



DAILY ENERGY COMPLEX COMMENTARY

Thursday June 08, 2017

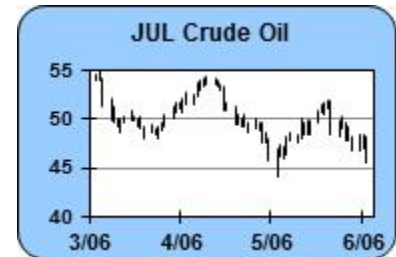
DAILY ENERGY COMPLEX COMMENTARY

06/08/17

The bear camp retains an edge but the market is oversold

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE +20, HEATING OIL +140, UNLEADED GAS +163

CRUDE OIL MARKET FUNDAMENTALS: The washouts in the crude oil, gasoline and heating oil markets yesterday were well deserved in the wake of Wednesday's weekly EIA inventory data. In fact, the crude oil stocks build caught the market leaning in the opposite direction because of the large inventory decline in a major private survey, and the totality of the EIA report could have left crude oil prices under sustained pressure for the rest of the trading week but a tempering of geopolitical anxiety overnight and news that Chinese crude oil imports in May posted the 2nd highest ever reading helps the trade discount the negative US supply story line. However, the bear camp is cheered by the news that the latest weekly implied gasoline demand reading down ticked but that result is now thought to be the result of adverse weather. Fortunately for the bull camp, last week's implied gasoline demand figure was an all-time high and that would seem to project record summer gasoline demand ahead. While many geopolitical issues might lean negative today the market did reach an extreme short term oversold condition in to the lows yesterday and it is possible that macro-economic news today will support prices instead of pressuring prices. It also seems as if fresh restrictions on Qatari oil tankers in the UAE have rekindled that minor supply side threat. Crude oil stocks at 513.207 million barrels are the highest ever for this week. EIA crude stocks rose 3.295 million barrels and are 11.363 million barrels above year ago levels. Also, crude stocks stand 109.347 million barrels above the five year average. Crude oil imports for the week stood at 8.341 million barrels per day compared to 7.985 million barrels the previous week. The refinery operating rate was 94.10% down, 0.90% from last week compared to 90.90% last year and the five year average of 90.58%.



PRODUCT MARKET FUNDAMENTALS: Like the crude oil market, this week's EIA data was bearish on every front. Large stock builds in gasoline, heating oil and distillates were accentuated by a noted downtick in the implied gasoline demand reading. However, the implied gasoline demand reading is a derived number that is subject to significant demand, production and import fluctuations and we expect the demand reading to bounce back over the weeks ahead. Some have even suggested that the downshift in the implied gasoline demand reading was the result of adverse weather. Another issue that should help to cushion July RBOB prices following this week's beating is the prospect of a mostly liquidated spec and fund long condition. We doubt that July will fall below the May lows, but it might remain off balance for another trading session. Gasoline stocks at 240.348 million barrels are the highest for this week since 2016. EIA gasoline stocks rose 3.324 million barrels and are 719,000 barrels above last year and 21.586 million above the five year average. Average total gasoline demand for the past four weeks was down 0.67% compared to last year. Gasoline imports came in at 787,000 barrels per day compared to 703,000 barrels the previous week. EIA distillate stocks rose 4.355 million barrels and stand at 289,000 barrels below last year and 21.910 million above the five year average. Distillate imports came in at 152,000 barrels per day compared to 105,000 barrels the previous week. Average total distillate demand for the past four weeks was up 1.82% compared to last year. Heating oil stocks at 9.989 million barrels is the lowest for this week since 2016. EIA heating oil stocks rose 607,000 barrels and are 1.571 million barrels below last year and 5.819 million below the five year average.

