



DAILY ENERGY COMPLEX COMMENTARY

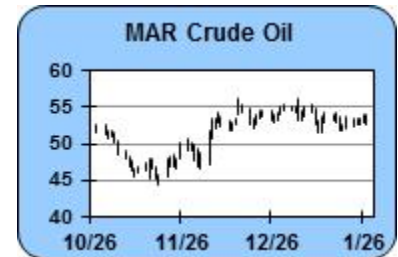
Monday January 30, 2017

DAILY ENERGY COMPLEX COMMENTARY

01/30/17

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

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE +13, HEATING OIL +74, UNLEADED GAS -27



CRUDE OIL MARKET FUNDAMENTALS: While the March crude oil contract managed a higher high for the move and the highest price since January 17th on Friday, the market was unable to hold that probe and fell back toward last week's lows. While the market continues to be supported by press reports of strong production cut compliance from oil producers, the inability to hold this week's highs would seem to suggest that the production cut scheme is finally losing its capacity to drive prices higher. However, it goes without saying that a recovery in the dollar and rising economic uncertainty off trade war threats/travel restrictions is justification for knocking prices back from last week's highs. Also with the "combined" spec and fund net long position in crude oil hitting another new record level at 541,948 contracts early last week the market is clearly overbought and vulnerable. In fact, we would suggest that the energy complex appears to have net spec long that would seem equate to a major supply side threat and it is unclear if that is the track developing off the strained US/Mexican flap. In our opinion, the energy complex is already factoring in what could be seen as maximum production cut restraint and with US data coming in soft we think prices are justified in settling into a range just below \$54.00 in the March crude oil contract. Issues lending support to energy prices to start the trading week is news of the first US military death in the Middle East from a terrorist attack in Yemen, the ongoing threat of disrupted Mexican oil imports into the US in the event of a trade embargo and possible backlash from Arab producers to the US travel restrictions. As per the Mexican threat Net Mexican oil imports to the US are roughly 550,000 bpd so those imports are important but perhaps mitigated by the large supply of crude sitting in the US and from a large strategic reserve. Issues hanging over energy prices from last week were builds in crude stocks, a build in European gasoline stocks and a US rig operating count that reached the highest level since November of 2015.

PRODUCT MARKET FUNDAMENTALS: The gasoline market enters the new trading week under a bearish technical cloud and the market also has to contend with building US gasoline supplies, building European gas oil supplies, negative currency market action as well as a slight moderating of economic optimism within the US. It should also be noted that US gasoline supplies have seen four straight weeks of builds that amounts to a net inflow of 21 million barrels. It should also be noted that US demand remains within a weak seasonal period. Developing weakness in the Chicago gasoline market at the end of last week would seem to confirm slack retail demand, even if that is offset by a relatively low US refinery operating rate. In conclusion, the path of least resistance in gasoline remains down with the next key low support area coming in at \$1.5226. In the March heating oil contract, Friday's low was the lowest level since December 1st and there would seem to be little in the way of solid support until the \$1.60 level. The Commitments of Traders Futures and Options report as of January 24th for Gasoline (RBOB) is moderately overbought still with the Non-Commercial and Non-reportable combined traders holding a net long position of 96,730 contracts. Similarly the Commitments of Traders Futures and Options report as of January 24th for Heating Oil showed Non-Commercial and Non-reportable combined traders held a net long position of 73,023 contracts.

NATURAL GAS: Unfortunately the March natural gas contract looks to continue to exhibit extreme volatility with the upper end of the anticipated range seen at \$3.498 and the bottom of the upcoming trading range seen at \$3.165. In addition to a mixed weather forecast, the natural gas market should be limited on the upside because

of the rise in the US oil and natural gas rigs which rose by 18 last week. However, natural gas rigs operating only rose by 3 to stand at 145. US natural gas rigs operating remains below the five year average but still very high in the recent range. While there are a couple days in the Midwest out to February 12th that will present lows in the upper teens there doesn't appear to be cold enough weather to drive March natural gas to an old gap on the charts up at \$3.536. The Commitments of Traders Futures and Options report as of January 24th for Natural Gas showed Non-Commercial and Non-reportable combined traders held a net long position of 14,852 contracts. While we can't rule out a return to the top of the consolidation pattern seen over the last month at \$3.498, pushed into the market we favor a "sell rallies" mentality. From a technical perspective, the natural gas market isn't particularly overbought with a net spec long of 14,800 contracts.

TODAY'S MARKET IDEAS:

As indicated already, March crude oil made an attempt to climb above \$54.00 at the end of last week but failed in that effort and appears to have put in a double top of sorts. While we can't argue against the market remaining within a trend defined as \$54.08 and \$51.59, we have to favor the downward tilt to start this week. Keep in mind the markets will be faced with a US nonfarm payroll report at the end of this week and if that report depicts further disappointment or simply lack of acceleration, the path of least resistance in energies could shift definitively downward. As mentioned already, the gasoline market has an initial downside target of \$1.5226 with initial support in March heating oil at \$1.6131.

