



DAILY ENERGY COMPLEX COMMENTARY

Thursday February 02, 2017

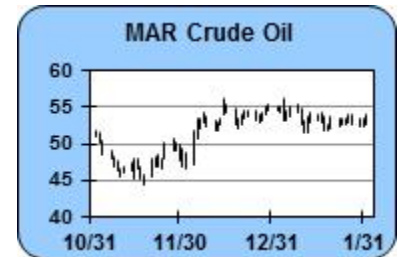
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02/02/17

Divergence between crude and RBOB should continue

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE +30, HEATING OIL +112, UNLEADED GAS -20

CRUDE OIL MARKET FUNDAMENTALS: All things considered, the crude oil market performed impressively yesterday in the face of weekly US inventory data that should have been patently negative. In fact the US crude oil build was probably nearly twice some expectations and gasoline stocks continued their pace of moderate builds, but that didn't seem to restrain March crude oil from carving out moderate gains. It is likely that strength in the US dollar is providing some support but we also think that the general view in the marketplace is accepting further cut compliance from producers and that is taking place in the face of a general and gradual improvement in global economic expectations. In the end, seeing a higher high for the move and the highest trade in 17 days should leave the bull camp with an edge today. In fact, the market overnight saw evidence that Russian oil output was down 100,000 bpd last month, that Azerbaijan production was down 35,000 bpd and that Japan might be poised to buy more US crude. It should also be noted that OPEC and Russia are suggesting they will not cut their supply to Asia to meet promises but instead will cut supply to other customers and that could also provide fresh market share to the US. While it isn't anything new, US crude stocks came in at 494 million barrels and that was once again the highest reading ever for this week. EIA crude stocks rose 6.466 million barrels and are 23.418 million barrels above year ago levels. Also, crude stocks stand 127.829 million barrels above the five year average. Crude oil imports for the week stood at 8.29 million barrels per day compared to 7.810 million barrels the previous week.



PRODUCT MARKET FUNDAMENTALS: Seeing the US refinery operating rate decline again this week and seeing news of an extended maintenance shutdown of a New Jersey Phillips refinery yesterday probably provides ongoing support to gasoline prices. However the technical action in RBOB this morning is a bit discouraging following a range up new high for the move and a clear reversal from that rally attempt. Unfortunately, gasoline demand for the past four weeks has declined by 5.6% and gasoline stocks are 2.6 million barrels above year ago levels. However, seeing a five day high in gasoline prices in the face of this week's product inventory builds suggests that something other than supply is capable of driving prices. It goes without saying that the direction of RBOB prices in the coming two sessions will be heavily impacted by US data (the week-ending nonfarm payroll report Friday is very important) but the gas market might have to garner ongoing support from the crude oil market to start this morning. In conclusion, the bull camp would seem to have the edge off the action on Wednesday but we are suspect of the bull case. However, the refinery operating rate yesterday was only 88.2% down, 0.10% from last week and that could help to chew down some of the burdensome level of supply. Gasoline stocks at 257 million barrels are the highest for this week since 2016. EIA gasoline stocks rose by 3.8 million barrels and are 2.687 million barrels above last year and 17.9 million above the five year average. Average total gasoline demand for the past four weeks was down 5.66% compared to last year. Gasoline imports came in at 488,000 barrels per day compared to 593,000 barrels the previous week. Distillate stocks at 170 million barrels are at a record high for this week. The previous record was in 1983. EIA distillate stocks rose 1.568 million barrels and stand at 11.022 million barrels above last year and 33 million above the five year average. Distillate imports came in at 236,000 barrels per day compared to 159,000 barrels the previous week. Average total distillate demand for the past four weeks was up 5.04% compared to last year. Heating oil stocks at 12.9 million barrels is the lowest for this week since 2015 EIA heating oil stocks fell 892,000 barrels and are 2.8 million barrels below last year and 7.2 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
1/27/2017	494.762	6.466	23.418	366.933	8.29	88.2	86.6
DISTILLATES	Stocks				Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
1/27/2017	170.717	1.568	11.022	136.826	0.236	3.809	3.524
GASOLINE	Stocks				Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
1/27/2017	257.086	3.866	2.687	239.167	0.488	8.31	8.341

NATURAL GAS: The natural gas market temporarily bounced off of private forecast that introduced a return to a colder scenario for the Upper Midwest and Northeast US starting February 7th through the 11th. While the recent National Weather Service concurs with the colder near term forecast, it still has a warmer solution into mid-month. The average analyst estimates for today's EIA inventory report look for an 85 bcf decline compared to the five year average of 166 bcf draw for the period. Inventories totaled 2,798 bcf as of January 20th which is 0.7% below the five year average. The market held the double bottom at \$3.110 but closed in the lower third of the daily range yesterday. With the market closing below the 50-day, 100-day and 200-day moving averages for the second consecutive day and the trend following managed money length of 139,189 contracts those players could look to liquidate on further weakness. The open gap remains down to \$3.024 with support at \$3.000.

