



## DAILY ENERGY COMPLEX COMMENTARY

Friday January 27, 2017

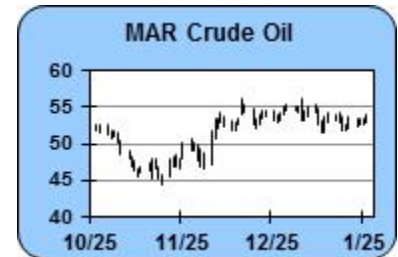
### DAILY ENERGY COMPLEX COMMENTARY

01/27/17

**Risk-on after data = more gains Risk-off means profit taking**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**CRUDE -37, HEATING OIL -172, UNLEADED GAS -55**

**CRUDE OIL MARKET FUNDAMENTALS:** The crude oil market forged a surprise upside breakout and managed a fresh 6 day high today early and it managed that action in the face of a stronger dollar, a mixed equity market environment and in the aftermath of mostly bearish weekly EIA inventory news from the Wednesday trade. It is possible that US crude oil prices managed the range up extension yesterday in the wake of fears that deteriorating US/Mexican relations could result in a halt of Mexican crude oil imports into the US as those imports are roughly in the neighborhood of \$30 billion annually. The crude oil market yesterday seemingly discounted news that Libyan oil output not only hit a three year high but that output was also expected to rise further. The market also discounted news of a large volume of Venezuelan oil sitting in offshore tankers but crude seems to be faltering this morning off news of an increase in North Sea loadings in March and by news that Amsterdam, Antwerp and Rotterdam gasoil stocks increased again. While prices might be supported by a private survey that predicted crude oil prices in 2017 would average at a level above the December 2016 highs, the border tax and the threat of a block of Mexican crude imports into the US provides the bull camp with some residual ammunition. In fact, ongoing suggestions that US crude oil prices might rise 25% in the event of a border tax combined with ongoing confidence in the ability of producers to cut output has given the bull camp fresh incentive following several days of sideways action. With the rise above the prior four trading sessions on overnight that gives the bull camp a fresh technical argument and it could provide a target of \$54.32 in the March crude oil contract.



**PRODUCT MARKET FUNDAMENTALS:** With the gasoline market forging a lower low for the move and the lowest price since December 8th on Thursday, and only recovering from that level after distinct recovery action in crude oil, it is clear that US gasoline supply and demand remains a limiting force for product prices. As in the crude oil market, increased tensions between the US and Mexico could have ramifications on US gasoline and diesel prices. While Mexico exports significant crude oil into the US, the US exports significant energy products to Mexico and that might have been why gasoline prices lagged behind crude oil during the prior trading session. However while gasoline and diesel pricing might be able to draft support from news this week of sharp gains in Indian energy products demand the trade now has to contend with news that Amsterdam, Rotterdam and Antwerp this week saw gasoil stocks increase again and that should leave the market in a downward bias. In fact the RBOB market has failed to defeat downtrend channel resistance and there continues to be evidence of flush inventories in the US and China so we are doubtful that the market will be able to throw off the month-long downtrend pattern.

**NATURAL GAS:** The weekly natural gas storage report yesterday showed a draw of 119 bcf compared to the average estimate of 118 bcf draw. Total storage stands at 2,798 bcf or 0.7% below the 5 year average. Over the last four weeks natural gas storage has declined 562 bcf. The outlook for a frigid start to February after a mild January temporarily revived the bull camp this week with March natural gas trading to a weekly high of \$3.498. However, the colder temperatures for February 2nd through the 8th seem to be confined to the Northwest and Northeast areas of the country, and March natural gas closed well off the highs of the day yesterday and has put in a somewhat bearish chart formation on the charts. A normal retracement of the January rally would project a

setback to \$3.2580 and it should be noted that the market initially held that level overnight. The 100 day moving average of \$3.317 was violated overnight on the downside and that could leave the 200 day moving average down at \$3.239 as a near term target.

## 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
1/20/2017	-119	2798	-348	-562	-0.7%	1.3%

### TODAY'S MARKET IDEAS:

Fears of a halt to Mexican crude oil imports into the US (unlikely), favorable technical signals in crude oil and bullish price forecasts from various analysts gave the bull camp fresh ammunition yesterday. However, we suspect that US/Mexican issues might be walked back today but the border tax threat might remain in the news. While one can't discount the favorable technical action over the past 24 hours we think the long side of the market is fraught with risk and the bull camp will need a return to definitive risk-on mentality and favorable US data to extend the upward track straight away.

### NEW RECOMMENDATIONS:

Short March Crude oil at \$52.94. Hit 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) 01/27/2017:** The cross over and close above the 40-day moving average indicates the longer-term trend has turned up. 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. The market setup is supportive for early gains with the close over the 1st swing resistance. The next upside objective is 54.85. The next area of resistance is around 54.38 and 54.85, while 1st support hits today at 53.12 and below there at 52.32.

**HEATING OIL (MAR) 01/27/2017:** The daily stochastics have crossed over up which is a bullish indication. 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. The market setup is supportive for early gains with the close over the 1st swing resistance. The near-term upside target is at 169.54. Short-term indicators suggest buying pullbacks today. The next area of resistance is around 167.97 and 169.54, while 1st support hits today at 163.91 and below there at 161.43.

**RBOB GAS (MAR) 01/27/2017:** Momentum studies are still bearish but are now at oversold levels and will tend to

support reversal action if it occurs. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The upside daily closing price reversal gives the market a bullish tilt. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside target is 151.43. The next area of resistance is around 158.97 and 160.82, while 1st support hits today at 154.28 and below there at 151.43.

NATURAL GAS (MAR) 01/27/2017: The upside crossover (9 above 18) of the moving averages suggests a developing short-term uptrend. 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 close over the pivot swing is a somewhat positive setup. The near-term upside target is at 3.533. The next area of resistance is around 3.436 and 3.533, while 1st support hits today at 3.304 and below there at 3.268.

## 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	53.75	55.10	53.66	32.95	40.08	53.11	52.90	53.29	52.84	51.39
CLAJ7	54.34	54.28	53.18	30.79	36.80	53.78	53.62	54.06	53.56	52.09
HOAH7	165.94	49.51	49.74	22.80	25.06	1.65	1.65	1.67	1.66	1.62
HOAJ7	166.70	49.74	50.10	24.42	26.68	1.66	1.66	1.67	1.66	1.62
RBAH7	156.63	41.35	45.03	22.25	20.56	1.58	1.59	1.61	1.58	1.54
RBAJ7	178.90	47.97	49.96	28.86	28.58	1.79	1.79	1.81	1.78	1.73
NGAH7	3.370	52.30	50.62	38.60	48.32	3.32	3.33	3.32	3.41	3.30
NGAJ7	3.389	55.27	53.56	49.25	58.50	3.34	3.34	3.31	3.33	3.23

Calculations based on previous session. Data collected 01/26/2017

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	52.31	53.11	53.58	54.38	54.85
CLAJ7	Crude Oil	52.93	53.71	54.18	54.96	55.43
HOAH7	Heating Oil	161.42	163.91	165.48	167.97	169.54
HOAJ7	Heating Oil	162.38	164.73	166.32	168.67	170.26
RBAH7	RBOB Gas	151.42	154.28	156.12	158.97	160.82
RBAJ7	RBOB Gas	174.48	176.86	178.56	180.94	182.64
NGAH7	Natural Gas	3.267	3.303	3.400	3.436	3.533
NGAJ7	Natural Gas	3.299	3.331	3.415	3.447	3.531

Calculations based on previous session. Data collected 01/26/2017

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