



DAILY ENERGY COMPLEX COMMENTARY

Wednesday May 31, 2017

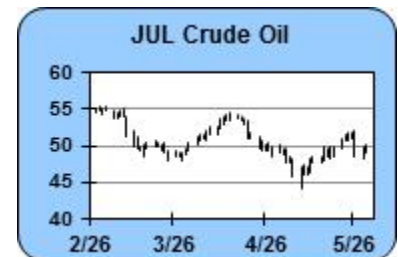
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05/31/17

The path of least resistance is pointing downward

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE -100, HEATING OIL -276, UNLEADED GAS -300

CRUDE OIL MARKET FUNDAMENTALS: Despite weakness in a series of global cash crude grades yesterday, the WTI futures market at times managed to take out last Friday's highs. However, the market ended up spending a large amount of time waffling around both sides of unchanged as if it lacked a consensus. Some press outlets have indicated a softening of US energy demand early this week and that might have the cause for the eventual weaker action yesterday. Other bears also cited the passing of the oil producers cut agreement window as a cause for long profit taking/selling. However, news that Russia and Saudi Arabia were possibly working towards some form of long-term cooperation on oil policy is probably somewhat supportive to prices going forward. In the end the markets fully expected an extension of the producer cut agreement, but seeing Russia and Venezuela partially melding into the OPEC Middle East Consortium could give the cartel renewed importance in an environment where US production was indeed making OPEC a marginal entity. On the other hand an issue that is capable of undermining oil prices this morning is evidence that crude supply pricing for July programs appears to be softer than those seen in the June cargo pricings. While the recent corrective bounce up and away from the \$48 level hints at some value, the lack of another decline in US weekly crude oil inventories this week could allow for some temporary violations of the \$48 mark. While the crude oil market might see some support from news that Indian April crude oil output declined news that the OPEC basket price declined, weakness in Brent crude oil prices overnight and negative chart action gives the bear camp an edge early on.



PRODUCT MARKET FUNDAMENTALS: While we see some initial value around the \$1.59 level from a quasi-double low formation last week, gasoline prices could be dragged lower by weakness in crude oil directly ahead. However seeing July gasoline regain the \$1.70 level in today's trade could return gasoline to the upward bias seen at the beginning of the month, especially as the summer driving season gains momentum. On the other hand, the bull camp will need to see another decline in weekly crude oil and gasoline stocks from both public and private sources this week. Another very important reading from this week's EIA statistics this week will be implied gasoline demand which will need to climb above last week's 9.7 million barrel per day mark. Critical support in July gasoline today is seen down at \$1.5868 with initial resistance seen at the \$1.60 level.

NATURAL GAS: Apparently talk of winter shortages of gas in Europe in the natural gas market has not prevented the market from forging another lower low for the move early today. In fact even with July natural gas dropping 5.0% on Tuesday that hasn't given off talk of an oversold condition. Therefore it seems as if the trade is rushing to factor in a slow start to the summer cooling season and that adds to the fresh technical damage on the charts this morning. Furthermore the forecast for the next two weeks has below normal temperatures for the Eastern half of the US all the way out until June 13th. In the end the market is vulnerable to further liquidation as the recent COT data has the managed money trader still net long 234,025 contracts as of May 23rd. July natural gas also settled below the 200 day moving average at \$3.224 for the first time since March 20th. The market also took out key support at \$3.200 and now looks to challenge the swing low at \$3.096. Close in resistance is now seen against the \$3.224 level.

TODAY'S MARKET IDEAS:

As indicated already we favor the downward tilt in crude oil prices but there could be some divergence with gasoline prices at times. In other words, we think gasoline prices might hold up better and in turn become the leadership market. With the producers meeting now in the rearview mirror, the weekly inventory data promises to be the dominating force for energy prices. On the other hand with the crude oil market forging a stronger-than-expected May short covering rally and the producers failing to provide a fresh bullish surprise we suggest traders become sellers of rallies looking for July crude oil to test \$47.50 later this week.

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) 05/31/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market could take on a defensive posture with the daily closing price reversal down. The market has a slightly positive tilt with the close over the swing pivot. The next downside objective is 48.33. The next area of resistance is around 50.11 and 50.82, while 1st support hits today at 48.87 and below there at 48.33.

HEATING OIL (JUL) 05/31/2017: The major trend has turned down with the cross over back below the 60-day moving average. Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. The close below the 9-day moving average is a negative short-term indicator for trend. The downside closing price reversal on the daily chart is somewhat negative. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is 151.26. The next area of resistance is around 157.40 and 160.09, while 1st support hits today at 152.98 and below there at 151.26.

RBOB GAS (JUL) 05/31/2017: Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market could take on a defensive posture with the daily closing price reversal down. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is 158.72. The next area of resistance is around 164.02 and 166.05, while 1st support hits today at 160.36 and below there at 158.72.

NATURAL GAS (JUL) 05/31/2017: The close below the 60-day moving average is an indication the longer-term trend has turned down. Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. 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 3.060. The next area of resistance is around 3.202 and

3.285, while 1st support hits today at 3.090 and below there at 3.060.

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	49.49	48.70	48.78	76.65	68.86	49.89	50.21	48.87	50.20	50.24
CLAQ7	49.73	48.51	48.64	76.47	68.55	50.13	50.46	49.15	50.47	50.50
HOAN7	155.19	50.42	50.79	79.03	71.71	1.57	1.58	1.53	1.56	1.56
HOAQ7	155.91	49.92	50.38	79.02	71.48	1.58	1.58	1.53	1.57	1.57
RBAN7	162.19	54.91	52.90	81.72	78.96	1.62	1.63	1.59	1.63	1.63
RBAQ7	161.04	53.57	52.11	81.21	77.46	1.62	1.62	1.58	1.62	1.62
NGAN7	3.146	34.00	39.16	30.05	17.92	3.26	3.30	3.33	3.33	3.29
NGAQ7	3.179	33.14	38.68	31.98	18.70	3.30	3.34	3.37	3.36	3.32

Calculations based on previous session. Data collected 05/30/2017

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	48.32	48.86	49.57	50.11	50.82
CLAQ7	Crude Oil	48.55	49.10	49.81	50.36	51.07
HOAN7	Heating Oil	151.25	152.98	155.67	157.40	160.09
HOAQ7	Heating Oil	152.04	153.75	156.35	158.06	160.66
RBAN7	RBOB Gas	158.71	160.35	162.38	164.02	166.05
RBAQ7	RBOB Gas	157.70	159.29	161.20	162.79	164.70
NGAN7	Natural Gas	3.059	3.089	3.172	3.202	3.285
NGAQ7	Natural Gas	3.093	3.122	3.207	3.236	3.321

Calculations based on previous session. Data collected 05/30/2017

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