



DAILY ENERGY COMPLEX COMMENTARY

Friday January 20, 2017

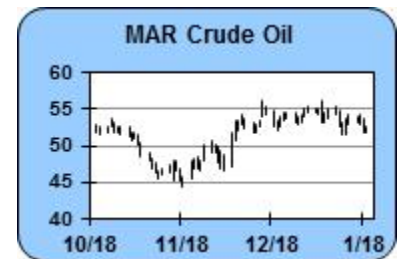
DAILY ENERGY COMPLEX COMMENTARY

01/20/17

Positive tilt toward crude bearish tilt toward gasoline

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE +57, HEATING OIL +160, UNLEADED GAS +244

CRUDE OIL MARKET FUNDAMENTALS: While the March crude oil contract waffled around both sides of unchanged throughout the Thursday trade, seeing prices track within close proximity to the last month's lows could have given the bear camp the edge today. However, news that Saudi Officials think 1.5 million barrels were cut from production in January means that the producers are proceeding toward their goal rather quickly. It is also likely that a slightly better than expected Chinese growth result overnight and hopes for a weekend production cut compliance meeting in Vienna is giving the bulls an added edge. While some in the trade anticipated a build in weekly crude oil inventories this week, the 5.9 million barrel build in gasoline stocks was clearly a bearish surprise for the energy complex. In fact, the net change in US gasoline stocks over the last three weeks has been a large 19 million barrel build and that combined with some less than stellar gasoline demand views this week should provide some overhead resistance on the charts today. Furthermore stronger-than-expected US schedule data over the last several days and Chinese growth of +6.8% overnight should lend some fresh demand support to energy prices. It is possible that strength in the US Dollar will be a limiting force for energy prices today. In the end with Crude stocks at 485.4 million barrels the highest ever for this week and EIA crude stocks rising 2.3 million barrels for the week, it is difficult to argue that supply is tightening. In fact, crude oil stocks are 30.2 million barrels above year ago levels and they stand 128.7 million barrels above the five year average. Crude oil imports for the week stood at 8.378 million barrels per day compared to 9.052 million barrels the previous week. The refinery operating rate was 90.70% down, 2.90% from last week compared to 90.60% last year and the five year average of 85.68%.



PRODUCT MARKET FUNDAMENTALS: The technical damage in the gasoline market on Thursday was much more definitive than in crude oil but that damage was partially countervailed by the initial bounce in prices today. However, the declines in gasoline prices appear to be justified in the wake of this week's slumping gasoline demand chatter and more specifically because of the 19 million barrel build in US gasoline inventories seen over the past 3 weekly readings. Furthermore with gasoline demand on the week hitting the lowest level in six weeks and coming in nearly 1 million barrels per day below year ago levels, the bear camp would seem to have plenty of fundamental arguments in their court. With the March gasoline contract slide to the lowest price level since December 15th damaging the charts, the next downside target could be the 50 day moving average which comes in down at \$1.5395. In addition to overly abundant US gasoline inventories, the Amsterdam, Rotterdam and Antwerp (ARA) gas oil stocks reached up to a four-month high this week. Europe's gas oil stocks rose to 3.2 million tons from 2.9 million tons the prior week. In conclusion, the bear camp has the benefit of bearish supply and demand. Gasoline stocks at 246.4 million barrels are the highest for this week since 2016. EIA gasoline stocks rose 5.951 million barrels and are 1.427 million barrels above last year and 10.110 million above the five year average. Average total gasoline demand for the past four weeks was down 2.43% compared to last year. Gasoline imports came in at 588,000 barrels per day compared to 683,000 barrels the previous week. Heating oil stocks at 13.179 million barrels are the lowest for this week since 2015. EIA heating oil stocks fell 133,000 barrels and are 2.346 million barrels below last year and 7.628 million below the five year average. EIA distillate stocks fell 968,000 barrels and stand at 4.544 million barrels above last year and 29.007 million above the five year average. Distillate imports came in at 152,000 barrels per day compared to 103,000 barrels the previous week. Average total distillate demand for the past four weeks was up 6.65% compared to last year.

