



## DAILY ENERGY COMPLEX COMMENTARY

Thursday May 25, 2017

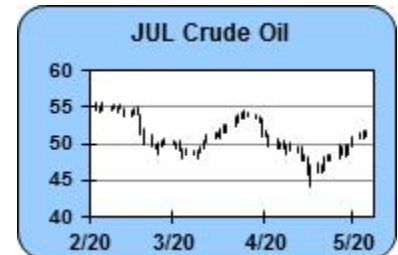
### DAILY ENERGY COMPLEX COMMENTARY

05/25/17

**The path of least resistance is down in crude and gasoline**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**CRUDE -87, HEATING OIL -147, UNLEADED GAS -200**

**CRUDE OIL MARKET FUNDAMENTALS:** While crude prices forged a fairly narrow trading range yesterday that action wasn't surprising given the lack of definitive market-moving news flowing from the Oil Producers meeting. Clearly the range down washout this morning is more than likely the result of a lack of surprise from the producer meeting. In short we continue to be bearish toward crude oil pricing, as it was clear that a 9 month extension of production cuts was already baked into prices and perhaps more importantly nearby crude oil prices into this week's highs were sitting a very significant \$8 a barrel above this month's lows. On one hand, US EIA crude oil inventories yesterday did fall by more than expected (4.4 million barrels), but that lent only modest support to crude prices. If there was a supportive development flowing from the Oil Producers meeting this week, it was a suggestion from the Russian Oil Minister that the producers considered the possibility of extending the cuts all the way out to June of 2018. Cushioning prices this morning is another round of new all-time highs in certain US equity market measures, weakness in the Dollar and mostly favorable data from the Euro zone. Other issues that might defray the washout tilt today is news that Chinese crude oil imports in April were up 5.5% and up 12.5% on a year to date measure and talk that the producers will monitor prices for further adjustments. From the EIA reports, crude stocks came in at 516.3 million barrels and are the highest ever tally for this week. EIA crude stocks fell 4.43 million barrels and are 10.7 million barrels above year ago levels. Also, crude stocks stand 107.791 million barrels above the five year average. Crude oil imports for the week stood at 8.294 million barrels per day compared to 8.590 million barrels the previous week. The refinery operating rate was 93.50% up, 0.10% from last week compared to 89.70% last year and the five year average of 89.74%.



**PRODUCT MARKET FUNDAMENTALS:** While weekly energy products stocks fell by less than anticipated yesterday, those readings still showed a discharge and that should lend some support to prices. However, while the less than anticipated inventory declines were mostly offset by news of a 9.7 million barrel per day implied gasoline demand reading the damage on the charts this morning clearly shifts control to the bear camp. On the other hand, the implied gasoline demand reading on Wednesday was the highest demand reading since August 12th of 2016. While it is not surprising, it would appear as if the weekly implied gasoline demand level is starting its seasonal rise and that news is given added credence by forecasts of record summer driving figures from AAA. Another positive demand story was found from China which posted a 10% first quarter gain in sales volumes of multi-cylinder gasoline engines and it was also noted that the month over month sales tally of gasoline engines rose by nearly 19%. However, with a wide-range outside day failure on the charts yesterday and fresh damage this morning our attitude toward gasoline has shifted in favor of the bear camp. In other words, declining gasoline stocks, rising US implied demand and the hope for improved Chinese product demand probably won't offset the need for a near term correction off a very steep May recovery rally. Gasoline stocks at 239.8 million barrels are the highest for this week since 2016. EIA gasoline stocks fell 787,000 barrels and are 229,000 barrels below last year and 21.551 million above the five year average. Average total gasoline demand for the past four weeks was down 1.85% compared to last year. Gasoline imports came in at 725,000 barrels per day compared to 696,000 barrels the previous week. EIA distillate stocks fell 485,000 barrels and stand at 4.53 million barrels below last year and 19.490 million above the five year average. Distillate imports came in at 101,000 barrels per day compared to 161,000 barrels the previous week. Average total distillate demand for the past four weeks was up 3.64% compared to last year. Heating oil stocks at 9.225 million barrels is the lowest for this week since 2015 EIA

heating oil stocks fell 430,000 barrels and are 2.670 million barrels below last year and 6.670 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
5/19/2017	516.34	-4.432	10.769	408.549	8.294	93.5	89.7
DISTILLATES	Stocks				Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
5/19/2017	146.339	-0.485	-4.539	126.849	0.101	4.359	4.088
GASOLINE	Stocks				Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
5/19/2017	239.882	-0.787	-0.229	218.331	0.725	9.704	9.516

