

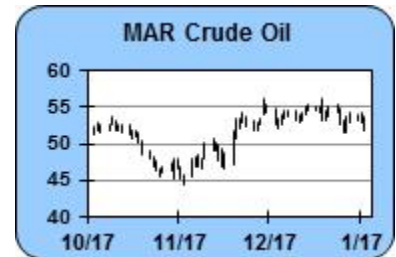


DAILY ENERGY COMPLEX COMMENTARY
 Thursday January 19, 2017

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 01/19/17

The bear camp has an edge especially if the \$ rises further

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE +45, HEATING OIL +176, UNLEADED GAS +46



CRUDE OIL MARKET FUNDAMENTALS: The March crude oil contract on Wednesday faltered and made a fresh four day low in the process. The slide in the prior trading session took place despite very favorable US industrial production, capacity utilization and CPI readings. In other words, the trade discounted the prospect of an improving energy demand outlook in favor of ongoing attention to the direction of the US dollar. However the market did seem to embrace news indicating softening US demand for products, and that isn't surprising in the face of mild temperatures throughout a large portion of the continental US and non-descript implied gasoline demand readings. There also appears to be fresh demand concerns in the European gasoline market which in turn should provide some spillover pressure to the US markets. In fact the path of least resistance in crude oil might remain down in the wake of news that the incoming US administration might relax drilling restrictions in US lands. Furthermore the US EPA nominee seemed to indicate that progress on the renewable fuels standard would continue as desired by Congress and that could be an additive negative for petroleum prices ahead. In conclusion, further strength in the dollar, news of the build in US crude inventories and a lack of "risk on" in global equities could facilitate a March crude oil return to the early January low of \$50.71. In another minor fresh negative, the US yesterday forecast total shale production for February to rise by 41,000 BPD and that leaves the supply side of the equation in the bear's camp. Estimates for this week's delayed EIA crude inventories call for a minimal decline between 100,000 and 500,000 barrels.

PRODUCT MARKET FUNDAMENTALS: As indicated in the crude oil coverage, there have been signs of weakening gasoline demand inside the US and in Europe and that combined with spillover pressure from crude oil has set a negative trend for the RBOB market this week. It is also possible that hints of a continuation of progress for the renewable fuels standard is seen as a negative to petroleum products, as that might allow market share for biofuels to expand. With strength in broad-based industrial economic readings from the US in the prior trading session, it would not be surprising to see further short covering gains in the dollar today. In fact, with US housing starts and permits expected to improve that could leave outside market pressures on the product markets. Near term downside targeting in March RBOB is seen down at \$1.5686. Distillate inventories this week are expected to decline by slightly more than 1 million barrels while gasoline inventories are expected to rise by a large enough level to increase the pressure on gasoline prices.

Weekly EIA Petroleum Estimates - Week Ending 1/13/2017 - In Million Barrels

	High Estimate	Low Estimate	Stocks Last Week	Stocks Change Last Week
Crude Oil	-0.1	-0.5	483.1	4.1
Distillates	0.4	0	170	8.4
Gasoline	2.2	1.8	240.5	5

NATURAL GAS: Today's gas inventories should decline the most in two years according to industry estimates circulated yesterday. The average estimate is for an inventory draw of 239 bcf last week compared to a five year average decline of 170 bcf for this week. Stockpiles totaled 3,160 bcf as of January 6th which is right on the five year average. Forecasts continue to have above normal warmth through the 28th of January, but longer term forecasts from the National Weather Service 8-14 day forecast show colder temperatures across most of the U.S. starting February 1st. Also, natural gas demand could start to be displaced by hydroelectric generation from swollen rivers and dams in the Western US. Hydro generation could equal 422 million cubic feet a day of gas, about 1.4% of US demand for power generation in April through October, mostly in California, Oregon and Washington. March natural gas traded to a low of 3.2760 and a trade below the 200 day moving average could spark more long liquidation from trend following managed money traders who were still long 142,147 contracts as of January 10th.

