

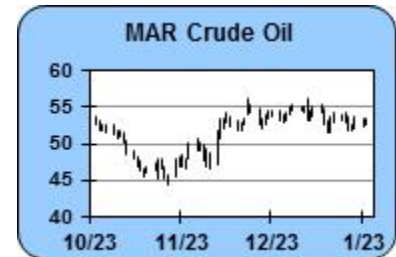


**DAILY ENERGY COMPLEX COMMENTARY**  
**Wednesday January 25, 2017**

**DAILY ENERGY COMPLEX COMMENTARY**  
**01/25/17**

**A weaker tone is present to start today despite risk-on**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**CRUDE -51, HEATING OIL -198, UNLEADED GAS -272**



**CRUDE OIL MARKET FUNDAMENTALS:** All things considered, the action in the crude oil market on Tuesday was impressive. One might've expected executive orders allowing pipelines in the US to move forward would have been seen as a negative supply-side development for US energy prices and perhaps that news simply saw a delayed reaction. However, one could also argue that pro-growth developments from Washington, weakness in the dollar, ongoing strength in equities and a general "risk on" vibe provided an improved demand environment for the energy complex yesterday. Others might suggest that North American pipeline expansion could eventually facilitate a movement of oil "throughout" North America and into more favorable export position in the Gulf of Mexico and that could help move out some excess domestic supply. Therefore the pipeline movement might be actually more bearish to international crude oil prices than to US crude oil prices. Also, it is possible that a border adjustment tax in the US could provide a relative lift to US WTI relative to Brent crude and other grades. Expectations for weekly crude oil inventories call for another build just shy of 3 million barrels and that is the second week in a row with expectations for a moderately large build. Another issue that might provide some pressure to energy prices today is news that Iranian oil output was close to 4 million barrels per day but Iran never promised to reduce production as part of the 1.8 million barrel per day reduction agreed to by OPEC and non-OPEC producers. It is also possible that a looming extended Chinese holiday could temporarily dent demand interest in Asia.

**PRODUCT MARKET FUNDAMENTALS:** The March gasoline contract managed a four day high off a combination of international refinery problems, signs of improving economic psychology in the US, weakness in the dollar and positive leadership from the crude oil market yesterday. However, one could argue that the gasoline market is in fact leading the crude oil market higher despite what would appear to be mostly flush US gasoline supply conditions. While there was a West Coast refinery issue on Monday, we suspect that influence has waned already. With expectations calling for a minimal build in this week's gasoline inventories and the current timeframe typically a soft demand period, it would be supportive if inventories today actually declined. Other issues that might provide some support to gasoline prices is news that the Chinese reduced retail gasoline prices overnight (as that might stimulate demand) and the markets also saw news that Chinese and Japanese gasoline stocks declined in the latest weekly readings. However, the charts in RBOB are clearly negative to start and a build in gasoline stocks today could increase the odds of a return to last week's lows.

<b>Weekly EIA Petroleum Estimates - Week Ending 1/20/2017 - In Million Barrels</b>				
	<b>High Estimate</b>	<b>Low Estimate</b>	<b>Stocks Last Week</b>	<b>Stocks Change Last Week</b>
<b>Crude Oil</b>	<b>3</b>	<b>2.6</b>	<b>485.5</b>	<b>2.3</b>
<b>Distillates</b>	<b>-0.8</b>	<b>-1.2</b>	<b>169.1</b>	<b>-1</b>
<b>Gasoline</b>	<b>0.7</b>	<b>0.3</b>	<b>246.4</b>	<b>6</b>

**NATURAL GAS:** Forecasts for colder temperatures in the Northeast and Northwest could boost demand as we enter the month of February. Temperatures could fall as low as 15 degrees Fahrenheit in the Boston area on February 1st and 2nd according to the National Weather service. Government inventory numbers will be released on Thursday and early estimates show gas inventories probably fell by as much as 127 bcf last week compared to the five year average of 176 bcf for this period. Sempra energy is pulling natural gas out of its Aliso Canyon storage field (shut after a massive leak in 2015) for the first time in a year as a cold snap in Southern California is expected to boost customer demand in that region. The market tested and failed at the 100 day moving average at \$3.343 and at the 50 day moving average of \$3.361 and remains below those levels early today. While the market could see a bounce in the near term, the longer term forecasts do not show long lasting below normal temperatures. Trend following funds have increased their longs by 20,809 contracts and a close below the monthly low of \$3.098 could spark long liquidation.

