

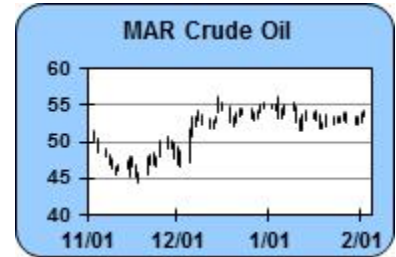


DAILY ENERGY COMPLEX COMMENTARY
 Friday February 03, 2017

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 02/03/17

Corrective tilt to start despite Iranian sanction talk

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE +18, HEATING OIL +17, UNLEADED GAS +30



CRUDE OIL MARKET FUNDAMENTALS: All things considered, the bull camp in crude oil and unleaded gasoline should be discouraged with the price action in the wake of yesterday's fundamental news flow. In addition to residual anxiety over the Iranian missile test flap and the potential hardline reaction from the White House to that action expected, the markets should have benefited more. With the Dollar managing to recover smartly from the low yesterday that has taken the steam out of the bull track in the energy complex. While there was news that Saudi Arabia raised its price for March delivery to Asia, a story this morning suggesting that production from exempt countries (those outside of the production cut agreement) will countervail production cuts by participants in the deal and that leaves a negative track in prices. In the end, today's action is likely to be heavily influenced by whether the US nonfarm payrolls are seen as positive to growth, or negative to growth. In the event that the readings are disappointing (meaning below +154,000), that could quickly renew selling pressure in the dollar and indirectly provide support crude oil pricing. While the net spec and fund long in crude oil might fall back from its previous reading this afternoon, it should remain near historical high levels and that could leave the March crude contract extremely vulnerable to any failure of the \$52.50 level

PRODUCT MARKET FUNDAMENTALS: We continue to think that the gasoline market remains significantly more vulnerable to downside action than the crude oil market. In fact, yesterday's close in the gasoline market was well off its highs and that hints at more declines today. In fact, the market was not supported by news of a decline in this week's Amsterdam, Rotterdam and Antwerp gas oil stocks and that is made even more damaging because the decline in ARA stocks was thought to be the result of strong West African demand. On the other hand, there is talk that gasoline supplies headed to the US are attempting to stay away from areas with significant oversupply and that highlights an ongoing short term oversupply condition. Given very poor technical action overnight and a failure below the 50 day moving average earlier this week the bear camp starts with an edge. Therefore pushed into the market we have to favor the downside especially if the March unleaded contract fails to hold \$1.5257. The heating oil market showed impressive upside breakout action in the prior trading session and we suspect that was the result of a surprise regional colder weather forecast. Unfortunately, overall weather in the US does not look to maintain extreme cold for an extended period of time.

NATURAL GAS: The weekly natural gas storage report showed a draw of 87 bcf versus the average estimate of 88 bcf. Total storage stands at 2,711 bcf or 2.2% above the 5 year average. Over the last four weeks natural gas storage has declined 600 bcf. The National Weather Service 8-14 day forecast for February 10th to 16th still has above normal temperatures throughout the entire US except for the extreme Northeast. The market failed to respect the double bottom at \$3.110 and that might target a slide to fill an old gap down at \$3.024.

EIA Natural Gas Storage Report Summary

In Billion Cubic Feet

Week Of	Week	Total	Change From	4 Week Combined	Percent Change vs 5	Percent Change vs 10
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	Change	Storage	Last Year	Weekly Change	Year Average	Year Average
1/27/2017	-87	2711	-266	-600	2.2%	4.9%

TODAY'S MARKET IDEAS:

The big question for today's trade in the energy complex is whether or not there will be a continuation of geopolitical tensions in the Middle East or if the market will pay attention to damaged charts. In retrospect, March crude oil has maintained an extended a pattern of higher highs and higher lows but that pattern looks to be defeated today. Uptrend channel support today is seen at \$53.44. On the other hand, traders need to keep a very close eye on the direction of the dollar and the direction of global equities later today for signs of significant outside market influences. In the event of middle-of-the-road US data, modest weakness in the dollar and ongoing Iranian missile test anxiety, we can't rule out an ultimate test of \$55.00 but a soaring Dollar might present a temporary detour of that action.

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) 02/03/2017: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The market's close above the 9-day moving average suggests the short-term trend remains positive. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside target is 54.75. The next area of resistance is around 54.18 and 54.75, while 1st support hits today at 53.20 and below there at 52.78.

HEATING OIL (MAR) 02/03/2017: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The close above the 9-day moving average is a positive short-term indicator for trend. The daily closing price reversal down puts the market on the defensive. It is a slightly negative indicator that the close was lower than the pivot swing number. The next upside objective is 170.88. The next area of resistance is around 167.92 and 170.88, while 1st support hits today at 163.46 and below there at 161.95.

RBOB GAS (MAR) 02/03/2017: The close under the 60-day moving average indicates the longer-term trend could be turning down. 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. A negative signal for trend short-term was given on a close under the 9-bar moving average. A negative signal was given by the outside day down. The close below the 1st swing support could weigh on the market. The next downside objective is 148.83. The next area of resistance is around 156.88 and 161.10, while 1st support hits today at 150.74 and below there at 148.83.

NATURAL GAS (MAR) 02/03/2017: Daily stochastics are trending lower but have declined into oversold territory. The market's short-term trend is negative as the close remains below the 9-day moving average. The close over

the pivot swing is a somewhat positive setup. The next downside objective is now at 3.084. The next area of resistance is around 3.231 and 3.265, while 1st support hits today at 3.141 and below there at 3.084.

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	53.69	54.65	53.28	49.94	60.77	53.25	53.18	52.99	53.28	51.89
CLAJ7	54.32	52.85	52.13	43.48	52.29	53.83	53.80	53.69	53.99	52.59
HOAH7	165.69	50.95	50.35	28.99	37.08	1.65	1.65	1.65	1.67	1.63
HOAJ7	166.51	49.83	49.75	28.54	35.24	1.65	1.65	1.66	1.67	1.63
RBAH7	153.81	39.51	42.44	17.88	16.88	1.55	1.56	1.58	1.60	1.55
RBAJ7	176.78	43.18	45.78	23.85	23.23	1.77	1.78	1.79	1.79	1.74
NGAH7	3.186	41.67	43.67	32.25	24.40	3.18	3.26	3.28	3.41	3.31
NGAJ7	3.242	45.01	46.60	39.37	29.94	3.22	3.29	3.29	3.35	3.25

Calculations based on previous session. Data collected 02/02/2017

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	52.77	53.19	53.76	54.18	54.75
CLAJ7	Crude Oil	53.40	53.82	54.39	54.81	55.38
HOAH7	Heating Oil	161.94	163.45	166.41	167.92	170.88
HOAJ7	Heating Oil	162.97	164.42	167.15	168.60	171.33
RBAH7	RBOB Gas	148.82	150.73	154.96	156.88	161.10
RBAJ7	RBOB Gas	172.86	174.38	177.66	179.18	182.46
NGAH7	Natural Gas	3.083	3.140	3.174	3.231	3.265
NGAJ7	Natural Gas	3.136	3.195	3.229	3.288	3.322

Calculations based on previous session. Data collected 02/02/2017

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