



DAILY ENERGY COMPLEX COMMENTARY

Tuesday January 17, 2017

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01/17/17

A slightly bullish track to start as supply cut hopes remain

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE +60, HEATING OIL +306, UNLEADED GAS +297

CRUDE OIL MARKET FUNDAMENTALS: The energy complex has a slightly positive track to start the holiday shortened week. We suspect that a much weaker Dollar, stronger than expected German ZEW readings and a two year high in UK inflation readings have provided some support for energy prices this morning. However, the crude oil market remains overbought with its spec positioning still sitting just under record levels. In fact, the Commitments of Traders Futures and Options report as of January 10th for Crude Oil showed the Non-Commercial and Non-reportable combined traders held a net long position of 518,983 contracts which is within 10,000 contracts of the record spec and fund long! Suggestions from the Saudi Oil Minister that producers appear to be poised to meet if not exceed their production cut promises is providing support to prices and might continue to provide support until proven otherwise. In fact, Saudi Arabia is thought to have already cut its production more than their commitment and the bull camp is hopeful that pattern will extend to others. The cut deal is ultimately supposed to remove 1.8 million barrels per day and that reduction might be met with increased demand in the wake of recovery evidence from the Euro zone and ideas that China is starting to get its legs again. With Chinese officials overnight predicting that Chinese crude oil output will decline by 7% out to 2020 there is certainly supportive supply side news coming from short term and long term developments.



PRODUCT MARKET FUNDAMENTALS: The RBOB market is showing impressive early action today despite news of a restart of a troubled US Gulf refinery. Some of the early US gains are probably the result of strength in Asian gasoline spreads and some of the gains are probably the result of positive leadership in crude oil. It also goes without saying that RBOB is drafting some support from weakness in the Dollar. Up-trend channel support in February RBOB is seen down at 1.6087 and that support level rises to 1.6284 on Wednesday. The Commitments of Traders Futures and Options report as of January 10th for Gasoline (RBOB) showed the Non-Commercial and Non-reportable combined traders held a net long position of 96,560 contracts but that positioning is probably understated given the rally of 10 cents since the COT report was compiled. In fact we would think that RBOB is getting close to posting a fresh record spec and fund long! The Commitments of Traders Futures and Options report as of January 10th for Heating Oil showed Non-Commercial and Non-reportable combined traders held a net long position of 70,454 contracts.

NATURAL GAS: With a sharp range up extension on the charts to start this week the Natural gas bulls look to have a technical edge. It goes without saying that strength in the Petroleum complex and weakness in the Dollar is providing a favorable environment for natural gas today. While US temps cool slightly into the end of the month, above normal highs in the coming 9 days has to be limiting for natural gas prices. The Commitments of Traders Futures and Options report as of January 10th for Natural Gas showed the Non-Commercial and Non-reportable combined traders held a net long position of 7,812 contracts. This represents a decrease of 32,566 contracts in the net long position held by these traders. The path of least resistance would seem to be pointing upward but we are hesitant to chase the market with buy orders given the somewhat bearish US weather outlook. Critical close-in support is seen at \$3.40 in the February contract and then again down at \$3.3580.

TODAY'S MARKET IDEAS:

Apparently the energy complex continues to embrace the prospect of tightening supply and apparently the market is also embracing a positive demand slope. With German ZEW readings overnight leaping higher, UK inflation hitting a 2 year high and the Dollar falling it would seem like the macro-economic environment is favoring the bull camp in the energy complex to start the new trading week. Near term upside targeting in February crude oil is seen up at \$53.50 but the trade might see more upside in RBOB than in crude oil.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 1/3/2017 - 1/10/2017						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Energies						
Crude Oil	483,875	-15,160	-518,984	+8,106	35,108	+7,052
Heating Oil	47,494	-7,813	-70,454	+9,895	22,960	-2,082
Natural Gas	-35,026	-32,738	-7,811	+32,568	42,838	+172
Gas (RBOB)	83,973	+7,359	-96,559	-5,942	12,587	-1,416

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) 01/17/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market's short-term trend is negative as the close remains below the 9-day moving average. The market tilt is slightly negative with the close under the pivot. The next downside target is now at 51.72. The next area of resistance is around 52.97 and 53.52, while 1st support hits today at 52.07 and below there at 51.72.

HEATING OIL (FEB) 01/17/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially 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. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside objective is 162.81. The next area of resistance is around 167.19 and 169.17, while 1st support hits today at 164.02 and below there at 162.81.

RBOB GAS (FEB) 01/17/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close above the 9-day moving average is a positive 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 158.70. The next area of resistance is around 162.28 and 163.38, while 1st support hits today at 159.94 and below there at 158.70.

NATURAL GAS (FEB) 01/17/2017: The cross over and close above the 40-day moving average is an indication the longer-term trend has turned positive. A bullish signal was given with an upside crossover of the daily

stochastics. The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The market's short-term trend is positive on the close above the 9-day moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside objective is at 3.501. The next area of resistance is around 3.465 and 3.501, while 1st support hits today at 3.363 and below there at 3.296.

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	52.52	49.10	51.07	38.66	38.25	52.15	52.66	53.01	50.93	50.47
CLAH7	53.29	48.29	50.60	37.46	36.39	52.97	53.54	53.90	51.79	51.26
HOAG7	165.61	46.77	49.59	32.59	31.15	1.65	1.67	1.68	1.62	1.60
HOAH7	166.68	46.47	49.52	32.46	30.22	1.66	1.68	1.69	1.63	1.61
RBAG7	161.10	52.07	54.56	40.28	36.99	1.59	1.61	1.62	1.52	1.51
RBAH7	163.52	53.30	55.58	41.85	39.01	1.62	1.63	1.64	1.54	1.53
NGAG7	3.414	50.82	50.12	25.24	28.84	3.33	3.28	3.46	3.36	3.32
NGAH7	3.393	50.71	50.13	25.67	28.98	3.31	3.28	3.44	3.34	3.30

Calculations based on previous session. Data collected 01/13/2017

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	51.72	52.07	52.62	52.97	53.52
CLAH7	Crude Oil	52.49	52.83	53.41	53.75	54.33
HOAG7	Heating Oil	162.81	164.02	165.98	167.19	169.17
HOAH7	Heating Oil	164.15	165.26	166.99	168.10	169.83
RBAG7	RBOB Gas	158.69	159.94	161.04	162.28	163.38
RBAH7	RBOB Gas	161.34	162.41	163.56	164.63	165.78
NGAG7	Natural Gas	3.295	3.362	3.398	3.465	3.501
NGAH7	Natural Gas	3.284	3.345	3.379	3.440	3.474

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