**NATURAL GAS:** July natural gas continued to slide yesterday with the market trading down to a low of \$3.269. However weather remains cooler than normal in the Midwest and normal along the East Coast through the first week of June and that should continue to keep cooling demand delayed until mid-June for most of the country. The average estimate from analysts for today's inventory report has stockpiles increasing by 50 to 78 bcf last week versus the five year average of a 90 bcf increase. July natural gas held the 38.2% Fibonacci level at \$3.270 yesterday, look for continued support between this level and the 50% Fibonacci level at \$3.197. The market will look for direction from the EIA inventory report early on with a number below a 70 bcf giving the bull camp some much needed positive news. Resistance in July natural gas is at \$3.400.

#### TODAY'S MARKET IDEAS:

We remain bearish toward energies even after the sharp washout this morning as we think the market needs further corrective action. Earlier this week we suggested traders consider the purchase of bear put spreads in the August crude contract and we still stand by that recommendation and now think that this week's lows in July crude oil could be closer to \$49.50 than to \$50.00. Critical support in the July crude oil contract today comes in at \$49.60 and resistance is the psychologically important \$52 level.

#### 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) 05/25/2017: 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 could take on a defensive posture with the daily closing price reversal down. The market's close below the pivot swing number is a mildly negative setup. The near-term upside objective is at 52.23. The next area of resistance is around 51.73 and 52.23, while 1st support hits today at 50.89 and below there at 50.54.

HEATING OIL (JUL) 05/25/2017: 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 downside closing price reversal on the daily chart is somewhat negative. The close over the pivot swing is a somewhat positive setup. The near-term upside target is at 163.91. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 162.51 and 163.91, while 1st support hits today at 159.87 and below there at 158.62.

RBOB GAS (JUL) 05/25/2017: 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 daily closing price reversal down is a negative indicator for prices. It is a slightly negative indicator that the close was lower than the pivot swing number. The near-term upside target is at 168.36. The next area of resistance is around 166.52 and 168.36, while 1st support hits today at 163.24 and below there at 161.81.

NATURAL GAS (JUL) 05/25/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market's close below the 9-day moving average is an indication the short-term trend remains negative. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is 3.225. The next area of resistance is around 3.333 and 3.377, while 1st support hits today at 3.257 and below there at 3.225.

## 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	51.31	69.17	60.90	85.44	92.00	51.15	50.00	48.71	50.16	50.48
CLAQ7	51.54	69.65	61.16	85.48	92.14	51.41	50.26	48.99	50.43	50.74
HOAN7	161.19	75.13	65.50	86.03	92.85	1.60	1.56	1.51	1.56	1.56
HOAQ7	161.80	74.64	65.13	86.21	93.04	1.61	1.57	1.52	1.57	1.57
RBAN7	164.88	66.49	59.17	85.27	91.57	1.65	1.62	1.57	1.63	1.63
RBAQ7	164.27	67.02	59.65	85.79	92.04	1.65	1.61	1.57	1.62	1.62
NGAN7	3.295	45.62	47.70	44.14	37.50	3.35	3.35	3.34	3.33	3.29
NGAQ7	3.336	45.71	47.91	46.37	39.90	3.38	3.39	3.37	3.36	3.31

Calculations based on previous session. Data collected 05/24/2017

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	50.53	50.88	51.38	51.73	52.23
CLAQ7	Crude Oil	50.77	51.12	51.61	51.96	52.45
HOAN7	Heating Oil	158.61	159.86	161.26	162.51	163.91
HOAQ7	Heating Oil	159.30	160.51	161.88	163.09	164.46
RBAN7	RBOB Gas	161.80	163.24	165.08	166.52	168.36
RBAQ7	RBOB Gas	161.36	162.72	164.45	165.81	167.54
NGAN7	Natural Gas	3.225	3.257	3.301	3.333	3.377
NGAQ7	Natural Gas	3.268	3.299	3.341	3.372	3.414

Calculations based on previous session. Data collected 05/24/2017

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