TODAY'S MARKET IDEAS:

As indicated already in today's coverage, the energy market is facing a bearish fundamental and technical setup. In addition to the large range down extension in the prior trading session the markets saw almost no benefit from much stronger-than-expected US data yesterday. It is also discouraging to see sagging gasoline demand evidence from the US and Europe. Therefore unless today's weekly crude oil inventories fall sharply, it could be difficult to throw off the short-term negative bias. A key pivot point in today's trade in the March crude oil contract is seen at \$51.80 but a logical downside targeting remains \$51.59. A near term critical pivot point in March gasoline is seen at \$1.5766 but we can't rule out a decline to fill an old gap down at \$1.5374.

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 (MAR) 01/19/2017: The market back below the 40-day moving average suggests the longer-term trend could be turning down. 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 now at 50.51. The next area of resistance is around 53.07 and 54.28, while 1st support hits today at 51.19 and below there at 50.51.

HEATING OIL (MAR) 01/19/2017: The close under the 40-day moving average indicates the longer-term trend could be turning down. Daily stochastics declining into oversold territory suggest the selling may be drying up soon. A negative signal for trend short-term was given on a close under the 9-bar moving average. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside objective is 158.37. The next area of resistance is around 165.70 and 169.14, while 1st support hits today at 160.32 and below there at 158.37.

RBOB GAS (MAR) 01/19/2017: 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. The close below the 1st swing support could weigh on the market. The next downside target is now at 152.22. The next area of resistance is around 161.71 and 166.43, while 1st support hits today at 154.61 and below there at 152.22.

NATURAL GAS (MAR) 01/19/2017: The market back below the 40-day moving average suggests the longer-term trend could be turning down. Positive momentum studies in the neutral zone will tend to reinforce higher price action. A positive signal for trend short-term was given on a close over the 9-bar moving average. The swing indicator gave a moderately negative reading with the close below the 1st support number. The near-term upside objective is at 3.477. The next area of resistance is around 3.381 and 3.477, while 1st support hits today at 3.233 and below there at 3.180.

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										
CLAH7	52.13	40.58	45.31	33.62	27.60	53.10	53.28	53.74	52.03	51.26
CLAJ7	52.90	39.05	44.34	33.35	25.48	53.82	54.06	54.51	52.75	51.94
HOAH7	163.01	38.03	43.60	27.71	21.35	1.66	1.67	1.69	1.63	1.61
HOAJ7	163.80	37.15	43.07	28.05	20.33	1.66	1.67	1.69	1.64	1.62
RBAH7	158.16	37.82	44.73	36.42	27.66	1.62	1.62	1.64	1.55	1.53
RBAJ7	177.64	39.56	45.99	37.34	30.27	1.81	1.81	1.82	1.75	1.72
NGAH7	3.307	44.45	46.12	29.01	30.63	3.37	3.29	3.44	3.36	3.30
NGAJ7	3.318	48.15	49.31	37.31	41.35	3.36	3.28	3.37	3.27	3.21

Calculations based on previous session. Data collected 01/18/2017

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						
CLAH7	Crude Oil	50.50	51.18	52.39	53.07	54.28
CLAJ7	Crude Oil	51.29	51.96	53.16	53.83	55.03
HOAH7	Heating Oil	158.36	160.31	163.75	165.70	169.14
HOAJ7	Heating Oil	159.32	161.20	164.51	166.39	169.70
RBAH7	RBOB Gas	152.21	154.60	159.32	161.71	166.43
RBAJ7	RBOB Gas	172.29	174.47	178.62	180.80	184.95
NGAH7	Natural Gas	3.179	3.232	3.328	3.381	3.477
NGAJ7	Natural Gas	3.207	3.252	3.339	3.384	3.471

Calculations based on previous session. Data collected 01/18/2017

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