

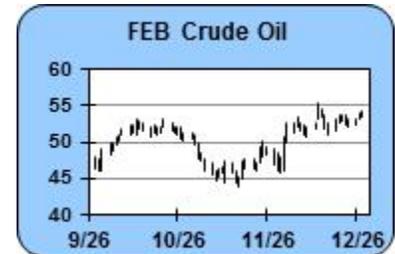


DAILY ENERGY COMPLEX COMMENTARY Thursday December 29, 2016

DAILY ENERGY COMPLEX COMMENTARY 12/29/16

The bias is up for another day

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE -15, HEATING OIL +76, UNLEADED GAS +134**



CRUDE OIL MARKET FUNDAMENTALS: The crude oil market rose again yesterday in what appeared to be the 15th rally off the prospect of implemented and complied with production cuts. With Venezuela also adding its promised cuts into the equation earlier this week, temps cooling a bit in the US and Europe on January 5th/6th and news of increased Iranian shipments to Asia in November, there is partial justification for higher prices again today. However, expectations for a build in crude oil and product stocks in the weekly inventory report today appear to be discounted by the trade this week and we would suggest that the energy complex this week has outperformed its visible fundamentals. With volume falling off this week and open interest flat-lining, small inconsequential developments might have the capacity to exert large influences on prices in the days ahead. The weather in the US is neutral to bearish in the short term but the extreme cold earlier in December is exchanged for mostly normal temps to the end of the first week in January. There will be severe weather along the East Coast that may influence prices somewhat, but that impact might be largely offset by a slight downtick in economic sentiment.

PRODUCT MARKET FUNDAMENTALS: Both RBOB and heating oil stocks are expected to rise today but a surprise decline would not be surprising in the wake of the residual impact from the extreme cold and the strong demand from the holiday driving window in the US. However, the builds in the products are forecast to be less than the build anticipated in the crude oil market and therefore this week's EIA report might not have a pronounced impact on product prices. We would suggest that RBOB feels technically overbought especially as it hovers around the \$1.70 level. In the latest COT positioning report, the net spec and fund long in RBOB was 71,500 contracts and since that report the market has gained another 7.00 cents and that has probably puffed up the spec long. In the past the net spec and fund long in RBOB has become moderately overbought once the net spec and fund long reaches above 90,000 contracts.

Weekly EIA Petroleum Estimates - Week Ending 12/23/2016 - In Million Barrels

	High Estimate	Low Estimate	Stocks Last Week	Stocks Change Last Week
Crude Oil	-1.3	-1.7	485.4	2.3
Distillates	2	1.6	153.5	-2.4
Gasoline	1.7	1.3	228.7	-1.3

NATURAL GAS: Natural gas soared on Wednesday as colder than normal temperatures are forecast for the January 5th and 6th timeframe. Even the shorter term 6 to 10 day forecast has colder temperatures for the first week of the New Year in the western half of the country. However, the market is up 11% in the last six trading days and up 68% on the year so far and that could foster some long profit taking on Friday. EIA data scheduled for release today could show inventories fell by as much as 227 bcf last week according to industry estimates,

which would put inventories on course to fall more than 600 bcf this month. Natural gas inventories totaled 3,597 bcf as of December 16th which is 2.2% above the five year average, but 5.9% below year ago supplies. The market broke above resistance at \$3.778 yesterday but they have been unable to hold above the even number mark of \$3.80 this morning. Colder temperatures, a large inventory draw, increased exports to Asia and Chinese demand shifting away from coal are all fueling the bull tilt. An added measure of bullishness might be seen this morning in the wake of an unplanned outage in Norway. A test of the 138.2% Fibonacci retracement level at \$4.184 is possible. Solid support remains at \$3.680.

TODAY'S MARKET IDEAS:

The bulls will retain control because of classic technical trending action. However, we are growing skeptical of the bull case unless there is a surprise decline in crude oil stocks and/or there is a fresh supply side glitch in the headlines. Next upside resistance in March crude oil is seen up at \$55.22 and then again at the December high of \$56.24. Support in March crude oil today rises to \$54.47. In conclusion the trend is up but risk and reward of being long crude oil and RBOB is unattractive to us.

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 (FEB) 12/29/2016: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The close above the 9-day moving average is a positive short-term indicator for trend. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside objective is now at 53.14. The next area of resistance is around 54.32 and 54.75, while 1st support hits today at 53.52 and below there at 53.14.

HEATING OIL (FEB) 12/29/2016: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The close above the 9-day moving average is a positive short-term indicator for trend. The market could take on a defensive posture with the daily closing price reversal down. The close over the pivot swing is a somewhat positive setup. The near-term upside target is at 173.99. The next area of resistance is around 172.66 and 173.99, while 1st support hits today at 170.66 and below there at 170.00.

RBOB GAS (FEB) 12/29/2016: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. A positive signal for trend short-term was given on a close over the 9-bar moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside objective is 170.75. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 169.48 and 170.75, while 1st support hits today at 166.28 and below there at 164.34.

NATURAL GAS (FEB) 12/29/2016: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The close above the 9-day moving average is a positive short-term indicator for trend. The outside day up is somewhat positive. There could be more upside follow through since the market

closed above the 2nd swing resistance. The near-term upside objective is at 4.057. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 3.981 and 4.057, while 1st support hits today at 3.749 and below there at 3.594.

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										
CLAG7	53.92	64.46	61.79	61.82	61.81	53.45	53.06	52.78	49.75	50.27
CLAH7	54.82	65.64	62.71	62.48	62.96	54.38	53.97	53.69	50.54	50.98
HOAG7	171.66	68.15	64.78	73.47	76.28	1.70	1.69	1.67	1.58	1.59
HOAH7	172.81	68.60	65.16	76.88	79.19	1.71	1.70	1.69	1.59	1.60
RBAG7	167.88	82.69	75.21	89.99	91.61	1.65	1.62	1.58	1.48	1.48
RBAH7	169.24	82.01	74.63	91.13	92.13	1.67	1.64	1.60	1.50	1.51
NGAG7	3.865	71.28	67.16	65.52	80.21	3.72	3.57	3.57	3.29	3.35
NGAH7	3.790	70.59	66.73	65.94	79.48	3.67	3.53	3.54	3.27	3.33

Calculations based on previous session. Data collected 12/28/2016

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						
CLAG7	Crude Oil	53.13	53.51	53.94	54.32	54.75
CLAH7	Crude Oil	54.08	54.44	54.83	55.19	55.58
HOAG7	Heating Oil	169.99	170.66	171.99	172.66	173.99
HOAH7	Heating Oil	171.13	171.83	173.08	173.78	175.03
RBAG7	RBOB Gas	164.33	166.27	167.54	169.48	170.75
RBAH7	RBOB Gas	166.02	167.76	168.98	170.72	171.94
NGAG7	Natural Gas	3.593	3.748	3.825	3.981	4.057
NGAH7	Natural Gas	3.542	3.683	3.755	3.896	3.968

Calculations based on previous session. Data collected 12/28/2016

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