



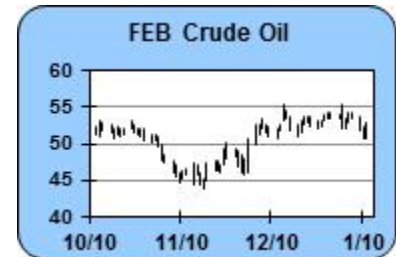
DAILY ENERGY COMPLEX COMMENTARY Thursday January 12, 2017

DAILY ENERGY COMPLEX COMMENTARY 01/12/17

The bull camp has regained a slight edge this morning

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE +64, HEATING OIL +211, UNLEADED GAS +212**

CRUDE OIL MARKET FUNDAMENTALS: US crude oil prices forged a significant bottom and reversal move in advance of the weekly EIA statistics yesterday morning. Ultimately the energy trade discounted increases in crude oil stocks and some product stocks. The groundwork for yesterday's bounce was probably laid by news that Saudi Arabia was making cuts to February oil exports to buyers in Southeast Asia. It is also likely that a significant reversal and weakening in the US dollar has and will provide US crude oil with some ongoing fresh speculative buying. The refinery operating rate was 93.60%, up 1.60% from last week compared to 91.20% last year and the five year average of 88.76%. Seeing the US refinery operating rate jump by 1.6% on the week to 93.6% and seeing that refinery operating rate running well above the five-year average of 88% clearly points to increased activity and perhaps solid demand. With the Trump press conference leveling aggressive and potentially incendiary comments at Russia, it is possible that Russia might become even more aggressive in its efforts to assist oil producers in their attempts to raise global energy prices. Energy prices could have been undermined in the prior trading session by suggestions from the president elect that he favors to open up federal land to energy development and it could also be held back today because of sagging economic sentiment. Crude stocks at 483.1 million barrels is the highest ever for this week. EIA crude stocks rose 4.09 million barrels and are 31.91 million barrels above year ago levels. Also, crude stocks stand 130.6 million barrels above the five year average. Crude oil imports for the week stood at 9.05 million barrels per day compared to 7.18 million barrels the previous week.



PRODUCT MARKET FUNDAMENTALS: The unleaded gasoline market managed to reverse course and rally sharply in sync with crude oil during the Wednesday trade. Also like crude oil, the RBOB market managed the recovery action in the face of builds in crude oil and US product stocks. In fact, gasoline stocks over the last two weeks have increased by 13 million barrels and distillates stocks over the last two weeks have increased by 18 million barrels while heating oil stocks have shown only a minimal build over the last two weeks. Implied US gasoline demand came in at 8.4 million barrels per day which is below year ago and 10 year average levels. Gasoline trading volume has been very consistent over the last four trading sessions, and for some that might hint at allocation buying by the funds. Gasoline stocks at 240.473 million barrels are the highest for this week since 2015. EIA gasoline stocks rose 5.023 million barrels and are 39 thousand barrels above last year and 5.188 million above the five year average. Average total gasoline demand for the past four weeks was up 0.68% compared to last year. Gasoline imports came in at 683,000 barrels per day compared to 722,000 barrels the previous week. EIA distillate stocks rose 8.356 million barrels and stand at 4.487 million barrels above last year and 28.084 million above the five year average. Distillate imports came in at 103,000 barrels per day compared to 99,000 barrels the previous week. Average total distillate demand for the past four weeks was up 7.53% compared to last year. Heating oil stocks at 13.312 million barrels is the lowest for this week since 2015 EIA heating oil stocks fell 923,000 barrels and are 2.551 million barrels below last year and 7.869 million below the five year average.

CRUDE OIL	Stocks				Imports	Refinery Capacity(%)	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
1/6/2017	483.109	4.097	31.919	352.452	9.052	93.6	91.2
DISTILLATES	Stocks				Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
1/6/2017	170.041	8.356	4.487	141.957	0.103	3.198	2.832
GASOLINE	Stocks				Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
1/6/2017	240.473	5.023	0.039	235.285	0.683	8.47	8.5

NATURAL GAS: Natural gas fell yesterday as the National Weather Service continues to forecast above normal temperatures for the eastern half of the U.S. through January 26th. Natural gas stockpiles probably fell by less than normal for the second week in a row as the mild weather to start the New Year has shaved heating demand. Inventories are estimated to have fallen 145 bcf last week compared to the five year average of a 168 bcf draw on inventories. Inventories totaled 3,311 bcf as of December 30th which is 0.6% below the five year average. The market has run into some near term resistance at the \$3.350 area over the last six trading days and therefore the bull camp is fighting an uphill battle. However, today's inventory draw should dictate direction but if the weather extends with warmer temperatures through January 26th for a large portion of the US, heating demand will be on the decline setting a potentially bearish tone for the market.

