



## DAILY ENERGY COMPLEX COMMENTARY

Friday June 02, 2017

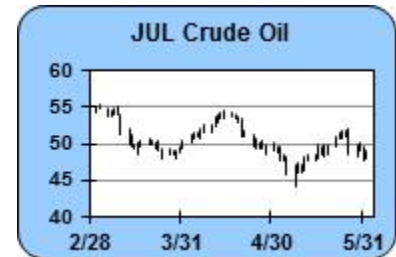
### DAILY ENERGY COMPLEX COMMENTARY

06/02/17

**Washout mode could exhaust itself after more large declines**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**CRUDE -116, HEATING OIL -261, UNLEADED GAS -348**

**CRUDE OIL MARKET FUNDAMENTALS:** The weekly EIA report saw a large crude oil stocks decline yesterday which was the largest weekly stocks decline since December 2016, and that was joined by a noted slide in gasoline stocks and a record US implied gasoline demand reading! While the most important reading from the EIA data this week might have been the 9.822 million barrel per day record implied gasoline demand reading the markets are apparently not interested in demand even if demand is high and it should continue to rise seasonally for at least 2 more months. Clearly the crude oil bull camp is disappointed in the magnitude of the gains yesterday and the sharp declines this morning in the wake of the distinctly favorable US inventory news, discounts the preexisting oversold condition of crude oil and gasoline prices into the lows on Wednesday. In short the bear camp holds firm control and tighter supply and rising demand is being tossed aside! Crude stocks at 509.912 million barrels are the highest ever for this week. EIA crude stocks fell 6.428 million barrels and are 5.707 million barrels above year ago levels. Also, crude stocks stand 104.318 million barrels above the five year average. Crude oil imports for the week stood at 7.985 million barrels per day compared to 8.294 million barrels the previous week. The refinery operating rate was 95.00%, up 1.50% from last week compared to 89.80% last year and the five year average of 90.64%. In conclusion while the brunt of the US supply news was supportive the trade still thinks world supply is set to grow.



**PRODUCT MARKET FUNDAMENTALS:** While the poor action in gasoline was not nearly as disappointing as the weakness seen in the crude oil market, the weaker action following distinctly supportive supply and demand news from the EIA yesterday is extremely discouraging. However, some in the trade expected to see a decline in US gasoline stocks and that news was more than offset by a 7% rise in weekly ARA gasoline inventories. On the other hand the Amsterdam, Rotterdam and Antwerp jet fuel, fuel oil and gas oil stocks declined and that mitigates part of the negative supply news from ARA gasoline. On the other hand the energy complex is in a downside breakout/freefall mode and a return back toward the early May lows is likely unless the risk on vibe from equities helps to defuse the washout. However, the trade was not expecting record implied gas demand and that news could help cushion product prices ahead. On the other hand, it could be difficult for the product markets to stand up to residual weakness in crude oil even if demand for gasoline could break records all summer long. In order to put the bear camp back on their heels probably requires a rally back above the 50 day moving average up at \$1.6264 while critical support in the early going today is seen at \$1.5743. EIA gasoline stocks fell 2.858 million barrels and are 1.595 million barrels below last year and 18.420 million above the five year average. Average total gasoline demand for the past four weeks was down 0.66% compared to last year. Gasoline imports came in at 703,000 barrels per day compared to 725,000 barrels the previous week. EIA distillate stocks rose 394,000 barrels and stand at 2.89 million barrels below last year and 18.005 million above the five year average. Distillate imports came in at 105,000 barrels per day compared to 101,000 barrels the previous week. Average total distillate demand for the past four weeks was up 2.95% compared to last year. Heating oil stocks at 9.382 million barrels are the lowest for this week since 2015. EIA heating oil stocks rose 157,000 barrels and are 2.407 million barrels below last year and 6.324 million below the five year average.

Weekly EIA Petroleum Report						In Million Barrels	
<b>CRUDE OIL</b>	<b>Stocks</b>				<b>Imports</b>	<b>Refinery Capacity(%)</b>	
<b>Week Of</b>	<b>Current</b>	<b>Weekly Change</b>	<b>Yearly Change</b>	<b>5 Year Average</b>	<b>Current</b>	<b>Current</b>	<b>Year Ago</b>
5/26/2017	509.912	-6.428	5.707	405.594	7.985	95	89.8
<b>DISTILLATES</b>	<b>Stocks</b>				<b>Imports</b>	<b>Demand</b>	
<b>Week Of</b>	<b>Current</b>	<b>Weekly Change</b>	<b>Yearly Change</b>	<b>5 Year Average</b>	<b>Current</b>	<b>Current</b>	<b>Year Ago</b>
5/26/2017	146.733	0.394	-2.89	128.728	0.105	4.025	3.827
<b>GASOLINE</b>	<b>Stocks</b>				<b>Imports</b>	<b>Demand</b>	
<b>Week Of</b>	<b>Current</b>	<b>Weekly Change</b>	<b>Yearly Change</b>	<b>5 Year Average</b>	<b>Current</b>	<b>Current</b>	<b>Year Ago</b>
5/26/2017	237.024	-2.858	-1.595	218.604	0.703	9.822	9.716

**NATURAL GAS:** July natural gas closed at its lowest level since February 28th yesterday as speculative fund length is being liquidated aggressively. The volume over the last three days has been close to 50% above the 15 day average and that might bring about a quicker bottom but that may not usher in a key low today. In fact, with all three of these days thus far this week registering big losses and the market down hard again this morning, the bull camp has to be on the run. In fact, today's COT data will not include the large declines and it in turn won't register a large reduction in managed money length. A test of the old low at \$2.888 seems likely with resistance at \$3.124. The market enters the last trading day of the week down almost 9.0%. Prices slid to a 10-week low after the release of the EIA inventory report showing an increase of 81 bcf last week compared to analyst's estimates of a 77 bcf gain and the five year average gain of 97 bcf. Stockpiles totaled 2,525 bcf as of May 26th, which is 9.8% above the five year average. The stockpile gains have accelerated due to cooler than normal conditions that continue to be forecasted in the eastern half of the U.S. through mid-June.

