



DAILY ENERGY COMPLEX COMMENTARY

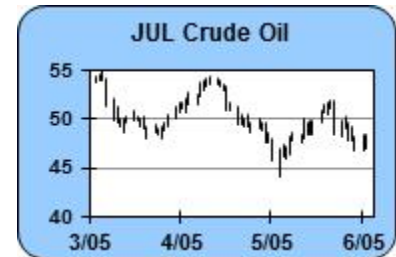
Wednesday June 07, 2017

DAILY ENERGY COMPLEX COMMENTARY

06/07/17

The bear camp retains a technical and fundamental edge

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE -29, HEATING OIL -43, UNLEADED GAS -232



CRUDE OIL MARKET FUNDAMENTALS: The charts in crude oil remain bearish, and energy prices don't seem to be overly sensitive to potential supply threats off the extending tensions between various Arab States and Qatar nor do they seem to be sensitive to reports of a coup attempt in Iran! While the Qatar situation is currently a long way from actually impacting supply flow it might initially serve to dent demand now that the operation of a key regional airline company Qatar is now in question. Another potential market moving issue in the market place directly ahead is the UK election as a change in government or a hung Parliament would be demand-negative. We also think that evidence of growing North Sea oil shipments to the Mediterranean is a development that in effect eats into OPEC's market share and that news could eventually prompt cheating on the production output cut agreement. After the close yesterday, a major private survey posted a larger than expected decline in weekly crude oil stocks. However, any benefit to crude oil off the inventory decline was offset by larger than expected builds in both weekly product stocks readings and also because of an upward revision to US oil production from the EIA yesterday. In the short term, is difficult to cite the reason for a bottom especially if geopolitical flashpoints are set to keep demand views suspect. At this point the bull camp needs a large decline in EIA crude stocks to attempt to hold this week's attempt to bounce. We think EIA crude stocks need to fall by at least 4 million barrels to support prices this week.

PRODUCT MARKET FUNDAMENTALS: As in the crude oil market, the RBOB market continues to see damaged charts and fears that a recent pattern of tightening in US inventories is set to reverse in the wake of extremely active US refinery operations. While a surprise decline in weekly gasoline stocks could slow the decline in prices in place since the late April high, it could be difficult to reverse course given that the private survey yesterday posted much larger-than expected builds for both gasoline and distillates. Given the build in product stocks and the recent weakness in crude oil, that should leave both product markets under significant pressure. On the other hand, if EIA crude oil stocks have a sharper than expected weekly decline (which might be the case considering active refinery evidence), that could become a factor that turns the products away from the downside. In the absence of a headline catalyst, a temporary decline back below \$1.50 might be expected in July gasoline. Another issue that might be required to shut off the selling in gasoline is a fresh all-time high implied gasoline demand reading from the EIA later this morning.

Weekly EIA Petroleum Estimates - Week Ending 6/2/2017 - In Million Barrels				
	High Estimate	Low Estimate	Stocks Last Week	Stocks Change Last Week
Crude Oil	-3.3	-3.7	509.9	-6.4
Distillates	0.5	0.1	146.7	0.4
Gasoline	0.8	0.4	237	-2.9

NATURAL GAS: July natural gas closed 2.1% higher at \$3.042 on Tuesday, which was the first positive close in the last six sessions. The National Weather Service 6-10 and 8-14 day forecasts have above normal temperatures from the East Coast to the Midwest from June 12th to 20th which should spark some cooling demand for the first time this summer. The average estimate for the EIA inventory report on Thursday is looking for an increase of 100 bcf compared to the five year average of 94 bcf. Natural gas stockpiles totaled 2,525 bcf as of May 26th, 9.8% above the five year average. The EIA's monthly short term energy outlook lowered the US gas production to 78.68 bcf per day versus last month's 79.42 bcf per day. The 2017 price estimate was lowered to \$3.16 from \$3.17 last month. July natural gas finally bounced from a nine session long liquidation period. The bounce will most likely be measured and further heat into the end of June and into July will be needed to stabilize the market. The slow stochastics are crossing over pointing up which could inspire some bottom picking from traders. A recovery bounce to the Fibonacci levels of \$3.095 to \$3.133 seems likely. Solid resistance lies at the 200 day moving average at \$3.225.

