

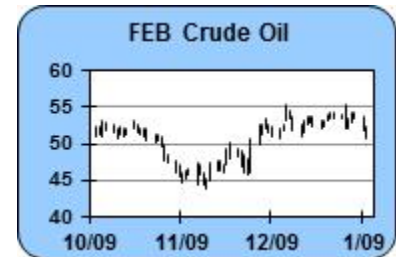


DAILY ENERGY COMPLEX COMMENTARY Wednesday January 11, 2017

DAILY ENERGY COMPLEX COMMENTARY 01/11/17

The path of least resistance remains down

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE +24, HEATING OIL +85, UNLEADED GAS +207**



CRUDE OIL MARKET FUNDAMENTALS: The big range down extension in the crude oil market this week seems to have been the result of a significantly overbought spec and fund positioning long positive as well as from fresh evidence of increased oil production and exports from Iraq. One could also suggest that a series of technical failures on the charts combined with that record spec and fund long positioning was a recipe for noted weakness in oil prices. In fact, the market view this week has been so bearish that the market has all but discounted a hike in 2017 global energy demand forecasts from the EIA. However an issue that might have emboldened the bear camp is an EIA 2017 US crude oil production forecast calling for a rise of 110,000 barrels per day. In a longer term note, the EIA also pegged 2018 world oil demand to be 98.7 million barrels or a 1.5 million barrel gain from anticipated 2017 levels. An issue that may have added to the downside in energy pricing yesterday was an expectation for a build in this week's crude oil inventories and a build in product inventories that will be released later today but it is also possible that more Dollar gains today will keep prices pinned down at this week's lows. A Reuter's poll pegged crude stocks to be up a little over 1.2 million barrels on the week, and that potentially bearish news is joined by expectations for similar gains in product inventories. While some traders thought a return of cold weather in the last week of January was cause for a recovery in crude oil and for the gains in natural gas in the prior trading session, the national weather service still has much warmer than normal temps expected in Chicago and New York out through January 25th. We see a critical pivot point in February crude oil at \$50.76 but we also can't rule out a continuation down to the next significant even number price levels of \$50 per barrel.

PRODUCT MARKET FUNDAMENTALS: Like the crude oil market, the RBOB market continues in a liquidation mode on its charts. As in crude oil, there may not be much in the way of support until the even number level of \$1.50 in the February contract. As suggested already in the crude oil coverage, the trade is generally expecting a modest build in weekly product inventories. Another issue favoring the bear camp this week is talk that US product exports into Europe are running soft. Even a minor Colonial pipeline issue in the prior trading session failed to cushion RBOB prices and that highlights the prevailing bearish tide. In order to turn the tide around in February RBOB might require a close back above \$1.55. Not surprisingly the heating oil market has not been exempt from the bearish fundamentals facing crude oil and gasoline. Much above normal high temperatures for New York into January 25th would seem to make it difficult for the month of January to be judged a positive demand month for heating oil. As in RBOB, the February heating oil contract might have little in the way of solid support until the \$1.58 level.

Weekly EIA Petroleum Estimates - Week Ending 1/6/2017 - In Million Barrels

	High Estimate	Low Estimate	Stocks Last Week	Stocks Change Last Week
Crude Oil	1.4	1	479	-7.1
Distillates	1.1	0.7	161.7	10.1
Gasoline	1.8	1.4	235.5	8.3

NATURAL GAS: The national weather service has much warmer than normal temperatures expected in Chicago and New York out through January 25th. In fact, highs for most of the next 10 days in New York are seen around 50 degrees! Therefore seeing February natural gas reverse course yesterday and recoup all of Monday's losses is suspect especially with conflicting weather forecasts calling for below normal temperatures in the Northwest, Northern Rockies and much above normal temps in the Midwest and East Coast. In short the National Weather Service is still forecasting above normal temperatures for the eastern "half" of the U.S. for January for the 18th to the 25th period. Therefore we suspect that most of the gains in the prior trading session were short covering from the "massive January washout" and some of the gains were off 2017 fund allocations away from crude and toward natural gas. However, the EIA did raise their 2017 natural gas price estimate mid-morning yesterday to \$3.55 from \$3.27 at the agency's monthly Short Term Energy Outlook. The production forecast was cut to 79.08 bcf per day from 79.94 bcf last month.

TODAY'S MARKET IDEAS:

As suggested before we doubt the February crude oil contract will be able to avoid a near-term slide down the \$50 per barrel level but we can't rule out some minor bounce today in the face of the short term oversold status and from some overnight talk on production cut compliance and a possible extension of the scheme. In order to fully alter the liquidation mode might require fresh hawkish production cut dialogue from a major oil producer, or it might require a significant "risk on" environment that in turn provides fresh buying into industrial commodities. We also have to think that a strong Dollar will limit the short covering bounce in crude and RBOB today.

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) 01/11/2017: The major trend has turned down with the cross over back below the 40-day moving average. 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 setup is somewhat negative with the close under the 1st swing support. The next downside target is 49.60. The next area of resistance is around 51.62 and 52.79, while 1st support hits today at 50.02 and below there at 49.60.

HEATING OIL (FEB) 01/11/2017: The market back below the 40-day moving average suggests the longer-term trend could be turning down. Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The close below the 9-day moving average is a negative short-term indicator for trend. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is 157.85. The next area of resistance is around 163.31 and 166.30, while 1st support hits today at 159.09 and below there at 157.85.

RBOB GAS (FEB) 01/11/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price

action. A negative signal for trend short-term was given on a close under the 9-bar moving average. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is now at 150.89. The next area of resistance is around 156.79 and 160.17, while 1st support hits today at 152.15 and below there at 150.89.

NATURAL GAS (FEB) 01/11/2017: 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. A positive setup occurred with the close over the 1st swing resistance. The next downside target is 3.030. The next area of resistance is around 3.383 and 3.463, while 1st support hits today at 3.167 and below there at 3.030.

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	50.82	35.76	43.23	44.23	27.75	52.63	53.07	52.97	50.48	50.42
CLAH7	51.70	35.30	43.07	43.78	27.05	53.53	54.00	53.88	51.33	51.20
HOAG7	161.20	33.15	41.83	39.75	20.99	1.66	1.69	1.68	1.60	1.60
HOAH7	162.34	32.80	41.74	41.00	21.39	1.67	1.70	1.70	1.61	1.61
RBAG7	154.47	33.61	43.56	52.47	30.84	1.60	1.63	1.62	1.51	1.50
RBAH7	157.21	34.57	44.60	53.67	32.29	1.62	1.65	1.64	1.53	1.52
NGAG7	3.275	41.88	44.40	26.65	17.50	3.23	3.44	3.49	3.33	3.34
NGAH7	3.271	42.52	44.89	27.71	18.50	3.24	3.42	3.46	3.31	3.32

Calculations based on previous session. Data collected 01/10/2017

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	49.59	50.02	51.19	51.62	52.79
CLAH7	Crude Oil	50.47	50.90	52.07	52.50	53.67
HOAG7	Heating Oil	157.84	159.08	162.07	163.31	166.30
HOAH7	Heating Oil	158.99	160.19	163.29	164.49	167.59
RBAG7	RBOB Gas	150.89	152.15	155.53	156.79	160.17
RBAH7	RBOB Gas	153.85	155.04	158.18	159.37	162.51
NGAG7	Natural Gas	3.029	3.166	3.246	3.383	3.463
NGAH7	Natural Gas	3.047	3.171	3.245	3.369	3.443

Calculations based on previous session. Data collected 01/10/2017

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