



## DAILY ENERGY COMPLEX COMMENTARY

Monday January 23, 2017

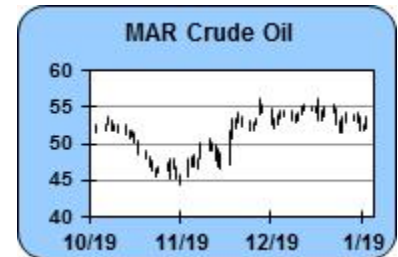
### DAILY ENERGY COMPLEX COMMENTARY

01/23/17

**The bears hold the edge unless US tax cut talk surfaces today**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**CRUDE -64, HEATING OIL -141, UNLEADED GAS -130**

**CRUDE OIL MARKET FUNDAMENTALS:** All things considered, the crude oil market showed impressive action by rejecting last week's lows and recovering in the face of bearish delayed weekly inventory data. However, the bull camp was also emboldened by evidence that oil producers were progressing nicely toward their promised reduction goals but that issue doesn't seem to be providing last support to prices this morning. While the bull camp seemed to be emboldened by the fact that fears of a Chinese/US trade war have moderated somewhat seeing Trump label China as a currency manipulator right out of the box today would certainly add to the initial weakness in prices. The bull camp has to be relieved that the US dollar looks to come away from a favorable US data last week under pressure. Apparently the weekend oil cut compliance meeting in Vienna and news that Iraq had cut their output by 180,000 barrels was lost on the trade this morning as the charts look negative and a return to consolidation lows in March crude oil below \$52 might be in order. Furthermore despite the correction in crude oil at the end of last week, the net spec and fund long remained within 2,000 contracts of its record long that was posted in the first week of January. In fact, the Non-Commercial Net Long position in crude oil action hit a new record level at 508,702 contracts in this week's report. Also limiting the upward track in energy prices to start this week is news that the US added the most drilling rigs since April 2013 in the latest weekly drilling readings.



**PRODUCT MARKET FUNDAMENTALS:** As in crude oil, the gasoline market appears to have corrected the oversold condition that was in place into the recent January lows and that could clear the way for a modest slide early this week. From the January high to last week's low gasoline prices corrected a significant \$0.17 but a low to high bounce of 5 cents last week might clear the way for the lowest prices since December 15th. In fact, with the latest net spec long position in gasoline sitting just 11,000 contracts below the record high level as of early last week, the market should be considered vulnerable. The Commitments of Traders Futures and Options report as of January 17th for Gasoline (RBOB) showed the Non-Commercial and Non-reportable combined traders held a net long position of 100,852 contracts and that is concerning for the bull camp. An issue that might pressure gasoline prices this week is news last week that Amsterdam Rotterdam and Antwerp (ARA) gas oil stocks reached up to the highest level in four months. We must also take note of anecdotal stories of softening demand over the last two weeks. In looking at past mid-January/early February patterns, demand for gasoline should be expected to soften ahead. While some areas of the US are expected to cool down, other areas have seen much above normal temperatures and that could leave slightly less than average heating oil demand. The Commitments of Traders Futures and Options report as of January 17th for Heating Oil showed the Non-Commercial and Non-reportable combined traders held a net long position of 73,845 contracts.

**NATURAL GAS:** With temperatures in the Midwest over the next 10 days expected to post highs in the upper 30s March natural gas may not be able to hold above \$3.20 on the charts, With the US adding six natural gas drilling rigs in the week ending January 20th, it is clear that the recovery in prices off last November's lows is serving to bring on production. Cushioning the natural gas market is news that the Commitments of Traders Futures and Options report as of January 17th for Natural Gas showed the Non-Commercial and Non-reportable combined traders held a net long position of only 28,972 contracts. Another issue supportive of Natural gas today is news

that US LNG exports and demand from Asia continue to tighten the supply situation.

TODAYS MARKET IDEAS: Given bearish weather, weakness in crude oil and a rise in drilling counts last week the path of least resistance is pointing downward in natural gas and we can't rule out a return toward the early January lows down at \$3.1220.