NEW RECOMMENDATIONS:

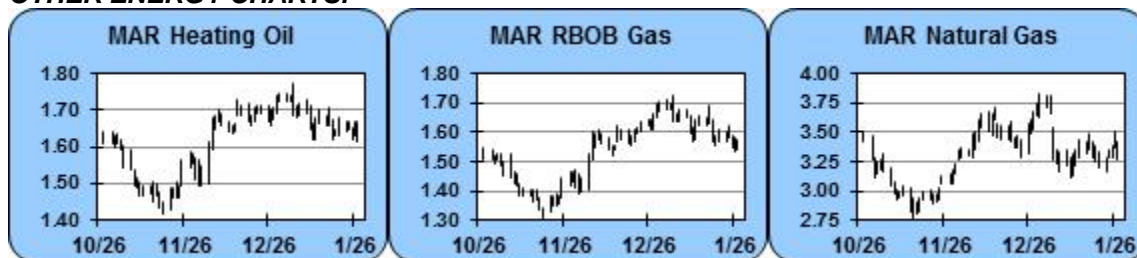
None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 1/17/2017 - 1/24/2017						
	Non-Commercial		Net Position	Commercial		Non-Reportable
	Net Position	Weekly Net Change		Weekly Net Change	Net Position	
Energies						
Crude Oil	526,834	+18,132	-541,948	-16,640	15,114	-1,492
Heating Oil	49,016	-1,145	-73,023	+823	24,007	+323
Natural Gas	-26,126	-15,850	-14,852	+14,120	40,978	+1,730
Gas (RBOB)	85,951	-3,042	-96,730	+4,121	10,779	-1,080

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) 01/30/2017: The close under the 40-day moving average indicates the longer-term trend could be turning down. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The intermediate trend has turned down with the cross over back below the 18-day moving average. The daily closing price reversal down puts the market on the defensive. The market setup is somewhat negative with the close under the 1st swing support. The next upside objective is 54.73. The next area of resistance is around 53.89 and 54.73, while 1st support hits today at 52.39 and below there at 51.74.

HEATING OIL (MAR) 01/30/2017: A crossover down in the daily stochastics is a bearish signal. 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 swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside target is now at 158.23. The next area of resistance is around 165.69 and 168.96, while 1st support hits today at 160.33 and below there at 158.23.

RBOB GAS (MAR) 01/30/2017: Momentum studies are declining, but have fallen to oversold levels. The market's short-term trend is negative as the close remains below the 9-day moving average. The market tilt is slightly negative with the close under the pivot. The next downside objective is now at 151.99. The next area of resistance is around 156.50 and 158.70, while 1st support hits today at 153.14 and below there at 151.99.

NATURAL GAS (MAR) 01/30/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's short-term trend is positive on the close above the 9-day moving average. The market's close below the pivot swing number is a mildly negative setup. The next upside target is 3.512. The next area of resistance is around 3.453 and 3.512, while 1st support hits today at 3.297 and below there at 3.199.

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	53.14	49.81	50.44	36.33	42.93	53.21	52.90	53.21	52.91	51.47
CLAJ7	53.71	48.87	49.85	33.35	38.49	53.85	53.60	53.97	53.63	52.17
HOAH7	163.01	42.91	45.37	22.60	22.22	1.64	1.64	1.66	1.66	1.62
HOAJ7	163.66	43.48	45.98	24.35	24.19	1.65	1.65	1.67	1.66	1.62
RBAH7	154.82	36.86	41.84	20.50	17.00	1.57	1.58	1.61	1.59	1.54
RBAJ7	176.67	42.44	46.22	27.16	23.75	1.79	1.79	1.80	1.78	1.73
NGAH7	3.375	52.29	50.73	44.75	55.73	3.35	3.33	3.30	3.41	3.30
NGAJ7	3.400	53.88	52.83	54.32	63.34	3.37	3.34	3.30	3.34	3.23

Calculations based on previous session. Data collected 01/27/2017

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	51.73	52.39	53.23	53.89	54.73
CLAJ7	Crude Oil	52.32	52.96	53.82	54.46	55.32
HOAH7	Heating Oil	158.22	160.32	163.59	165.69	168.96
HOAJ7	Heating Oil	159.52	161.32	164.19	165.99	168.86
RBAH7	RBOB Gas	151.98	153.13	155.34	156.50	158.70
RBAJ7	RBOB Gas	173.77	174.91	177.28	178.42	180.79
NGAH7	Natural Gas	3.198	3.296	3.355	3.453	3.512
NGAJ7	Natural Gas	3.235	3.328	3.379	3.472	3.523

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