TODAY'S MARKET IDEAS:

We are doubtful of a significant near-term upside extension in crude oil and RBOB following the reversal in the prior trading session. Certainly a weaker dollar and incendiary comments toward Russia from the President-elect provide a measure of bull support but a 4 million barrel build in weekly crude oil stocks, and builds in both gasoline and distillate stocks should stand in the way of a total sharp reversal of the January downtrend in prices. In fact, any upward track in crude oil prices will have to traverse the underside of the last month's consolidation pattern. Initial resistance in February crude oil is seen today at \$53.79 and then again at \$53.93. Initial resistance in February RBOB is seen at \$1.70 which is a fairly significant upside potential.

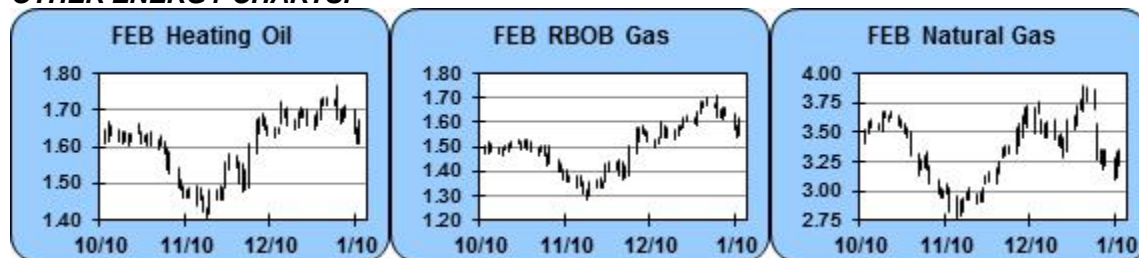
NEW RECOMMENDATIONS:

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) 01/12/2017: The cross over and close above the 40-day moving average indicates the longer-term trend has turned up. The downside crossover of the 9 and 18 bar moving average is a negative signal.

Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. A negative signal for trend short-term was given on a close under the 9-bar moving average. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next downside objective is 50.05. The next area of resistance is around 53.39 and 54.10, while 1st support hits today at 51.37 and below there at 50.05.

HEATING OIL (FEB) 01/12/2017: The cross over and close above the 40-day moving average indicates the longer-term trend has turned up. The moving average crossover down (9 below 18) indicates a possible developing short-term downtrend. Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The outside day up is somewhat positive. Market positioning is positive with the close over the 1st swing resistance. The next downside objective is now at 158.28. The next area of resistance is around 169.09 and 171.45, while 1st support hits today at 162.51 and below there at 158.28.

RBOB GAS (FEB) 01/12/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market's close below the 9-day moving average is an indication the short-term trend remains negative. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next downside target is now at 152.52. The next area of resistance is around 163.42 and 165.84, while 1st support hits today at 156.76 and below there at 152.52.

NATURAL GAS (FEB) 01/12/2017: 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 has a slightly positive tilt with the close over the swing pivot. The next downside target is now at 3.152. The next area of resistance is around 3.368 and 3.429, while 1st support hits today at 3.230 and below there at 3.152.

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	52.38	48.29	50.67	39.97	31.22	52.29	52.89	52.98	50.64	50.43
CLAH7	53.20	47.71	50.41	39.32	30.16	53.16	53.80	53.89	51.50	51.21
HOAG7	165.80	47.05	50.04	34.90	25.25	1.65	1.68	1.68	1.61	1.60
HOAH7	166.71	46.28	49.67	35.70	24.96	1.66	1.69	1.70	1.62	1.61
RBAG7	160.09	49.47	52.97	46.08	32.86	1.59	1.62	1.62	1.51	1.50
RBAH7	162.81	48.90	52.86	46.69	32.61	1.61	1.64	1.64	1.53	1.52
NGAG7	3.299	43.36	45.36	24.54	20.21	3.24	3.37	3.47	3.34	3.33
NGAH7	3.289	43.45	45.49	25.39	20.74	3.24	3.36	3.45	3.32	3.31

Calculations based on previous session. Data collected 01/11/2017

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	50.04	51.36	52.07	53.39	54.10
CLAH7	Crude Oil	50.93	52.21	52.90	54.18	54.87
HOAG7	Heating Oil	158.27	162.50	164.86	169.09	171.45
HOAH7	Heating Oil	159.77	163.63	165.92	169.78	172.07
RBAG7	RBOB Gas	152.52	156.76	159.18	163.42	165.84
RBAH7	RBOB Gas	155.37	159.57	161.85	166.05	168.33
NGAG7	Natural Gas	3.151	3.229	3.290	3.368	3.429
NGAH7	Natural Gas	3.148	3.221	3.283	3.356	3.418

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