



DAILY ENERGY COMPLEX COMMENTARY

Monday June 12, 2017

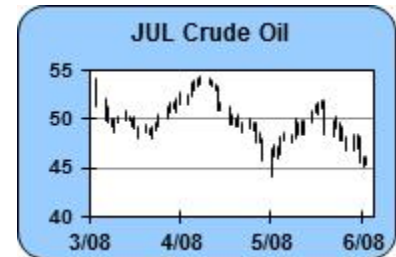
DAILY ENERGY COMPLEX COMMENTARY

06/12/17

A temporary bounce not a shift in the trend to the upside

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
CRUDE +64, HEATING OIL +185, UNLEADED GAS +179

CRUDE OIL MARKET FUNDAMENTALS: While the energy markets appear to have found their footing we are skeptical that a major and sustained low has been found. In fact the market still enters the new trading week with ongoing fears of hefty/growing supplies in the US and fears that Nigeria and Libya are both ramping up their production and that could compound the supply burden on prices ahead. Another major issue giving ongoing confidence to the bear camp to start this week is the news that US rig drilling counts late last week increased by eight to extend a very long pattern of increased drilling activity. Some of the initial strength today is probably short covering but it is also likely that a reduction in Saudi July shipment volumes to Asia and the US has temporarily turned sentiment around. While we assume the most recent spec and fund long positioning is overstated due to the sharp slide at the end of last week, the absolute positioning probably remains vulnerable to additional liquidation. In fact with the most recent COT positioning showing a week over week net increase in the long of 18,397 contracts, the crude oil market deserved part of last week's beating. In order to shift sentiment away from the bear camp would seem to require some type of major supply-side development that is currently not on the radar. The Commitments of Traders Futures and Options report as of June 6th for Crude Oil showed Non-Commercial and Non-reportable combined traders held a net long position of 429,983 contracts. This represents an increase of 18,397 contracts in the net long position held by these traders.



PRODUCT MARKET FUNDAMENTALS: Like the crude oil market, the gasoline market remains vulnerable to more downside action ahead but prices this morning appear to be catching some short covering action off ideas that Saudi Arabia is attempting to cushion oil prices by the reduction of shipments next month. However, unless the kick-off to the summer driving season provides a strong implied gasoline demand reading later this week we doubt that prices will be able to forge sustained gains. In fact, with aggressive refinery activity seen early in the season that has left US gasoline stocks at burdensome levels and to chew those stocks down probably requires hefty demand readings straight away. However, news that China cut its retail gasoline price late last week might provide minimal support but as in crude oil, we doubt there will be a bottom and recovery forged strictly off improving demand psychology. In other words, an unforeseen supply-side glitch is probably the bull's best hope of avoiding a return to the May lows. The Commitments of Traders Futures and Options report as of June 6th for Gasoline (RBOB) showed Non-Commercial and Non-reportable combined traders held a net long position of 50,669 contracts. The Commitments of Traders Futures and Options report as of June 6th for Heating Oil showed Non-Commercial and Non-reportable combined traders held a net long position of 6,404 contracts. Given the decrease of 17,481 contracts in the net long position held by the longs in the latest weekly report and the significant losses seen after the report was compiled the heating oil market might be the least vulnerable market in the energy complex.

NATURAL GAS: While the natural gas rig count went up by three in the latest weekly private report on drilling activity, the trade remains hopeful that low prices are set to curtail and perhaps shut down fresh drilling activity. Fundamentally, seeing some rigs shut down is more psychological than physical for prices, and the most likely bull catalyst is sustained extreme heating which pumps up demand and puts the bear camp off its game. From a technical perspective, natural gas prices continued to see coiling price action last week and they held their ground

in positive territory and that also tempers the bear camp's resolve. In the short term, warm weather across large portions of the US and concern of potential Qatari natural gas supply disruptions will underpin natural gas prices well above the June low for the move. The Commitments of Traders Futures and Options report as of June 6th for Natural Gas showed Non-Commercial and Non-reportable combined traders held a net long position of 24,473 contracts. This represents a decrease of 42,021 contracts in the net long position held by these traders. Clearly the natural gas market has liquidated its spec and fund long positioning going into the early June low. Given the massive weekly decline in the net long of 42,000 contracts, that is further evidence that the market is mostly liquidated and that the \$3.00 level will be some form of value zone. Close in critical support in the July natural gas contract is seen at \$2.988 and then again down at \$2.978. In order to turn the tide around in natural gas in a significant fashion probably requires a rally back above \$3.095 and 100 degree temps in some areas of the US.

TODAY'S MARKET IDEAS:

As indicated already, both crude oil and gasoline appear to remain vulnerable to lower lows for the move ahead. Burdensome US supplies and increased production from Nigeria and Libya are difficult to discount in an environment where the markets are fluctuating between "risk on" and "risk off". With the added burden of a stronger dollar and a looming FOMC meeting, the path of least resistance looks to remain down. Initial support in July crude oil is seen at \$45.25, but we doubt that level will hold up later this week. Initial support in July gasoline is seen at \$1.4878 and we also doubt that level will hold up prices consistently.