Weekly EIA Petroleum Report						In Million Barrels	
CRUDE OIL	Stocks				Imports	Refinery Capacity(%)	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
1/13/2017	485.456	2.347	30.287	356.735	8.378	90.7	90.6
DISTILLATES	Stocks				Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
1/13/2017	169.073	-0.968	4.544	140.066	0.152	4.095	3.678
GASOLINE	Stocks				Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
1/13/2017	246.424	5.951	1.427	236.314	0.588	8.069	9.079

NATURAL GAS: The weekly natural gas storage report showed a draw of 243 bcf compared to the average estimate of a draw of 239 bcf which is a figure that should have lent some support to prices. In fact total storage now stands at 2,917 bcf or 2.6% below the 5 year average. Over the last four weeks, natural gas storage has declined by 680 bcf but apparently the market is looking forward to average demand instead of backward to tightening supply. It has to be discouraging to the bull camp that mild temperatures are giving way to frigid conditions in the Northeast, Midwest and South starting January 29th but that news hasn't cushioned prices against a return to this week's lows. In the end February natural gas traded both sides of unchanged on Thursday with the market rallying after the EIA released the inventory draw but the failure to hold those gains suggests the bears control today.

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
1/13/2017	-243	2917	-431	-680	-2.6%	-1.1%

TODAY'S MARKET IDEAS:

The path of least resistance yesterday in crude oil was pointing down but prospects have improved slightly today in the wake of solid compliance news and favorable Chinese growth results. The 50 day moving average in the March crude oil contract comes in at \$51.56 with the 50 day moving average in RBOB not seen until \$1.5395. As we mentioned at the beginning of the week, the crude oil market was vulnerable to long liquidation off its very lofty spec and fund long positioning into the January highs but the \$4 correction has probably balanced the technical picture considerably. Clearly the \$52.00 level offers some consolidation type support, but the bull camp will need risk-on sentiment and higher equities to claw back up into the mid-January consolidation that is bound by \$52.94 and \$54.29.

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) 01/20/2017: 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is 51.34. The next area of resistance is around 52.59 and 53.06, while 1st support hits today at 51.73 and below there at 51.34.

HEATING OIL (MAR) 01/20/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. 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 objective is 161.41. The next area of resistance is around 164.32 and 165.70, while 1st support hits today at 162.18 and below there at 161.41.

RBOB GAS (MAR) 01/20/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The close below the 9-day moving average is a negative short-term indicator for trend. The market's close below the pivot swing number is a mildly negative setup. The next downside target is 153.83. The next area of resistance is around 158.26 and 160.04, while 1st support hits today at 155.16 and below there at 153.83.

NATURAL GAS (MAR) 01/20/2017: The major trend could be turning up with the close back above the 60-day moving average. The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. A positive signal for trend short-term was given on a close over the 9-bar moving average. It is a slightly negative indicator that the close was lower than the pivot swing number. The next upside target is 3.450. The next area of resistance is around 3.371 and 3.450, while 1st support hits today at 3.231 and below there at 3.170.

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	52.16	41.66	45.75	29.13	21.32	52.62	52.98	53.66	52.17	51.25
CLAJ7	52.87	40.70	45.29	28.92	20.05	53.37	53.77	54.44	52.89	51.93
HOAH7	163.25	39.89	44.45	23.51	16.17	1.64	1.66	1.68	1.64	1.61
HOAJ7	164.13	40.81	45.20	24.36	16.98	1.65	1.66	1.69	1.64	1.62
RBAH7	156.71	35.20	42.70	30.81	19.60	1.60	1.61	1.64	1.56	1.53
RBAJ7	176.89	38.00	44.83	32.33	22.30	1.79	1.80	1.82	1.75	1.72
NGAH7	3.301	44.98	46.44	29.19	29.54	3.35	3.30	3.42	3.37	3.29
NGAJ7	3.317	52.76	52.32	39.55	44.04	3.37	3.30	3.37	3.29	3.21

Calculations based on previous session. Data collected 01/19/2017

Data sources can & do produce bad ticks. Verify before use.

DAILY SWING STATISTICS

Contract	Support 2	Support 1	Pivot	Resist 1	Resist 2
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ENERGY COMPLEX

CLAH7	Crude Oil	51.34	51.73	52.20	52.59	53.06
CLAJ7	Crude Oil	52.08	52.44	52.93	53.29	53.78
HOAH7	Heating Oil	161.40	162.17	163.55	164.32	165.70
HOAJ7	Heating Oil	162.34	163.08	164.42	165.16	166.51
RBAH7	RBOB Gas	153.82	155.15	156.93	158.26	160.04
RBAJ7	RBOB Gas	174.35	175.51	177.11	178.27	179.87
NGAH7	Natural Gas	3.170	3.231	3.310	3.371	3.450
NGAJ7	Natural Gas	3.188	3.249	3.323	3.384	3.458

Calculations based on previous session. Data collected 01/19/2017

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