



## DAILY ENERGY COMPLEX COMMENTARY

Tuesday January 03, 2017

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01/03/17

**Crude complex gets support from risk-on tone, but not cold enough to support natural gas.**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**CRUDE +121, HEATING OIL +323, UNLEADED GAS +320**

**CRUDE OIL MARKET FUNDAMENTALS:** Crude oil prices were up sharply overnight, as the energy markets fed off the return of a risk on mood after last week's drift. February crude oil broke out to the upside overnight and is threatening the December highs this morning. The market seemed rather overbought from the COT positioning report and from short term technical indicators like Stochastics. The "combined" spec and fund net long position in crude oil has hit a new record level at 516,366 contracts as of December 27th according to Friday's COT report. A supportive supply issue is news that Indian November crude oil output declined by 5.4% following a 3.4% decline in the prior month! Another story from Reuters suggested that the climb in energy prices might spark inflation in India because of falling production and reliance on foreign oil. Slack US scheduled data, news of work on a fresh oil field in Iran and technical vulnerability are offset by the overall bullish attitude towards commodities to start the year, a return to more seasonal weather this week and possibly additional geopolitical "heat" from North Korea's latest talk of ICBMs. The Commitments of Traders Futures and Options report for Crude Oil showed Non-Commercial traders were net long 502,646 contracts, an increase of 6,378 contracts and is a new record high level. The Non-Commercial and Nonreportable combined trader position is a new record high level.



**PRODUCT MARKET FUNDAMENTALS:** RBOB and heating oil broke out to new high levels overnight. This comes after the RBOB market managed yet another higher high for the move at the end of last week, leaving the bull camp hopeful. Slack US scheduled data, an increase in Indian retail prices for gasoline and increased ethanol import duties in China would seem to lean bearish for energy product demand, but a risk-on tone for commodities seems to be the driving factor, and return to seasonal weather this week a bullish fundamental factor as well. The technical picture is overbought in RBOB, and if the market fails to hold above \$1.66, it could open up the charts for a quick slide down below \$1.60. Heating oil spec and fund long also near record levels, which may be a drag on prices, even with the break out to the upside overnight. The Commitments of Traders Futures and Options report as of December 27th for Gasoline (RBOB) showed Non-Commercial traders were net long 65,738 contracts, an increase of 4,599 contracts on the week. Non-Commercial and Nonreportable combined traders held a net long position of 79,293 contracts, an increase of 7,262. For Heating Oil, Non-Commercial traders were net long 49,242 contracts, an increase of 6,160 contracts. Non-Commercial and Nonreportable combined traders held a net long position of 72,265 contracts, an increase of 10,517. The buying trend is supportive, but spec long positions are high, leaving the market overbought.

**NATURAL GAS:** Unlike the rest of the complex the natural gas market is not reacting positively to the return to more seasonal temps in the US nor to the bullish tone across most commodity markets this morning. March natural gas gapped lower overnight and traded to its lowest level since December 21st. The latest 6-10 forecasts call for below normal temps across the eastern seaboard and in the far northern part of country, extending from Wisconsin across to the state of Washington. It also calls for normal temps across much of the rest of the nation, with the exception of the Southwest. It's possible that traders are concerned that the bouts of mild weather so far this season have done enough damage to the demand picture this year and that the weather forecast is not cold enough to offset that trend. The world natural gas market is also undermined by predictions from the Russian Oil

Minister that Russian gas production finished 2016 on a strong note and that Russian exports will end up rising for the year! The Commitments of Traders Futures and Options report as of December 27th for Natural Gas showed the Non-Commercial and Non-reportable combined traders held a net long position of 43,033 contracts, and that is a moderate to slightly vulnerable position. The natural gas market traded enters the new trading week with technically damaged charts, slack demand conditions and impending sell signals from short term technical indicators like stochastics. The next downside target is 3.2960, a 50% retracement of the November-December rally. In order to turn the tide in the market back to the upside, it would probably require a pattern of consistently cold weather and significant weakness in the US Dollar.