NATURAL GAS: The natural gas market was dragged down by weaker crude futures yesterday which traded

almost 5% lower. The managed money trader has liquidated a large portion of their short position over the last two weeks, so fresh selling interest from these levels seems unlikely. In addition, there is an extended forecast that has heat expanding into the Midwest over the next 6-10 days. The market remains oversold and a test of \$3.133 to \$3.200 can't be ruled out. July natural gas traded up to \$3.095 early yesterday, but was pulled lower by a weaker crude oil market. The market settled at \$3.016, down 0.90%. Forecasts continue to show above normal temperatures for the East Coast next week, with mid 90's forecast for Washington, DC on June 13th. The natural gas inventory report today has analysts estimating an injection of 99 bcf versus the five year average increase of 94 bcf. Stockpiles totaled 2,525 bcf as of May 26th, 9.8% above the five year average.

TODAY'S MARKET IDEAS:

Into this week's lows, the July crude oil contract was trading more than \$6 a barrel below the late May high and down \$13 from the 2017 high, and that would seem to factor in ongoing US supply building but current pricing probably would not include evidence of producer cheating on production cut promises. However, this week's crude oil stocks build came after nearly 2 months of weekly declines and OPEC has countered a large portion of US production increases with its production restraint agreement. Adding into this week's liquidation washout is a higher US production target estimate from the EIA, and for that reason we can't argue against a return to the early May low down around \$44 in July crude oil. Initial support below the market is seen at \$45.17, and the top of the near term range is probably seen at \$46.26.

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) 06/08/2017: Daily stochastics are trending lower but have declined into oversold territory. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market is in a bearish position with the close below the 2nd swing support number. The next downside target is 43.77. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 47.04 and 48.93, while 1st support hits today at 44.47 and below there at 43.77.

HEATING OIL (JUL) 06/08/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. 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 target is now at 137.85. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 145.19 and 148.62, while 1st support hits today at 139.81 and below there at 137.85.

RBOB GAS (JUL) 06/08/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market is in a bearish position with the close below the 2nd swing support number. The next downside objective is 145.34. The market is approaching oversold levels on an RSI reading under 30. The next

area of resistance is around 152.67 and 156.07, while 1st support hits today at 147.31 and below there at 145.34.

NATURAL GAS (JUL) 06/08/2017: Daily momentum studies are on the rise from low levels and should accelerate a move higher on a push through the 1st swing resistance. The market's short-term trend is negative as the close remains below the 9-day moving average. The downside closing price reversal on the daily chart is somewhat negative. The market tilt is slightly negative with the close under the pivot. The next upside target is 3.120. The next area of resistance is around 3.060 and 3.120, while 1st support hits today at 2.976 and below there at 2.951.

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	45.76	29.39	34.15	31.83	17.87	47.25	48.23	49.12	49.85	49.83
CLAQ7	46.01	29.13	33.91	31.08	17.06	47.44	48.45	49.36	50.11	50.09
HOAN7	142.50	24.68	31.26	28.47	14.36	1.46	1.50	1.53	1.55	1.55
HOAQ7	143.35	24.54	31.18	28.68	14.42	1.47	1.51	1.54	1.56	1.55
RBAN7	149.99	28.44	33.93	38.11	20.99	1.54	1.58	1.60	1.62	1.62
RBAQ7	149.24	26.28	32.28	35.61	17.85	1.53	1.57	1.59	1.61	1.61
NGAN7	3.018	32.44	36.08	12.61	13.79	3.01	3.09	3.22	3.29	3.28
NGAQ7	3.050	31.31	35.39	12.41	12.91	3.05	3.13	3.26	3.32	3.31

Calculations based on previous session. Data collected 06/07/2017

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	43.76	44.46	46.34	47.04	48.93
CLAQ7	Crude Oil	44.09	44.77	46.56	47.24	49.03
HOAN7	Heating Oil	137.84	139.80	143.23	145.19	148.62
HOAQ7	Heating Oil	138.70	140.64	144.12	146.06	149.54
RBAN7	RBOB Gas	145.33	147.30	150.70	152.67	156.07
RBAQ7	RBOB Gas	144.65	146.56	150.00	151.91	155.35
NGAN7	Natural Gas	2.950	2.975	3.035	3.060	3.120
NGAQ7	Natural Gas	2.983	3.007	3.067	3.091	3.151

Calculations based on previous session. Data collected 06/07/2017

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