



DAILY ENERGY COMPLEX COMMENTARY Wednesday January 18, 2017

DAILY ENERGY COMPLEX COMMENTARY 01/18/17

The bear camp regains the edge with chart damage early on

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE -73, HEATING OIL -161, UNLEADED GAS -154**

CRUDE OIL MARKET FUNDAMENTALS: The energy complex started the week out on a positive note yesterday with a modest higher high for the move and the highest price since January 9th. Clearly overt weakness in the Dollar provided some of that early strength but prices have clearly failed on the charts this morning. Liming the energy complex this week might be a measure of increased macroeconomic and geopolitical uncertainty, and the bulls might also be a little disappointed by the pace of Chinese growth laid out by the Chinese President yesterday. However, the markets did see news that Chinese refined oil consumption in November rose by 8.3% and that might more than offset the lack of economic progression in Chinese growth. Furthermore the bull camp has to be a little concerned with the overbought status of the crude oil futures market, especially with the net spec and fund long probably set to register a fresh record long reading in this week's COT report. We would also note that open interest in crude oil continues to rise (2,196,288 contracts!) as that might be another sign of a significantly overbought technical condition. 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! In the end, the market seems to have temporarily lost support from the prospect of reduced supply even though OPEC overnight suggested that supply was being reduced and that producers would respect their promises.



PRODUCT MARKET FUNDAMENTALS: At times on Monday, the RBOB market was leading the charge on the upside but the reversal from the highest level since January 3rd and the downside extension this morning shifts control to the bear camp. The bull camp benefited from the weakness in the Dollar yesterday, a number of minor refinery glitches and the markets were made aware of the first shipment of US diesel fuel to Mexico. Like crude oil, we are little concerned with the high level of open interest in RBOB and we are also concerned with the magnitude of the net spec and fund long. 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: The market traded to a high of \$3.513 (its highest level since January 3rd) yesterday but set back on continued warmer forecasts for the eastern two-thirds of the U.S. through January 27th and also because of weakness in the crude oil market which has given the bear camp a slight edge to start today. The forecasts beyond the 27th of January turn colder with below normal readings in the southern and western regions of the U.S and that might cushion the market against a wholesale washout. However the market did have a bit of a back and fill trade on Tuesday and the failure to hold the 50% retracement of the recent move at \$3.498 leaves the market vulnerable to start. Moving averages are just below the early trade today with the 50 day at \$3.326 and the 100 day moving average down at \$3.344.

TODAY'S MARKET IDEAS:

We think crude oil and RBOB are overbought both fundamentally and technically. In fact, without more positive action in global equities, more evidence of production restraint and even more declines in the Dollar, we think that energy prices are destined to correct and possible return to the early January low down at 1.5494 in RBOB. With February crude oil failing to hold \$51.76 and February RBOB failing to hold above \$1.5980 the bias clearly has shifted to the bear camp 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) 01/18/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. 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 under the swing pivot. The next downside target is 51.26. The next area of resistance is around 53.20 and 54.06, while 1st support hits today at 51.80 and below there at 51.26.

HEATING OIL (FEB) 01/18/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's short-term trend is negative as the close remains below the 9-day moving average. The daily closing price reversal down puts the market on the defensive. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is now at 161.08. The next area of resistance is around 167.60 and 171.09, while 1st support hits today at 162.60 and below there at 161.08.

RBOB GAS (FEB) 01/18/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close below the 9-day moving average is a negative short-term indicator for trend. The daily closing price reversal down puts the market on the defensive. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is 155.22. The next area of resistance is around 163.22 and 167.90, while 1st support hits today at 156.88 and below there at 155.22.

NATURAL GAS (FEB) 01/18/2017: The market back below the 40-day moving average suggests the longer-term trend could be turning down. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The close above the 9-day moving average is a positive short-term indicator for trend. The daily closing price reversal down is a negative indicator for prices. The market tilt is slightly negative with the close under the pivot. The next upside target is 3.568. The next area of resistance is around 3.464 and 3.568, while 1st support hits today at 3.306 and below there at 3.251.

DAILY TECHNICAL STATISTICS

CLOSE 9 DAY 14 DAY 14 DAY 14 DAY 4 DAY 9 DAY 18 DAY 45 DAY 60 DAY

	RSI	RSI	SLOW STOCH D	SLOW STOCH K	M AVG	M AVG	M AVG	M AVG	M AVG	
ENERGY COMPLEX										
CLAG7	52.50	49.11	51.00	38.17	37.93	52.53	52.66	52.97	51.06	50.47
CLAH7	53.31	48.62	50.73	36.76	36.07	53.34	53.52	53.86	51.92	51.26
HOAG7	165.10	45.66	48.81	31.31	29.45	1.66	1.66	1.68	1.62	1.60
HOAH7	166.40	45.35	48.72	30.89	28.47	1.67	1.68	1.69	1.63	1.61
RBAG7	160.05	49.01	52.52	39.05	36.51	1.60	1.61	1.63	1.53	1.51
RBAH7	162.75	50.34	53.64	40.80	38.69	1.63	1.63	1.65	1.55	1.53
NGAG7	3.385	49.08	49.02	27.31	31.29	3.35	3.29	3.46	3.37	3.32
NGAH7	3.380	49.86	49.60	27.81	31.98	3.34	3.28	3.43	3.35	3.30

Calculations based on previous session. Data collected 01/17/2017

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	51.26	51.80	52.66	53.20	54.06
CLAH7	Crude Oil	52.04	52.60	53.46	54.02	54.88
HOAG7	Heating Oil	161.07	162.59	166.08	167.60	171.09
HOAH7	Heating Oil	162.24	163.88	167.27	168.91	172.30
RBAG7	RBOB Gas	155.22	156.88	161.56	163.22	167.90
RBAH7	RBOB Gas	158.11	159.69	164.21	165.80	170.31
NGAG7	Natural Gas	3.250	3.305	3.409	3.464	3.568
NGAH7	Natural Gas	3.257	3.309	3.399	3.451	3.541

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