



DAILY ENERGY COMPLEX COMMENTARY

Friday January 13, 2017

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01/13/17

The bull camp would seem to need fresh headline developments

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE -59, HEATING OIL -193, UNLEADED GAS -99

CRUDE OIL MARKET FUNDAMENTALS: The bull camp in crude oil and natural gas regained the upper hand yesterday in the wake of a series of fresh oil producer cut headlines and from noted and potentially continuing weakness in the US dollar. While Saudi Arabia promised to reach compliance levels and the Russian oil minister suggested that production cut monitoring would be done at the production level instead of at the export level, it was not surprising to see the market firm and take out the prior two day's highs yesterday. However, headlines this morning suggest that compliance beyond Saud Arabia might not be seen and that has prompted some measure of long profit taking to start today. On the other hand, seeing production monitored instead of exports could offer a greater chance of keeping actual oil off the world market and insuring ongoing compliance. On the other hand, monitoring production might also clear the way for producers to dump reserve supply to make up for lower production over the next 6 months! In addition to the Saudi Arabian production cut compliance promises earlier this week, the market also saw news that Iraq was cutting its production by 170,000 barrels per day to meet their promise and the markets also saw news that Saudi output was falling to the lowest level in 2 years. While overall Chinese trade figures were a little bearish from a simple headline interpretation the energy complex should benefit going forward from strong Chinese energy demand projections which in turn are thought to be the result of very strong auto sales results. Furthermore, the crude oil market should benefit from overnight news that Chinese 2016 oil imports posted a new all-time high. We also have to think that crude oil will continue to benefit from ongoing weakness in the Dollar but we also have to warn traders of the potential for a "risk off" environment in the event that US retail sales disappoint and US equities come under pressure again today.



PRODUCT MARKET FUNDAMENTALS: Like crude oil, the gasoline market on Thursday managed a higher high and the highest trade in three days on the back of favorable Chinese energy demand forecasts for 2017. However, gasoline and distillates might be held back today from Chinese suggestions of an oversupply of energy products in 2017 and they might also be held back by news that China has raised retail gasoline prices as that could dampen demand. China already subsidizes gasoline and diesel prices for its citizens and an increase in the subsidize rate could retard demand. Other issues that might hold back product prices is a sharp jump in US refinery activity (as that should increase the flow into product inventories) and ongoing mild weather (which should dent heating oil use). Fortunately for the bull camp, gasoline stocks at Europe's Amsterdam Rotterdam and Antwerp hub this week declined to 1.09 million tons from 1.1 million tons in the prior week. In short we can't take control away from the bull camp but the energy markets clearly need something positive from retail sales and the equities markets today to throw off the initial corrective tilt.

NATURAL GAS: Seeing the energy markets (including natural gas) rally Thursday was very impressive in the face of the "risk off" day in equities. Some of the N-Gas gains might have been off minor supply issues in Europe and the UK and some of the gains might have been the result of strong Chinese energy demand forecasts which in turn might mean even greater natural gas use in a country that is working hard to move away from electricity generated by coal. With a number of days over the coming two weeks expected to post high readings in the 40's and 50's throughout the Midwest and East it is becoming increasingly difficult to lay a scenario for a strong start to

the North American heating season demand pattern. In fact the warm weather pattern has been extended through January 27th overnight. The weekly natural gas storage report showed a draw of 151 bcf versus an average estimate of 143 bcf. Total storage stands at 3,160 bcf or 0.1% below the 5 year average. Over the last four weeks, natural gas storage has declined 646 bcf. The market rallied through and closed above the resistance area of 3.350. Last week's high of 3.568 is also the bottom of the gap from last Tuesday's trade. The gap remains an upside target at 3.568 to 3.690. Close in resistance for Friday's trade is at the 50% retracement level of 3.498.

EIA Natural Gas Storage Report Summary

In Billion Cubic Feet

Week Of	Week Change	Total Storage	Change From Last Year	4 Week Combined Weekly Change	Percent Change vs 5 Year Average	Percent Change vs 10 Year Average
1/6/2017	-151	3160	-363	-646	-0.1%	1.7%

TODAY'S MARKET IDEAS:

Given the positive chart action yesterday and signs of ongoing weakness in the dollar, the only fly in the ointment for the bull camp is the threat of a "risk off" environment in the event that global equities see sharp renewed downside action and or the US economic data flow today disappoints. While we think the production cut story is getting old and stale, that story apparently retains the capacity to lift prices periodically. For today the markets are short term overbought and pushed into the market we favor the sell side unless retail sales result in fresh economic optimism and a surge up in equities. Therefore, critical consolidation support in February crude oil is seen today at \$52.10, and initial resistance is seen at \$53.03. However, those that get long probably have to risk February crude oil to a \$51.76 stop.

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) 01/13/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The cross over and close above the 18-day moving average is an indication the intermediate-term trend has turned positive. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is now at 51.56. The next area of resistance is around 53.75 and 54.31, while 1st support hits today at 52.37 and below there at 51.56.

HEATING OIL (FEB) 01/13/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The close above the 9-day moving average is a positive short-term indicator for trend. The close over the pivot swing is a somewhat positive setup. The next downside target is now at 163.56. The next area of resistance is around 169.52 and 171.19, while 1st support hits today at 165.70 and below there at 163.56.

RBOB GAS (FEB) 01/13/2017: The downside crossover (9 below 18) of the moving averages suggests a developing short-term downtrend. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market has a slightly positive tilt with the close over the swing pivot. The next downside target is 157.33. The next area of resistance is around 163.64 and 165.56, while 1st support hits today at 159.52 and below there at 157.33.

NATURAL GAS (FEB) 01/13/2017: The market now above the 60-day moving average suggests the longer-term trend has turned up. Momentum studies are still bearish but are now at oversold levels and 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 over the 1st swing resistance number, the market is in a moderately positive position. The next downside objective is now at 3.218. The next area of resistance is around 3.453 and 3.529, while 1st support hits today at 3.297 and below there at 3.218.

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	53.06	52.90	53.57	39.00	37.74	52.02	52.79	53.04	50.79	50.46
CLAH7	53.88	52.46	53.38	38.09	36.36	52.88	53.69	53.93	51.65	51.25
HOAG7	167.61	51.62	52.90	33.35	31.13	1.64	1.67	1.68	1.61	1.60
HOAH7	168.46	50.89	52.53	33.62	30.26	1.66	1.69	1.70	1.62	1.61
RBAG7	161.58	53.08	55.21	42.25	35.67	1.58	1.62	1.62	1.52	1.50
RBAH7	164.14	53.25	55.55	43.27	36.43	1.61	1.64	1.64	1.54	1.53
NGAG7	3.375	48.74	48.72	23.29	22.97	3.25	3.32	3.46	3.35	3.33
NGAH7	3.361	48.89	48.90	23.92	23.32	3.24	3.31	3.44	3.33	3.31

Calculations based on previous session. Data collected 01/12/2017

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	51.55	52.37	52.93	53.75	54.31
CLAH7	Crude Oil	52.39	53.20	53.74	54.55	55.09
HOAG7	Heating Oil	163.55	165.70	167.37	169.52	171.19
HOAH7	Heating Oil	164.60	166.62	168.28	170.30	171.96
RBAG7	RBOB Gas	157.32	159.52	161.44	163.64	165.56
RBAH7	RBOB Gas	160.19	162.22	164.03	166.05	167.87
NGAG7	Natural Gas	3.217	3.296	3.373	3.453	3.529
NGAH7	Natural Gas	3.211	3.287	3.358	3.434	3.505

Calculations based on previous session. Data collected 01/12/2017

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