NEW RECOMMENDATIONS:

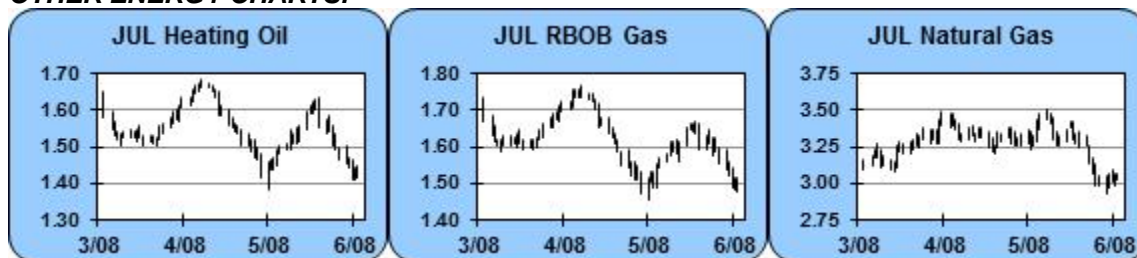
None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 5/30/2017 - 6/6/2017						
	Non-Commercial		Net Position	Commercial		Non-Reportable
	Net Position	Weekly Net Change		Weekly Net Change	Net Position	
Energies						
Crude Oil	416,473	+11,421	-429,984	-18,399	13,510	+6,976
Heating Oil	6,805	-9,069	-6,404	+17,481	-401	-8,412
Natural Gas	-2,931	-33,902	-24,475	+42,020	27,404	-8,119
Gas (RBOB)	50,389	+8,721	-50,669	-7,939	280	-783

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) 06/12/2017: Momentum studies are declining, but have fallen to oversold levels. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market has a slightly positive tilt with the close over the swing pivot. The next downside target is now at 44.87. The next area of resistance is around 46.27 and 46.68, while 1st support hits today at 45.37 and below there at 44.87.

HEATING OIL (JUL) 06/12/2017: 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. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside target is

139.68. The next area of resistance is around 145.04 and 146.68, while 1st support hits today at 141.54 and below there at 139.68.

RBOB GAS (JUL) 06/12/2017: Momentum studies are declining, but have fallen to oversold levels. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The upside daily closing price reversal gives the market a bullish tilt. The close over the pivot swing is a somewhat positive setup. The next downside target is 146.39. The next area of resistance is around 152.01 and 153.44, while 1st support hits today at 148.49 and below there at 146.39.

NATURAL GAS (JUL) 06/12/2017: Daily stochastics are showing positive momentum from oversold levels, which should reinforce a move higher if near term resistance is taken out. The market's close above the 9-day moving average suggests the short-term trend remains positive. The close over the pivot swing is a somewhat positive setup. The next upside objective is 3.080. The next area of resistance is around 3.055 and 3.080, while 1st support hits today at 3.018 and below there at 3.004.

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	45.82	30.93	35.00	21.05	11.87	46.34	47.42	48.79	49.57	49.70
CLAQ7	46.07	30.80	34.87	20.49	11.42	46.57	47.64	49.03	49.83	49.96
HOAN7	143.29	30.66	34.60	18.12	10.28	1.43	1.47	1.52	1.54	1.54
HOAQ7	144.04	30.18	34.29	18.08	9.98	1.44	1.48	1.53	1.55	1.55
RBAN7	150.25	31.66	35.64	23.98	13.08	1.51	1.55	1.59	1.61	1.62
RBAQ7	149.45	30.11	34.57	22.57	12.00	1.50	1.54	1.58	1.60	1.61
NGAN7	3.037	35.45	37.79	14.87	17.32	3.03	3.04	3.18	3.28	3.28
NGAQ7	3.069	34.38	37.10	13.98	15.86	3.07	3.07	3.21	3.31	3.31

Calculations based on previous session. Data collected 06/09/2017

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	44.86	45.36	45.77	46.27	46.68
CLAQ7	Crude Oil	45.10	45.61	46.01	46.52	46.92
HOAN7	Heating Oil	139.67	141.53	143.18	145.04	146.68
HOAQ7	Heating Oil	140.56	142.35	143.93	145.72	147.30
RBAN7	RBOB Gas	146.38	148.48	149.91	152.01	153.44
RBAQ7	RBOB Gas	145.84	147.80	149.13	151.09	152.42
NGAN7	Natural Gas	3.003	3.017	3.042	3.055	3.080
NGAQ7	Natural Gas	3.038	3.051	3.073	3.086	3.108

Calculations based on previous session. Data collected 06/09/2017

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