



DAILY ENERGY COMPLEX COMMENTARY

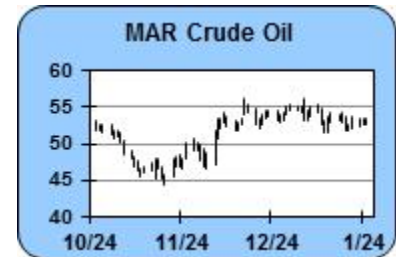
Thursday January 26, 2017

DAILY ENERGY COMPLEX COMMENTARY

01/26/17

Crude oil is vulnerable especially if RBOB continues to fall

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE +18, HEATING OIL +58, UNLEADED GAS -65



CRUDE OIL MARKET FUNDAMENTALS: While the front month crude oil contract waffled around both sides of unchanged yesterday prices appear to be coiling as if a major decision is at hand. At times this week, the energy markets have benefited from the extension of risk-on psychology and that vibe is still generally in place this morning. However, weekly EIA data yesterday was clearly bearish. Fortunately the build in US crude stocks of 2.8 million was widely anticipated by the trade and that news did not have an outsized negative impact on crude oil prices. However, seeing a 6.7 million barrel build in weekly gasoline stocks was the fourth week in a row of builds which in turn have added 26 million barrels to gas inventories over the last four weeks and that should embolden the bear camp in crude oil. Implied gasoline demand also declined to the lowest level in six weeks at 8.03 million barrels per day. Therefore gasoline which has been a leading indicator for crude oil lately is giving off bearish influences and the downside extension in RBOB this morning could drag crude down today. EIA crude stocks rose 2.840 million barrels and are 24.744 million barrels above year ago levels. Also, crude stocks stand 124 million barrels above the five year average. Crude oil imports for the week stood at 7.81 million barrels per day compared to 8.378 million barrels the previous week. The refinery operating rate was 88.30%, down 2.40% from last week and that compares to 87.40% last year and the five year average of 86.08%.

PRODUCT MARKET FUNDAMENTALS: Seeing a 6.7 million barrel build in weekly gasoline stocks yesterday should give the bear camp an edge again today, especially since that build was the fourth week in a row of builds which have added 26 million barrels to inventories over the last four weeks. Implied gasoline demand also declined to the lowest level in six weeks at 8.03 million barrels per day and that suggests that both supply and demand in RBOB are negative. In addition to negative fundamental news, the RBOB market yesterday damaged it charts again overnight and it has fallen below the 50 day moving average which should leave the technical condition in the favor of the bear camp. Gasoline stocks this week stood at 253.22 million barrels is the highest for this week since 2016. EIA gasoline stocks rose 6.796 million barrels and are 4.759 million barrels above last year and 16.482 million above the five year average. Average total gasoline demand for the past four weeks was down 4.72% compared to last year. Gasoline imports came in at 593,000 barrels per day compared to 588,000 barrels the previous week. EIA distillate stocks rose 76,000 barrels and stand at 8.677 million barrels above last year and 32.080 million above the five year average. Distillate imports came in at 159,000 barrels per day compared to 152,000 barrels the previous week. Average total distillate demand for the past four weeks was up 1.36% compared to last year. Heating oil stocks at 13.82 million barrels is the lowest for this week since 2015 EIA heating oil stocks rose 641,000 barrels and are 1.597 million barrels below last year and 6.237 million below the five year average.

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
1/20/2017	488.296	2.84	24.744	363.495	7.81	88.3	87.4

DISTILLATES	Stocks				Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
1/20/2017	169.149	0.076	8.677	137.069	0.159	3.645	4.005

GASOLINE	Stocks				Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
1/20/2017	253.22	6.796	4.759	236.738	0.593	8.039	8.941

NATURAL GAS: March natural gas rose for the third day in a row yesterday as forecasts continue to show below normal temperatures for the northeastern US into early February. Today's EIA gas storage figure should be down less than usual as milder weather was seen in most of the US last week. Analysts estimate that inventories fell by 120 bcf for the period ending January 20th, which would be the smallest drop since 2014 for the third week of January. The five year average decline is 176 bcf for the period, with stockpiles totaling 2,917 bcf as of January 13th. March natural gas closed above the 50 day moving average at \$3.252 the next level of resistance is at \$3.489 could be targeted. Trend following funds have increased their longs by 20,809 contracts and the buying trend of the specs favors more upside action.

