



DAILY ENERGY COMPLEX COMMENTARY

Friday May 26, 2017

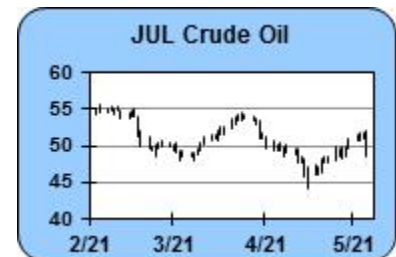
DAILY ENERGY COMPLEX COMMENTARY

05/26/17

Early rebound could fade after Baker Hughes rig count update

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE -9, HEATING OIL -27, UNLEADED GAS -4

CRUDE OIL MARKET FUNDAMENTALS: Crude oil prices have bounced off of 2-week lows to climb into positive territory coming into this morning's trading. However, there has been enough disappointment in the market from the aftermath of the OPEC meeting that energy prices are likely to be somewhat on the defensive going into the holiday weekend. After reaching a 5-week high early, crude oil prices took a nosedive, as they fell more than \$3.50 below their early high (6.8% lower) before finishing Thursday's trading with a massive loss. The catalyst for the negative turnaround was news from Vienna that major oil producing nations had agreed to extend their agreement to reduce production. While the quotas will remain in place for another 9 months, they will remain unchanged, and Nigeria and Libya will continue to be exempt from any output reduction. While the 9-month extension was on the long side of expectations, unchanged quotas that keep present output cuts in place until March 2018 left much to be desired towards providing longer-term support for prices. In addition, there were comments from Iranian officials that they would not reduce their output below 3.8 million barrels per day (bpd), which may not bode well for further extensions of this agreement. Keep in mind that US crude oil production has been on the rise with the last 3 weekly readings above the 9.3 million bpd level. If today's Baker Hughes oil rig count update shows a nineteenth consecutive weekly increase, this will reinforce ideas that US production could reach up above 9.8 million bpd later this year.



PRODUCT MARKET FUNDAMENTALS: Both of the product markets have been able to shake off overnight pressure and grind out modest gains this morning. Although they were able to avoid severe chart damage from the lower than expected weekly EIA stocks draws on Wednesday, the results of the OPEC meeting look to have derailed the uptrends in both heating oil and RBOB as both sustained heavy losses on Thursday. While gasoline stocks are well above their average levels for this time of the year, RBOB may be in better shape demand-wise. The summer driving season starts this weekend with implied gasoline demand already climbing above the 9.7 million bpd level. Cash gasoline prices have risen this week at New York Harbor and on the Gulf Coast, which may be in anticipation of record driving during the 3-day holiday weekend and for the summer driving season in general.

NATURAL GAS: July natural gas has stayed within a tight range this morning after extending lower yesterday on a healthy increase in inventories along with an extremely weak crude oil market. The market traded to a weekly low of \$3.240 and was down over 2% for the week going into today's trading. Inventories rose 75 bcf compared to analyst estimates calling for a gain of 70 bcf and the five year average showing a 90 bcf gain. Stockpiles are 10.9% above the five year average at 2,444 bcf. The National Weather Service 8-14 day forecast has below normal temperatures for the entire Midwest and East Coast through June 8th. The Southeast and Pacific Northwest will see above normal temperatures. This should keep cooling demand at a minimum for the heavily populated areas. July natural gas is down 2.12% on the week and has traded to its lowest level since May 8th. Last week's COT data had managed money traders long 245,640 contracts with a steady increase since February 21st when they were only long 75,815 contracts. The 200 day moving average is at \$3.222, and two consecutive closes below that level should get the attention of the speculative longs. Resistance is seen at \$3.342, followed by \$3.373.

