Service 8-14 day

forecast has milder temperatures for the East Coast and southeastern US as well as below normal readings for the entire Midwest from May 31st to June 6th and that clearly presents less demand ahead. The outlook for flat consumption after last week's East Coast heat has the market concerned that stockpiles will see some expansion ahead. Estimates for Thursday's gas inventory report hint at an increase of at least 60 to 75 bcf compared to the five year average of a gain of 90 bcf. Gas inventories totaled 2,369 bcf as of May 12th which is 12% above the five year average. July natural gas gave back more than 3.0% on Tuesday in above normal volume. Slow stochastics reversed course and have now turned lower in a negative mode. Pullback support will be seen down at \$3.270 followed by \$3.124.

**TODAY'S MARKET IDEAS:**

In the end, the crude oil trade has been able to get a lot of mileage out of the official extension of production cut efforts, even if the producers failed to add to the cuts in their latest agreement. However we would suggest that the crude oil market needs a fresh supply-side threat, renewed weakness in the dollar and ongoing improvement in global economic psychology to mount a rally above \$52 basis the July contract. However, with the positive action late last week and again early this week, the July crude oil contract has left the 50 day moving average behind on the upside and that leaves the technical picture in the bulls' favor. It also goes without saying that the initial salvo of inventory data this week puts a fresh bid under prices. Resistance in July crude oil to start today is at the initial high of \$51.88 with the next level of resistance seen at the psychologically important \$52.00 level. From a technical perspective critical support in July crude oil today is seen at \$50.75 and the bull camp retains a minimal edge.

**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) 05/24/2017: Momentum studies are trending higher but have entered overbought levels. The close above the 9-day moving average is a positive short-term indicator for trend. The outside day up is somewhat positive. With the close over the 1st swing resistance number, the market is in a moderately positive position. The near-term upside target is at 52.34. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 52.07 and 52.34, while 1st support hits today at 51.05 and below there at 50.30.

HEATING OIL (JUL) 05/24/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market has a slightly positive tilt with the close over the swing pivot. The next upside objective is 163.75. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 163.04 and 163.75, while 1st support hits today at 160.38 and below there at 158.42.

RBOB GAS (JUL) 05/24/2017: Rising stochastics at overbought levels warrant some caution for bulls. A positive signal for trend short-term was given on a close over the 9-bar moving average. The downside closing price

reversal on the daily chart is somewhat negative. The market tilt is slightly negative with the close under the pivot. The near-term upside target is at 168.03. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 166.96 and 168.03, while 1st support hits today at 164.34 and below there at 162.78.

NATURAL GAS (JUL) 05/24/2017: The major trend has turned down with the cross over back below the 40-day moving average. The daily stochastics have crossed over down which is a bearish indication. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. The market is in a bearish position with the close below the 2nd swing support number. The next downside objective is now at 3.223. The next area of resistance is around 3.387 and 3.468, while 1st support hits today at 3.265 and below there at 3.223.

## 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	51.56	72.12	62.62	82.60	92.95	50.76	49.66	48.62	50.12	50.55
CLAQ7	51.82	71.69	62.24	82.45	92.36	50.99	49.92	48.90	50.39	50.80
HOAN7	161.71	76.70	66.63	83.08	93.89	1.59	1.55	1.51	1.56	1.56
HOAQ7	162.34	75.81	65.76	83.02	93.37	1.60	1.56	1.52	1.56	1.57
RBAN7	165.65	70.27	61.18	82.15	92.25	1.64	1.61	1.57	1.63	1.64
RBAQ7	164.96	70.61	61.56	82.66	92.63	1.64	1.60	1.56	1.62	1.63
NGAN7	3.326	47.90	49.30	48.03	45.16	3.35	3.37	3.34	3.33	3.28
NGAQ7	3.365	48.42	49.79	50.15	47.85	3.38	3.41	3.37	3.36	3.31

Calculations based on previous session. Data collected 05/23/2017

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	50.30	51.05	51.32	52.07	52.34
CLAQ7	Crude Oil	50.59	51.32	51.58	52.31	52.57
HOAN7	Heating Oil	158.41	160.37	161.08	163.04	163.75
HOAQ7	Heating Oil	159.18	161.06	161.73	163.61	164.28
RBAN7	RBOB Gas	162.77	164.33	165.40	166.96	168.03
RBAQ7	RBOB Gas	162.28	163.72	164.75	166.19	167.22
NGAN7	Natural Gas	3.222	3.264	3.345	3.387	3.468
NGAQ7	Natural Gas	3.267	3.307	3.383	3.423	3.499

Calculations based on previous session. Data collected 05/23/2017

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