TODAY'S MARKET IDEAS:

In retrospect, crude oil prices are lucky to be holding up given the negative weekly inventory data, ongoing weakness in gasoline prices and evidence of slumping implied gasoline demand. Prior to the washout yesterday, the fundamental setup in the gasoline market appeared to be the worst in the energy complex and therefore the 8 cent high the low slide from this week's highs isn't surprising. We would expect March gasoline to remain below its 50 day moving average at \$1.555 with indications of a close below that level today potentially projecting prices all the way down to \$1.50. In the crude oil market without a definitive extension of the risk-on vibe and significantly lower US dollar action ahead we would project a near term slide back down to \$51.81.

NEW RECOMMENDATIONS:

Sell March Crude oil at \$52.94 with an objective of \$51.81. Risk the position to a tight stop of \$53.28.

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) 01/26/2017: The close below the 40-day moving average is an indication the longer-term trend has turned down. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. 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 upside objective is 53.84. The next area of resistance is around 53.31 and 53.84, while 1st support hits today at 52.41 and below there at 52.03.

HEATING OIL (MAR) 01/26/2017: A crossover down in the daily stochastics is a bearish signal. 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. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next downside objective is 160.30. The next area of resistance is around 165.13 and 166.83, while 1st support hits today at 161.87 and below there at 160.30.

RBOB GAS (MAR) 01/26/2017: 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 defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside target is now at 151.46. The next area of resistance is around 157.84 and 160.73, while 1st support hits today at 153.20 and below there at 151.46.

NATURAL GAS (MAR) 01/26/2017: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The intermediate trend could be turning up with the close back above the 18-day moving average. Market positioning is positive with the close over the 1st swing resistance. The next upside target is 3.437. The next area of resistance is around 3.413 and 3.437, while 1st support hits today at 3.321 and below there at 3.252.

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	52.86	47.78	49.23	29.68	32.16	53.00	52.92	53.35	52.71	51.34
CLAJ7	53.50	46.76	48.67	28.09	29.48	53.71	53.66	54.13	53.43	52.04
HOAH7	163.50	41.22	44.62	21.67	20.25	1.65	1.65	1.67	1.65	1.61
HOAJ7	164.41	41.72	45.19	23.29	22.15	1.66	1.66	1.68	1.66	1.62
RBAH7	155.52	35.79	41.72	23.09	18.95	1.59	1.60	1.62	1.58	1.53
RBAJ7	177.54	41.75	46.24	29.00	27.21	1.79	1.80	1.81	1.77	1.73
NGAH7	3.367	51.91	50.41	34.22	42.26	3.28	3.33	3.34	3.40	3.29
NGAJ7	3.384	53.52	52.44	44.62	52.09	3.30	3.34	3.32	3.32	3.22

Calculations based on previous session. Data collected 01/25/2017

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	52.02	52.40	52.93	53.31	53.84
CLAJ7	Crude Oil	52.71	53.06	53.58	53.93	54.45
HOAH7	Heating Oil	160.29	161.86	163.56	165.13	166.83
HOAJ7	Heating Oil	161.38	162.85	164.50	165.97	167.62
RBAH7	RBOB Gas	151.45	153.19	156.09	157.84	160.73
RBAJ7	RBOB Gas	173.80	175.53	177.82	179.55	181.84
NGAH7	Natural Gas	3.251	3.320	3.344	3.413	3.437
NGAJ7	Natural Gas	3.275	3.340	3.362	3.427	3.449

Calculations based on previous session. Data collected 01/25/2017

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