



## DAILY ENERGY COMPLEX COMMENTARY

Tuesday January 31, 2017

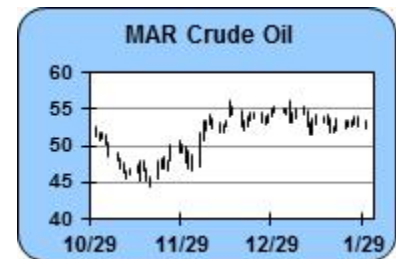
### DAILY ENERGY COMPLEX COMMENTARY

01/31/17

**The path of least resistance is down**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**CRUDE -16, HEATING OIL -8, UNLEADED GAS +130**

**CRUDE OIL MARKET FUNDAMENTALS:** After upside breakouts last week, both crude oil and gasoline markets have failed on their charts this week. In fact, with March crude this morning falling back below its 50 day moving average and a quasi-risk-off environment in place to start the bear camp should feel like they have a distinct edge. We have to wonder if the bull camp is a little let down from news that oil-producers have only achieved 82% of their production cut promises, as the market has seen a large number of rallies off "reduced" output and it appears as if 18% of the cuts have yet to be realized. In fact, with reports that Iranian exports to Asia in December doubled relative to year ago levels that would seem to throw more oil supply into the global mix not less. However, the trade is coming around to the idea that gains in US production are currently more than offset by declining international production but one has to wonder what will happen if US rig operating gains continue and producer cuts max out! Currently it is hard not to temper energy demand views in the face of rising geopolitical uncertainty and potentially significant weakness in global equities especially if the slide in equities is extended for a second trading session. With the exception of a pipeline leak that temporarily shut down a Libyan field yesterday and a minor refinery glitch in the US, there is little from the supply-side of the equation to head off what has become a weaker market. In fact with news that Nigerian oil and North Sea exports will climb in March, one could consider the supply news this week to favor the bear camp. Early expectations for this week's crude oil inventories call for a build of 2 to 3 million barrels and that adds to the bear's edge.



**PRODUCT MARKET FUNDAMENTALS:** Despite news of a refinery shutdown at a Mobil refinery yesterday, the gasoline market ranged down sharply and fell to the lowest level since December 8th. In addition to talk of slack US gasoline demand last week, the market continues to see weakness in European gasoline markets off reports of more than adequate inventories and a build-up of stocks because of slack demand. Since the March gasoline contract last week fell below its 50 day moving average and remains well below that average today, the technical structure would seem to suggest a probe toward \$1.50 is in the cards ahead. Like the crude oil market, the gasoline market is coming off an inflated spec and fund positioning in its last commitments of traders report and that should leave the prospect of stop loss selling in place. Like the gasoline market, March heating oil has also fallen below its 50 day moving average but it is not showing as much technical damage on its charts as the rest of the energy complex. On the other hand, it is difficult to call for an end to the current downward track in heating oil with the next solid support level not seen until \$1.5920 basis the March.

**NATURAL GAS:** March natural gas was down more than 3.0% yesterday and down over 13.0% for the month, and with the significant declines this morning that should easily be the worst January decline in four years. The National Weather Service's 8 to 14 day forecast once again has above normal temperatures throughout the US except for the extreme Northeast section of the country. This forecast extends out to February 14th and may signal that the coldest stretch of winter may be behind us. The managed money category in the recent COT data reduced their net longs by 23,767 as of January 24th, but still leaves them long 139,189 contracts. The market is heading for the worst January performance in four years, and trading below the 100 day moving average at \$3.320 and the 200 day moving average of \$3.245. The market has failed at another line of support at \$3.231 which indicates a test of the early January low of \$3.110.

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

With chart damage to start out the week, expectations for another weekly US crude oil inventory build and evidence that West African Nigerian and North Sea crude supplies are expected to rise into the month of March, the path of least resistance in prices is expected to remain down. However the 50 day moving average in crude oil comes in at \$52.57 today and that level might become a key pivot point of sorts. Unfortunately, a large portion of the direction of energy prices this week looks to come from outside market forces like the US dollar and global equity markets. As suggested in the gasoline comment, we can't argue against a near term downside extension below the \$1.50 area.

