



DAILY ENERGY COMPLEX COMMENTARY Wednesday January 04, 2017

DAILY ENERGY COMPLEX COMMENTARY 01/04/17

The bear camp has the edge off very damaged charts

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE +24, HEATING OIL +8, UNLEADED GAS +100**

CRUDE OIL MARKET FUNDAMENTALS: Crude oil started out 2017 with an abrupt change of fortune as the market went from challenging the mid-December highs to falling more than \$3 and sliding well into negative territory before finishing Tuesday with a heavy loss, a reversal and a daily trading range much larger than last week's entire trading range. However, optimism that the Oil Producers agreement would lead to definitively lower output was bolstered by news that both Kuwait and Oman made production cuts as scheduled at the start of this year. On the other hand, reports that Libya (who is exempt from the Oil Producers agreement) has raised output to 700,000 barrels per day may have fueled some skepticism that other major producers may not be as stringent with holding to their agreed-upon output cuts. The latest Baker Hughes oil rig count is already more than 200 rigs above its mid-May low and there are expectations that the new Trump Administration's policies will further increase domestic exploration and that is probably weighing on prices. Cushioning prices to start this morning is a sweep of better international economic data particularly from China. Expectations for this week's inventory data call for a decline of just-under 2 million barrels and that might help the February crude oil respect the \$52.50 level. However, reduced Chinese fuel import quotas to start 2017 might be a negative and that in turn could mean that tightening supply evidence will be offset by disappointing demand news.



PRODUCT MARKET FUNDAMENTALS: As with crude oil, both RBOB and heating oil saw outside day down reversal price action on Tuesday that resulted in massive daily price ranges. Furthermore, both product markets reversed from their highest price levels since 2015 which could lead to more technically-based pressure ahead. There have been few refinery issues outside the Gulf and Pacific coasts during the holiday period, which should lead to both distillates and gasoline seeing builds in the latest EIA stocks report. In addition, near-term demand may be relatively soft as RBOB will not have holiday driving demand anymore while heating oil will have warmer than normal temps over much of the US in the latest longer-term weather forecasts. There is a measure of below normal temps in the Midwest today but that cold doesn't look to entrench.

NATURAL GAS: March natural gas gapped lower on Tuesday and continued to slide with a huge range extension lower trade. The market traded as much as 12.0% lower and settled down 10.66% yesterday. While the near term temperature forecast has below normal readings over the next three days for most of the US, longer term maps are significantly warmer for the eastern and southern US for the January 13th-17th timeframe. While Natural gas was the top performer last year with a 59% gain for 2016 managed money traders increased their net long exposure by nearly 9,000 contracts to 174,043 contracts as of December 27th and this is the largest net long position for managed money traders since February 18, 2014 when they were long 173,214 contracts. February natural gas has left a large \$0.122 gap above the market, with a significantly bearish formation engulfing the charts on the break. With record length in the managed money trader's category, the market could see another day or two of long liquidation. A close below the 200 day moving average at \$3.243 could accelerate the selling. Nearby support is at the 61.8% Fibonacci level at \$3.200.

TODAY'S MARKET IDEAS:

The bear camp should retain control after Tuesday's vicious whipsaw price action especially if the Dollar retains an upper hand in front of Friday's US jobs report. To find support and return control to the bull camp might require several weeks of evidence that major oil producers are sticking to their output cuts. The bull camp might take some solace from the fact that international economic data was positive overnight as that might help to shore up global energy demand views. Near-term support for February crude oil is down at \$52.32 while resistance is seen at \$52.96. Near-term support for February RBOB is at \$1.6169 while near-term support for February heating oil is at \$1.6692.

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) 01/04/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The outside day down is a negative signal. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next downside objective is now at 49.96. The next area of resistance is around 54.05 and 56.21, while 1st support hits today at 50.93 and below there at 49.96.

HEATING OIL (FEB) 01/04/2017: The daily stochastics gave a bearish indicator with a crossover down. Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The outside day down is a negative signal. The close below the 2nd swing support number puts the market on the defensive. The next downside target is now at 160.80. The next area of resistance is around 172.90 and 179.31, while 1st support hits today at 163.64 and below there at 160.80.

RBOB GAS (FEB) 01/04/2017: Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. The market's short-term trend is negative as the close remains below the 9-day moving average. A negative signal was given by the outside day down. The close below the 2nd swing support number puts the market on the defensive. The next downside objective is now at 155.22. The next area of resistance is around 167.27 and 173.74, while 1st support hits today at 158.01 and below there at 155.22.

NATURAL GAS (FEB) 01/04/2017: The close under the 60-day moving average indicates the longer-term trend could be turning down. A bearish signal was triggered on a crossover down in the daily stochastics. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The gap lower price action on the day session chart is a bearish indicator for trend. The close below the 2nd swing support number puts the market on the defensive. The next downside target is 3.066. The next area of resistance is

around 3.466 and 3.667, while 1st support hits today at 3.166 and below there at 3.066.

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	52.49	47.70	52.52	59.08	53.12	53.51	53.30	52.93	49.92	50.37
CLAH7	53.46	48.30	53.11	59.62	53.50	54.45	54.21	53.84	50.73	51.10
HOAG7	168.27	51.34	55.38	73.09	64.08	1.71	1.70	1.68	1.59	1.60
HOAH7	169.70	50.59	55.04	74.76	64.09	1.72	1.71	1.69	1.60	1.61
RBAG7	162.64	56.90	60.89	84.88	76.17	1.66	1.65	1.60	1.49	1.49
RBAH7	164.53	55.66	60.09	85.53	75.90	1.68	1.66	1.62	1.51	1.51
NGAG7	3.316	37.66	43.22	67.13	53.34	3.69	3.62	3.58	3.32	3.37
NGAH7	3.309	38.02	43.68	68.34	55.16	3.65	3.58	3.55	3.30	3.34

Calculations based on previous session. Data collected 01/03/2017

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						
CLAG7	Crude Oil	49.95	50.92	53.08	54.05	56.21
CLAH7	Crude Oil	50.94	51.91	54.04	55.01	57.14
HOAG7	Heating Oil	160.79	163.64	170.05	172.90	179.31
HOAH7	Heating Oil	162.57	165.30	171.37	174.10	180.17
RBAG7	RBOB Gas	155.22	158.01	164.48	167.27	173.74
RBAH7	RBOB Gas	157.43	160.11	166.26	168.94	175.09
NGAG7	Natural Gas	3.065	3.165	3.366	3.466	3.667
NGAH7	Natural Gas	3.080	3.172	3.354	3.446	3.628

Calculations based on previous session. Data collected 01/03/2017

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