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

A pattern of higher lows over the past four prior trading sessions has been reversed this morning despite more weakness in the dollar and decent US data. Also cushioning prices today is an extension of "risk on" psychology. While there appears to be a critical pivot point right on the market today at \$52.67 in the March crude oil contract the trade is leaning bearish early on. Critical support in March crude oil is seen down at \$52.18 and then again down at \$51.81. We are also a little concerned with the prospect of a 3 million barrel build in weekly crude stocks and a modest build in US gasoline stocks this week. In conclusion, to rekindle the bull tilt today requires really prevalent optimism in the form of more new highs in equities and sharp declines in the Dollar.

#### **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) 01/25/2017:** The major trend could be turning up with the close back above the 40-day moving average. The daily stochastics gave a bullish indicator with a crossover up. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market's short-term trend is positive on the close above the 9-day moving average. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside objective is at 53.99. The next area of resistance is around 53.53 and 53.99, while 1st support hits today at 52.65 and below there at 52.22.

**HEATING OIL (MAR) 01/25/2017:** A bullish signal was given with an upside crossover of the daily stochastics. Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. A positive signal for trend short-term was given on a close over the 9-bar moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside target is 167.54. The next area of resistance is around 166.48 and 167.54, while 1st support hits today at 164.46 and below there at 163.51.

RBOB GAS (MAR) 01/25/2017: The close below the 40-day moving average is an indication the longer-term trend has turned down. Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's short-term trend is negative as the close remains below the 9-day moving average. The downside closing price reversal on the daily chart is somewhat negative. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside objective is now at 156.85. The next area of resistance is around 160.58 and 162.70, while 1st support hits today at 157.66 and below there at 156.85.

NATURAL GAS (MAR) 01/25/2017: The market now above the 60-day moving average suggests the longer-term trend has turned up. The daily stochastics gave a bullish indicator with a crossover up. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The close above the 9-day moving average is a positive short-term indicator for trend. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside target is at 3.397. The next area of resistance is around 3.355 and 3.397, while 1st support hits today at 3.273 and below there at 3.232.

## 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	53.09	49.73	50.44	28.20	30.17	52.80	52.93	53.46	52.58	51.32
CLAJ7	53.75	49.75	50.53	27.39	29.08	53.54	53.70	54.25	53.31	52.01
HOAH7	165.47	47.42	48.76	22.05	23.17	1.65	1.65	1.68	1.65	1.61
HOAJ7	166.32	49.29	50.15	23.86	26.11	1.66	1.66	1.68	1.65	1.62
RBAH7	159.12	44.09	47.86	24.40	22.64	1.59	1.60	1.63	1.58	1.53
RBAJ7	180.00	49.60	51.61	29.03	29.90	1.79	1.80	1.81	1.77	1.73
NGAH7	3.314	48.05	48.01	30.59	34.37	3.29	3.31	3.37	3.39	3.29
NGAJ7	3.331	50.81	50.70	41.24	45.60	3.30	3.32	3.34	3.31	3.22

Calculations based on previous session. Data collected 01/24/2017

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	52.21	52.64	53.10	53.53	53.99
CLAJ7	Crude Oil	52.96	53.34	53.78	54.16	54.60
HOAH7	Heating Oil	163.50	164.46	165.52	166.48	167.54
HOAJ7	Heating Oil	164.57	165.35	166.50	167.28	168.43
RBAH7	RBOB Gas	156.84	157.65	159.77	160.58	162.70
RBAJ7	RBOB Gas	178.12	178.77	180.58	181.23	183.04
NGAH7	Natural Gas	3.231	3.272	3.314	3.355	3.397
NGAJ7	Natural Gas	3.255	3.293	3.331	3.369	3.407

Calculations based on previous session. Data collected 01/24/2017

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

\*\*\*This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Opinions expressed are subject to change without notice. Any information or recommendation contained herein: (i) is not based on, or tailored to, the commodity interest or cash market positions or other circumstances or characterizations of particular investors or traders; (ii) is not customized or personalized for any such investor or trader; and (iii) does not take into consideration, among other things, risk tolerance, net worth, or available risk capital. Any use or reliance upon the information or recommendations is at the sole discretion and election of the subscriber. The risk of loss in trading futures contracts or commodity options can be substantial, and traders should carefully consider the inherent risks of such trading in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of Lakefront Futures is strictly prohibited.