**TODAY'S MARKET IDEAS:**

With the crude oil market correcting its short-term oversold condition with the bounce last week and the overall longer-term positioning burdensome the onus is on the bull camp to prove it can prop up the market to start this week. However given the described success of the weekend oil producers meeting and the prospect of a weaker US dollar there might be some support to cushion prices early this week. In the end the failure to hold \$51.81 on a close basis could project a slide down to even number \$50 directly ahead. We also have to leave the bias in gasoline pointing downward given bearish fundamentals from both supply and demand perspectives. In the short term, we can't rule out a temporary slide back below \$1.6585 in the March gasoline contract. However, the inability to hold above \$1.5652 could project prices down to an old series of closes at \$1.5434.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

Commitment of Traders - Futures and Options - 1/10/2017 - 1/17/2017						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
<b>Energies</b>						
Crude Oil	508,702	+24,827	-525,308	-6,324	16,606	-18,502
Heating Oil	50,161	+2,667	-73,846	-3,392	23,684	+724
Natural Gas	-10,276	+24,750	-28,972	-21,161	39,248	-3,590
Gas (RBOB)	88,993	+5,020	-100,851	-4,292	11,859	-728

**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) 01/23/2017: The cross over and close above the 40-day moving average is an indication the longer-term trend has turned positive. 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. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next downside objective is 51.50. The next area of resistance is around 53.94 and 54.57, while 1st support hits today at 52.40 and below there at 51.50.

HEATING OIL (MAR) 01/23/2017: Momentum studies are declining, but have fallen to oversold levels. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market's close above the 2nd swing resistance number is a bullish indication. The next downside target is now at 160.79. The next area of resistance is around 168.37 and 170.60, while 1st support hits today at 163.47 and below there

at 160.79.

RBOB GAS (MAR) 01/23/2017: The cross over and close above the 40-day moving average indicates the longer-term trend has turned up. Momentum studies are declining, but have fallen to oversold levels. The market's close below the 9-day moving average is an indication the short-term trend remains negative. A positive setup occurred with the close over the 1st swing resistance. The next downside objective is 154.74. The next area of resistance is around 161.60 and 163.38, while 1st support hits today at 157.28 and below there at 154.74.

NATURAL GAS (MAR) 01/23/2017: The close below the 60-day moving average is an indication the longer-term trend has turned down. The daily stochastics gave a bearish indicator with a crossover down. Momentum studies are declining, but have fallen to oversold levels. The close below the 9-day moving average is a negative short-term indicator for trend. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside target is 3.103. The next area of resistance is around 3.284 and 3.382, while 1st support hits today at 3.145 and below there at 3.103.

### 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
<b>ENERGY COMPLEX</b>										
CLAH7	53.17	50.04	50.76	27.86	25.52	52.61	52.78	53.62	52.35	51.27
CLAJ7	53.91	49.80	50.71	27.42	24.43	53.36	53.57	54.40	53.07	51.95
HOAH7	165.92	48.98	49.95	22.50	20.42	1.65	1.65	1.68	1.64	1.61
HOAJ7	166.89	49.91	50.71	23.44	21.60	1.65	1.66	1.69	1.65	1.62
RBAH7	159.44	44.82	48.35	27.42	20.62	1.59	1.60	1.64	1.57	1.53
RBAJ7	179.78	48.84	51.16	29.74	24.58	1.79	1.79	1.82	1.76	1.72
NGAH7	3.215	40.69	43.48	28.96	26.65	3.32	3.29	3.41	3.37	3.29
NGAJ7	3.226	42.77	45.51	38.72	37.06	3.33	3.29	3.36	3.29	3.21

Calculations based on previous session. Data collected 01/20/2017

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

### DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>ENERGY COMPLEX</b>						
CLAH7	Crude Oil	51.49	52.40	53.03	53.94	54.57
CLAJ7	Crude Oil	52.24	53.15	53.75	54.66	55.26
HOAH7	Heating Oil	160.78	163.46	165.69	168.37	170.60
HOAJ7	Heating Oil	161.89	164.52	166.62	169.25	171.35
RBAH7	RBOB Gas	154.74	157.28	159.06	161.60	163.38
RBAJ7	RBOB Gas	174.86	177.57	179.28	181.99	183.70
NGAH7	Natural Gas	3.102	3.144	3.242	3.284	3.382
NGAJ7	Natural Gas	3.122	3.159	3.255	3.292	3.388

Calculations based on previous session. Data collected 01/20/2017

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