#### 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
5/26/2017	81	2525	-370	269	9.8%	17.3%

#### TODAY'S MARKET IDEAS:

One might have expected the crude oil/petroleum markets to have benefited from news that the US was pulling-out of the Paris Accord and one might have expected energy prices to have benefited from news that OPEC was prepared to expand production cuts but by 1% to 1.5% if necessary but instead the trade wants nothing from the supportive side of the equation today! In fact seeing the US exit the Paris accord could seem reduce the demand for cleaner fuels and in turn shift some future demand back toward "dirty petroleum energy". In our opinion, the quickest way to expand the production cuts, reduce US supply and stimulate demand is for the \$47 level to fail and for July crude oil prices to fall to \$46.

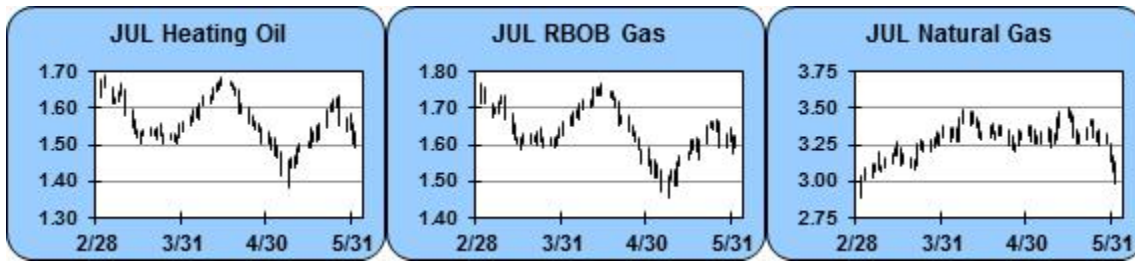
#### NEW RECOMMENDATIONS:

None.

#### PREVIOUS RECOMMENDATIONS:

Long August Crude oil \$50.00/\$47.00 bear put spread from 95. Exited at 125.

#### 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) 06/02/2017:** Stochastics trending lower at midrange will tend to reinforce a move lower especially 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 now at 47.07. The next area of resistance is around 48.71 and 49.56, while 1st support hits today at 47.47 and below there at 47.07.

**HEATING OIL (JUL) 06/02/2017:** Declining momentum studies in the neutral zone will tend to reinforce lower price action. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market tilt is slightly negative with the close under the pivot. The next downside target is now at 146.18. The next area of resistance is around 151.91 and 155.05, while 1st support hits today at 147.47 and below there at 146.18.

**RBOB GAS (JUL) 06/02/2017:** Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is 156.89. The next area of resistance is around 160.97 and 163.18, while 1st support hits today at 157.83 and below there at 156.89.

**NATURAL GAS (JUL) 06/02/2017:** Momentum studies are declining, but have fallen to oversold levels. The close below the 9-day moving average is a negative short-term indicator for trend. The market's close below the pivot swing number is a mildly negative setup. The next downside target is now at 2.915. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 3.121 and 3.194, while 1st support hits today at 2.981 and below there at 2.915.

**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	48.09	38.69	41.86	60.81	42.73	48.97	49.93	49.10	50.17	50.04
CLAQ7	48.32	40.37	43.01	61.06	43.95	49.28	50.21	49.39	50.44	50.30
HOAN7	149.69	35.85	40.54	62.73	43.66	1.53	1.57	1.53	1.56	1.55
HOAQ7	150.35	37.11	41.45	63.26	45.08	1.54	1.58	1.54	1.57	1.56
RBAN7	159.40	45.19	46.79	72.00	60.49	1.61	1.63	1.60	1.63	1.63
RBAQ7	158.03	45.42	46.90	70.68	58.66	1.60	1.62	1.59	1.62	1.62
NGAN7	3.051	28.56	34.83	19.75	11.66	3.14	3.25	3.30	3.32	3.29
NGAQ7	3.090	25.79	32.67	19.64	8.24	3.17	3.28	3.34	3.35	3.32

Calculations based on previous session. Data collected 06/01/2017  
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	47.06	47.46	48.31	48.71	49.56
CLAQ7	Crude Oil	47.29	47.69	48.54	48.94	49.79
HOAN7	Heating Oil	146.17	147.47	150.61	151.91	155.05
HOAQ7	Heating Oil	147.09	148.21	151.37	152.48	155.65
RBAN7	RBOB Gas	156.88	157.82	160.03	160.97	163.18
RBAQ7	RBOB Gas	155.62	156.52	158.63	159.53	161.64
NGAN7	Natural Gas	2.914	2.981	3.054	3.121	3.194
NGAQ7	Natural Gas	2.961	3.024	3.092	3.155	3.223

**Calculations based on previous session. Data collected 06/01/2017**

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