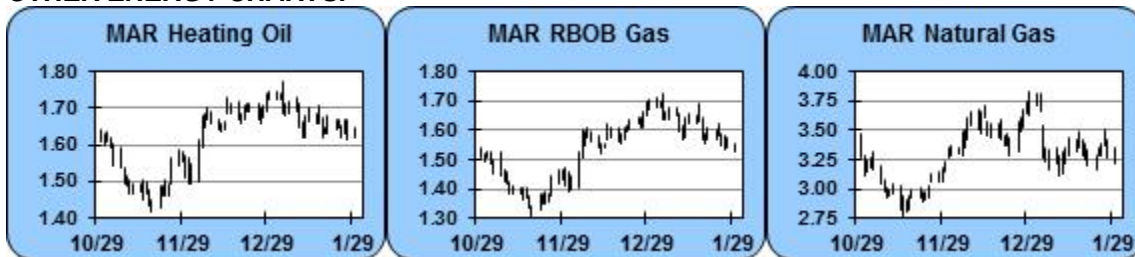
### **NEW RECOMMENDATIONS:**

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) 01/31/2017:** Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's close below the 9-day moving average is an indication the short-term trend remains negative. It is a slightly negative indicator that the close was under the swing pivot. The near-term upside objective is at 53.85. The next area of resistance is around 53.20 and 53.85, while 1st support hits today at 52.16 and below there at 51.76.

**HEATING OIL (MAR) 01/31/2017:** A bearish signal was triggered on a crossover down in the daily stochastics. Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. 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 downside objective is 160.36. The next area of resistance is around 163.85 and 165.49, while 1st support hits today at 161.29 and below there at 160.36.

**RBOB GAS (MAR) 01/31/2017:** The major trend has turned down with the cross over back below the 60-day moving average. Momentum studies are declining, but have fallen to oversold levels. The close below the 9-day moving average is a negative short-term indicator for trend. The market setup is somewhat negative with the close under the 1st swing support. The next downside objective is now at 150.77. The next area of resistance is around 154.84 and 156.46, while 1st support hits today at 152.00 and below there at 150.77.

**NATURAL GAS (MAR) 01/31/2017:** The close under the 60-day moving average indicates the longer-term trend could be turning down. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The close below the 1st swing support could weigh on the market. The near-term upside target is at 3.379. The next area of resistance is around 3.290 and 3.379, while 1st support hits today at 3.165 and below there at 3.128.

## 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	52.68	46.08	48.11	38.39	42.31	53.10	52.84	53.18	52.97	51.54
CLAJ7	53.29	44.80	47.28	34.28	36.13	53.69	53.51	53.92	53.70	52.24
HOAH7	162.57	41.48	44.42	21.88	19.63	1.64	1.64	1.66	1.66	1.62
HOAJ7	163.34	41.29	44.50	22.87	19.91	1.64	1.65	1.67	1.67	1.62
RBAH7	153.41	33.83	39.64	18.36	13.57	1.55	1.57	1.60	1.59	1.54
RBAJ7	175.52	38.47	43.44	24.31	18.62	1.77	1.78	1.80	1.78	1.73
NGAH7	3.228	41.61	44.23	45.03	46.48	3.33	3.31	3.30	3.41	3.30
NGAJ7	3.262	44.02	46.60	54.63	55.25	3.35	3.32	3.30	3.34	3.24

Calculations based on previous session. Data collected 01/30/2017

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	51.75	52.15	52.80	53.20	53.85
CLAJ7	Crude Oil	52.41	52.79	53.39	53.77	54.37
HOAH7	Heating Oil	160.35	161.28	162.92	163.85	165.49
HOAJ7	Heating Oil	161.21	162.10	163.69	164.58	166.17
RBAH7	RBOB Gas	150.76	151.99	153.61	154.84	156.46
RBAJ7	RBOB Gas	172.83	174.09	175.68	176.94	178.53
NGAH7	Natural Gas	3.127	3.164	3.253	3.290	3.379
NGAJ7	Natural Gas	3.175	3.206	3.286	3.317	3.397

Calculations based on previous session. Data collected 01/30/2017

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