



## DAILY ENERGY COMPLEX COMMENTARY

Tuesday January 24, 2017

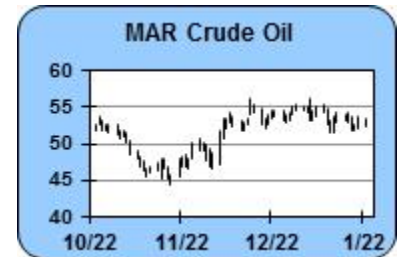
### DAILY ENERGY COMPLEX COMMENTARY

01/24/17

**Expect more divergence with N-Gas strong & crude weaker**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**CRUDE +7, HEATING OIL +27, UNLEADED GAS +88**

**CRUDE OIL MARKET FUNDAMENTALS:** The March crude oil contract spent most of Monday's trading session in negative ground and this morning it is showing modest early weakness. Apparently weakness in the Dollar, and weekend producer cut compliance optimism and strong crude oil demand from China (large exports from Russia to China) provided almost no support for crude oil prices yesterday. Furthermore crude oil prices should be undermined by news yesterday that Chinese crude oil production in November increased by 9.4%, even if that was mostly offset by the realization that Chinese oil production for the 1st 11 months of 2016 actually dropped. However, Reuters carried a story yesterday suggesting that US shale oil and natural gas production was "coming back to life" and that would seem to point to increased supply flow ahead which is clearly a fresh negative to contend with. In fact, with last week's rig operating count rising and producing a much larger than normal weekly jump the path of least resistance in prices remains down. While the US administration could bring tax reform and stimulus spending to the forefront seeing those issues within a large collection of other initiatives, probably lessens their near term benefits. Another indirect pressure on energy prices ahead are the recent forecasts calling for a moderate/average North American winter season. One also has to wonder if the producer reduction story will continue to have legs now that a large compliance level has been bandied about in the marketplace.



**PRODUCT MARKET FUNDAMENTALS:** The gasoline market waffled around both sides unchanged yesterday, but spent the majority of the session trading in negative territory. While we note a pattern of lower highs on the gasoline charts yesterday and we also note data suggesting that Chinese 2016 gasoline output reached the highest level since February 2014 the market this morning is showing surprise strength. Furthermore, on the month Chinese gasoline output was up 6.4% and Chinese gasoline exports also rose by 8.8% but the market has clearly managed to discount that news. Not to be left out, the diesel market also saw record Chinese diesel production. Perhaps the products are deriving buying interest this morning from news that Indonesia has imported 11 million barrels of gasoline due to refinery issues and that in turn is a minor fresh demand development. Up-trend channel support in the March RBOB market today is seen down at 1.5704.

**NATURAL GAS:** Natural gas rebounded early Monday after mid-day updates to the government's GFS weather model showed colder than normal temperatures in the eastern and central US during the January 28th through February 6th timeframe. This forecast showed slightly colder outlook than Friday's National Weather Service outlook. Prices appear to have extended on the upside and they have also retested the 50 day moving average this morning. With the market making lower highs and lower lows for four days in a row and falling below all three longer term moving averages recently the reversal this morning would appear to signal a bounce is at hand. Resistance at the 100 day moving average was also taken out at \$3.3130 this morning and that might pull in extra fund buyers and set the stage for an extension to Fibonacci 38.2% resistance up at \$3.404.

#### **TODAY'S MARKET IDEAS:**

We think the fundamentals are shifting in favor of the bear camp and without a distinct "risk on" vibe coming from

equities we have to shift the edge in crude oil toward the bear camp. With a stronger Dollar and an early inside day down action to start the bear camp might feel confident. It is possible that strength in RBOB prices will help to cushion crude prices against a return to the January lows. We aren't sure what to make of the Chinese oil and product production news yesterday, but we must note that China late last year warned of an oversupplied domestic energy product situation for 2017. In other words, the world economy needs to move forward or higher US production might take the upside out of prices in the coming weeks. On the other hand, the producers have cut output and that might make the last 2 months lows some form of value zone. At least in the near term, we can't discount the potential for temporary dips below the \$52.00 level in March crude oil.

**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) 01/24/2017:** 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. 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 downside target is 51.61. The next area of resistance is around 53.52 and 54.12, while 1st support hits today at 52.26 and below there at 51.61.

**HEATING OIL (MAR) 01/24/2017:** The major trend has turned down with the cross over back below the 40-day moving average. Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market's close below the pivot swing number is a mildly negative setup. The next downside target is 162.26. The next area of resistance is around 166.26 and 167.85, while 1st support hits today at 163.46 and below there at 162.26.

**RBOB GAS (MAR) 01/24/2017:** Daily stochastics are trending lower but have declined into oversold territory. The market's short-term trend is negative as the close remains below the 9-day moving average. The market has a slightly positive tilt with the close over the swing pivot. The next downside target is 156.10. The next area of resistance is around 161.58 and 162.55, while 1st support hits today at 158.36 and below there at 156.10.

**NATURAL GAS (MAR) 01/24/2017:** 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 upside daily closing price reversal gives the market a bullish tilt. The close over the pivot swing is a somewhat positive setup. The next downside target is now at 3.134. The next area of resistance is around 3.340 and 3.375, while 1st support hits today at 3.220 and below there at 3.134.

**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	
<b>ENERGY COMPLEX</b>										
CLAH7	52.89	47.89	49.39	27.56	26.70	52.53	52.79	53.57	52.46	51.29
CLAJ7	53.63	47.64	49.32	26.86	25.50	53.27	53.57	54.35	53.19	51.98
HOAH7	164.86	44.66	47.10	21.49	19.47	1.64	1.65	1.68	1.65	1.61
HOAJ7	166.06	46.03	48.17	22.74	21.34	1.65	1.66	1.69	1.65	1.62
RBAH7	159.97	44.48	48.12	25.27	20.99	1.58	1.60	1.63	1.57	1.53
RBAJ7	180.50	49.12	51.33	28.60	26.30	1.78	1.79	1.82	1.76	1.72
NGAH7	3.280	43.91	45.45	28.71	28.33	3.28	3.31	3.39	3.38	3.29
NGAJ7	3.298	47.05	48.26	39.06	39.73	3.30	3.31	3.35	3.30	3.21

Calculations based on previous session. Data collected 01/23/2017

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	51.60	52.26	52.86	53.52	54.12
CLAJ7	Crude Oil	52.41	53.03	53.60	54.22	54.79
HOAH7	Heating Oil	162.25	163.45	165.05	166.26	167.85
HOAJ7	Heating Oil	163.73	164.89	166.06	167.22	168.39
RBAH7	RBOB Gas	156.09	158.35	159.32	161.58	162.55
RBAJ7	RBOB Gas	176.75	178.94	179.87	182.06	182.99
NGAH7	Natural Gas	3.133	3.219	3.254	3.340	3.375
NGAJ7	Natural Gas	3.163	3.242	3.275	3.354	3.387

Calculations based on previous session. Data collected 01/23/2017

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