TODAY'S MARKET IDEAS:

Given the high/low break since the late May high of \$5.50 and the fact that open interest has generally risen on the last two weeks slide, it would appear as if some bargain-hunting buying is being seen on the current washout and that bodes well for a possible bottom above the \$46 level. Unfortunately, negative charts and fear from the demand side of the equation leaves the market vulnerable to at least a temporary retest of levels below \$46 in the coming days. The bulls need "Big" help from a large EIA crude stocks decline or the bears retain control.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

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) 06/07/2017: Daily stochastics are trending lower but have declined into oversold territory. A negative signal for trend short-term was given on a close under the 9-bar moving average. A positive setup occurred with the close over the 1st swing resistance. The next downside target is 46.57. The next area of resistance is around 49.12 and 49.49, while 1st support hits today at 47.66 and below there at 46.57.

HEATING OIL (JUL) 06/07/2017: A negative indicator was given with the downside crossover of the 9 and 18 bar moving average. Daily stochastics declining into oversold territory suggest the selling may be drying up soon. A negative signal for trend short-term was given on a close under the 9-bar moving average. The upside daily closing price reversal gives the market a bullish tilt. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside target is now at 143.41. The next area of resistance is around 148.41 and 149.17, while 1st support hits today at 145.54 and below there at 143.41.

RBOB GAS (JUL) 06/07/2017: A negative indicator was given with the downside crossover of the 9 and 18 bar moving average. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market's short-term trend is negative as the close remains below the 9-day moving average. The daily closing price reversal up is a positive indicator that could support higher prices. The close over the pivot

swing is a somewhat positive setup. The next downside objective is now at 151.31. The next area of resistance is around 157.46 and 158.36, while 1st support hits today at 153.94 and below there at 151.31.

NATURAL GAS (JUL) 06/07/2017: The crossover up in the daily stochastics is a bullish signal. The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The close below the 9-day moving average is a negative short-term indicator for trend. A positive setup occurred with the close over the 1st swing resistance. The near-term upside objective is at 3.121. The next area of resistance is around 3.097 and 3.121, while 1st support hits today at 3.011 and below there at 2.948.

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	48.39	45.04	45.32	39.23	28.94	47.95	48.87	49.26	49.97	49.90
CLAQ7	48.53	42.36	43.53	38.09	26.59	48.10	49.07	49.50	50.23	50.15
HOAN7	146.97	32.95	37.57	35.76	20.43	1.48	1.52	1.54	1.55	1.55
HOAQ7	147.92	31.58	36.76	35.82	19.98	1.49	1.53	1.54	1.56	1.56
RBAN7	155.70	39.00	41.81	46.86	30.73	1.57	1.60	1.60	1.62	1.62
RBAQ7	154.81	36.89	40.43	44.49	28.07	1.56	1.59	1.60	1.61	1.61
NGAN7	3.054	35.79	38.26	12.31	13.05	3.01	3.13	3.25	3.30	3.28
NGAQ7	3.086	32.97	36.54	12.16	11.62	3.05	3.16	3.29	3.33	3.31

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

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	46.57	47.66	48.03	49.12	49.49
CLAQ7	Crude Oil	46.76	47.82	48.18	49.24	49.60
HOAN7	Heating Oil	143.40	145.53	146.29	148.41	149.17
HOAQ7	Heating Oil	144.44	146.51	147.23	149.32	150.04
RBAN7	RBOB Gas	151.30	153.93	154.83	157.46	158.36
RBAQ7	RBOB Gas	150.77	153.19	154.00	156.42	157.23
NGAN7	Natural Gas	2.947	3.010	3.034	3.097	3.121
NGAQ7	Natural Gas	2.988	3.045	3.070	3.127	3.152

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

Data sources can & do produce bad ticks. Verify before use.

***This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Opinions expressed are subject to change without notice. Any information or recommendation contained herein: (i) is not based on, or tailored to, the commodity interest or cash market positions or other circumstances or characterizations of particular investors or traders; (ii) is not customized or personalized for any such investor or trader; and (iii) does not take into consideration, among other things, risk tolerance, net worth, or available risk capital. Any use or reliance upon the information or recommendations is at the sole discretion and election of the subscriber. The risk of loss in trading futures contracts or commodity options can be substantial, and traders should carefully consider the inherent risks of such trading in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of Lakefront Futures is strictly prohibited.