#### TODAY'S MARKET IDEAS:

The bull camp looks in control to start the week, as bullish outside market forces and a return to more seasonable cold weather to most of the US provide fundamental support. The sharply higher dollar could be a limiting factor. Key resistance in February crude oil comes in at the December 12th high at \$55.44 with initial support at \$54.37. Additional up-trend channel support in February crude oil is seen at \$53.22.

#### NEW RECOMMENDATIONS:

None.

#### PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 12/20/2016 - 12/27/2016						
	Non-Commercial		Net Position	Commercial		Non-Reportable
	Net Position	Weekly Net Change		Weekly Net Change	Net Position	
<b>Energies</b>						
Crude Oil	502,646	+6,378	-516,365	-2,472	13,720	-3,906
Heating Oil	49,242	+6,160	-72,265	-10,517	23,023	+4,357
Natural Gas	-251	+1,448	-43,032	-3,767	43,284	+2,319
Gas (RBOB)	65,738	+4,599	-79,293	-7,261	13,555	+2,663

#### 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) 01/03/2017: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The market's close above the 9-day moving average suggests the short-term trend remains positive. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside objective is at 54.46. The next area of resistance is around 54.15 and 54.46, while 1st support hits today at 53.47 and below there at 53.10.

HEATING OIL (FEB) 01/03/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. A positive signal for trend short-term was given on a close over the 9-bar moving average. The daily closing price reversal up on the daily chart is somewhat positive. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside target is at 174.40. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 173.70 and 174.40, while 1st support hits today at 171.64 and below there at 170.29.

RBOB GAS (FEB) 01/03/2017: The daily stochastics have crossed over down which is a bearish indication. Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. The close above the 9-day moving average is a positive short-term indicator for trend. The market tilt is slightly negative with the close under the pivot. The next downside target is 165.05. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 168.16 and 169.09, while 1st support hits today at 166.14 and below there at 165.05.

NATURAL GAS (FEB) 01/03/2017: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's close above the 9-day moving average suggests the short-term trend remains positive. It is a slightly negative indicator that the close was under the swing pivot. The near-term upside objective is at 3.925. The next area of resistance is around 3.826 and 3.925, while 1st support hits today at 3.660 and below there at 3.592.

## 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>										
CLAG7	53.81	62.15	60.64	62.27	62.39	53.89	53.37	52.91	49.89	50.36
CLAH7	54.76	63.10	61.38	62.92	63.43	54.81	54.27	53.82	50.69	51.09
HOAG7	172.67	70.68	66.33	77.60	82.40	1.72	1.70	1.68	1.59	1.60
HOAH7	173.69	70.87	66.54	80.10	83.85	1.73	1.71	1.69	1.60	1.61
RBAG7	167.15	77.76	72.85	89.23	87.51	1.67	1.64	1.59	1.49	1.49
RBAH7	168.64	77.96	72.75	90.35	88.78	1.69	1.66	1.61	1.51	1.51
NGAG7	3.743	59.63	59.67	74.39	79.68	3.80	3.64	3.60	3.32	3.37
NGAH7	3.702	59.08	59.39	74.93	80.08	3.74	3.60	3.57	3.29	3.34

Calculations based on previous session. Data collected 12/30/2016

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>						
CLAG7	Crude Oil	53.10	53.47	53.78	54.15	54.46
CLAH7	Crude Oil	54.07	54.43	54.72	55.08	55.37
HOAG7	Heating Oil	170.28	171.64	172.34	173.70	174.40
HOAH7	Heating Oil	171.49	172.74	173.38	174.63	175.27
RBAG7	RBOB Gas	165.05	166.14	167.07	168.16	169.09
RBAH7	RBOB Gas	166.53	167.65	168.51	169.63	170.49
NGAG7	Natural Gas	3.591	3.659	3.758	3.826	3.925
NGAH7	Natural Gas	3.558	3.624	3.714	3.780	3.870

Calculations based on previous session. Data collected 12/30/2016

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