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
5/19/2017	75	2444	-371	255	10.9%	18.9%

TODAY'S MARKET IDEAS:

Despite today's early bounce, we still remain bearish towards crude oil, as the lack of additional output cuts in the Oil Producers Agreement has come at a time when US production is on the upswing. While the energy markets have found their footing early in the session, another uptick in the Baker Hughes oil rig count may trigger a fresh wave of selling going into the close. RBOB at least has a positive demand outlook going into the summer driving season, but it may not be able to overcome extended weakness in crude oil. Near-term support in July crude oil comes in at \$48.37 while resistance is at \$49.60. Near-term resistance for July RBOB is at \$1.6220 while near-term resistance for July heating oil is at \$1.5680.

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) 05/26/2017: The major trend has turned down with the cross over back below the 60-day moving average. The daily stochastics have crossed over down which is a bearish indication. Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. The market's close below the 9-day moving average is an indication the short-term trend remains negative. A negative signal was given by the outside day down. The close below the 2nd swing support number puts the market on the defensive. The next downside objective is 45.97. The next area of resistance is around 50.58 and 53.06, while 1st support hits today at 47.04 and below there at 45.97.

HEATING OIL (JUL) 05/26/2017: The close under the 60-day moving average indicates the longer-term trend could be turning down. A crossover down in the daily stochastics is a bearish signal. Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The outside day down is somewhat negative. The close below the 2nd swing support number puts the market on the defensive. The next downside target is now at 149.14. The next area of resistance is around 159.52 and 165.39, while 1st support hits today at 151.40 and below there at 149.14.

RBOB GAS (JUL) 05/26/2017: The close under the 60-day moving average indicates the longer-term trend could

be turning down. The daily stochastics have crossed over down which is a bearish indication. Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. The market's short-term trend is negative as the close remains below the 9-day moving average. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next downside objective is now at 154.12. The next area of resistance is around 163.93 and 168.85, while 1st support hits today at 156.57 and below there at 154.12.

NATURAL GAS (JUL) 05/26/2017: The market back below the 60-day moving average suggests the longer-term trend could be turning down. A negative indicator was given with the downside crossover of the 9 and 18 bar moving average. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market's short-term trend is negative as the close remains below the 9-day moving average. 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 next downside target is now at 3.178. The next area of resistance is around 3.337 and 3.399, while 1st support hits today at 3.227 and below there at 3.178.

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	48.81	43.11	44.97	83.35	79.03	50.69	50.07	48.70	50.16	50.38
CLAQ7	49.03	42.71	44.68	83.23	78.74	50.94	50.33	48.97	50.43	50.64
HOAN7	155.46	51.39	51.33	85.03	83.02	1.60	1.57	1.52	1.56	1.56
HOAQ7	156.05	51.16	51.10	85.21	83.19	1.60	1.57	1.52	1.57	1.57
RBAN7	160.25	48.71	48.77	84.38	82.71	1.64	1.62	1.58	1.63	1.63
RBAQ7	159.34	48.02	48.43	84.71	82.66	1.63	1.62	1.57	1.62	1.62
NGAN7	3.282	43.25	46.10	39.60	30.51	3.33	3.33	3.34	3.33	3.29
NGAQ7	3.322	43.75	46.59	42.36	33.83	3.37	3.37	3.37	3.36	3.32

Calculations based on previous session. Data collected 05/25/2017

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	45.96	47.03	49.51	50.58	53.06
CLAQ7	Crude Oil	46.22	47.27	49.74	50.79	53.26
HOAN7	Heating Oil	149.13	151.39	157.26	159.52	165.39
HOAQ7	Heating Oil	149.66	151.95	157.85	160.13	166.03
RBAN7	RBOB Gas	154.11	156.56	161.48	163.93	168.85
RBAQ7	RBOB Gas	153.25	155.62	160.69	163.06	168.13
NGAN7	Natural Gas	3.177	3.226	3.288	3.337	3.399
NGAQ7	Natural Gas	3.220	3.267	3.329	3.376	3.438

Calculations based on previous session. Data collected 05/25/2017

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