TODAY'S MARKET IDEAS:

With both RBOB and crude oil prices yesterday discounting bearish fundamental supply news and managing gains in the face of strength in the dollar, it would seem like the recent lows were either too cheap or the trade is factoring in better demand from China. It also goes with saying that expectations of production cuts remains front and center in the marketplace and that angle is simply given more credence in the face of run-away Dollar declines. In addition to talk of more Japanese purchases of US energy, the world might see US supplies as more attractive because of the dollar slide and that should see WTI prices gain more than Brent. Yesterday we considered suggesting a breakout system using a rise above \$53.76 or decline below \$52.35 in March crude and that signal this morning projects a breakout up and a move to the next resistance level in March crude oil up at \$54.40 while the next resistance in March gasoline is seen at \$1.5919.

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) 02/02/2017: The upside crossover (9 above 18) of the moving averages suggests a developing short-term uptrend. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The cross over and close above the 18-day moving average is an indication the intermediate-term trend has turned positive. The close over the pivot swing is a somewhat positive setup. The near-term upside objective is at 54.62. The next area of resistance is around 54.07 and 54.62, while 1st support hits today at 52.81 and below there at 52.09.

HEATING OIL (MAR) 02/02/2017: A bullish signal was given with an upside crossover of the daily stochastics. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next upside target is 170.92. The next area of resistance is around 169.32 and 170.92, while 1st support hits today at 164.30 and below there at 160.87.

RBOB GAS (MAR) 02/02/2017: The daily stochastics gave a bullish indicator with a crossover up. 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. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside objective is at 161.09. The next area of resistance is around 159.59 and 161.09, while 1st support hits today at 155.59 and below there at 153.08.

NATURAL GAS (MAR) 02/02/2017: Daily stochastics are trending lower but have declined into oversold territory. A negative signal for trend short-term was given on a close under the 9-bar moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside objective is 3.053. The next area of resistance is around 3.221 and 3.282, while 1st support hits today at 3.107 and below there at 3.053.

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										
HOAJ7	163.92	43.33	45.69	21.48	18.69	1.64	1.65	1.66	1.67	1.62
RBAJ7	177.35	43.70	46.50	22.62	19.25	1.77	1.78	1.79	1.79	1.74
CLAH7	53.44	53.21	52.26	42.87	49.39	53.01	53.08	53.03	53.17	51.75
CLAJ7	54.06	55.98	53.97	39.07	47.57	53.73	53.78	53.77	53.89	52.46
HOAH7	166.81	54.52	52.46	24.28	31.05	1.64	1.65	1.65	1.67	1.62
RBAH7	157.59	48.95	48.76	18.38	21.03	1.55	1.57	1.59	1.59	1.54
NGAH7	3.164	39.67	42.50	36.06	26.41	3.22	3.26	3.28	3.41	3.31
NGAJ7	3.209	42.33	45.00	44.08	32.51	3.26	3.29	3.29	3.35	3.24

Calculations based on previous session. Data collected 01/31/2017

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						
HOAJ7	Heating Oil	159.95	161.76	164.26	166.07	168.57
RBAJ7	RBOB Gas	172.25	174.88	177.18	179.81	182.11
CLAH7	Crude Oil	52.08	52.80	53.35	54.07	54.62
CLAJ7	Crude Oil	52.72	53.43	53.97	54.68	55.22
HOAH7	Heating Oil	160.86	164.29	165.89	169.32	170.92
RBAH7	RBOB Gas	153.07	155.58	157.08	159.59	161.09
NGAH7	Natural Gas	3.052	3.106	3.167	3.221	3.282
NGAJ7	Natural Gas	3.113	3.161	3.209	3.257	3.305

Calculations based on previous session. Data collected 01/31/2017

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