



## DAILY ENERGY COMPLEX COMMENTARY

Monday February 06, 2017

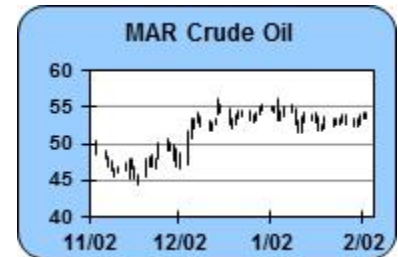
### DAILY ENERGY COMPLEX COMMENTARY

02/06/17

**Minimally positive charts but upside momentum is waning**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**CRUDE +16, HEATING OIL +132, UNLEADED GAS +63**

**CRUDE OIL MARKET FUNDAMENTALS:** Surprisingly, the crude oil market failed at the end of last week in its bid to make a higher high and it logged that failure in the face of fresh threats of US sanctions against Iran for their missile test. Furthermore energy prices also failed to fully benefit from a risk on vibe in equities and much better-than-expected US nonfarm payrolls. On the other hand crude oil prices this morning have been able to remain within relative close-proximity to last week's highs and that suggests the bull camp has some resolve. Going forward the energy markets will probably be limited off news last week that the US oil drilling rig count rose by 17 in the latest weekly readings especially with that weekly rise bringing the year over year rig gain to 116 more rigs operating than last year. Press reports also pegged the US rig count to have reached up to the highest level since October 2015 so the threat of rising US production is countervailing the reduction in output from the Production cut deal. Another issue limiting the upside and potentially fostering the bear case in the event of a chart failure this morning is news that the "combined" spec and fund Net Long position in crude oil hit another new record level at 560,270 contracts last week. The bull camp is not without merit though as US payrolls were strong enough to keep US demand hopes underpinned and the markets also continue to talk up growing US oil exports to Asia. With other stories touting record Chinese buying of West African oil for February there is certainly a number of demand stories helping to countervail the lingering threat of rebounding US oil production.



**PRODUCT MARKET FUNDAMENTALS:** As we have alluded to several times in the last three weeks, the RBOB trade continues to toss around talk of slack US gasoline demand. In fact the EIA noted US gasoline demand had fallen off sharply and that news comes on top of rather burdensome gasoline inventories for the last 2 quarters. With Reuters noting that US gasoline demand represents roughly 10% of world gasoline demand one cannot understate the importance of the US gasoline supply and demand condition. Adding into the slack demand/oversupply product market fear is news last week that Amsterdam, Rotterdam and Antwerp (ARA) gas oil stocks rose to 3.2 million tons on the week. The most recent COT positioning reports showed gasoline to be carrying an overbought positioning and with the market failing to rise and hold above its 50 day moving average on three occasions last week, we have to leave the bear camp with the edge. The Commitments of Traders Futures and Options report as of January 31st for Gasoline (RBOB) showed Non-Commercial and Non-reportable combined traders held a net long position of 93,945 contracts. The Commitments of Traders Futures and Options report as of January 31st for Heating Oil showed Non-Commercial and Non-reportable combined traders held a net long position of 66,931 contracts.

**NATURAL GAS:** It goes without saying that natural gas has become significantly oversold with the slide last week. However, ongoing fears of a mild winter in the US are difficult to discount especially given forecasts out to the end of February depicting average or above-average temperatures for a large portion of the US. While the natural gas rig operating count in the prior week was unchanged, overall inventories remain burdensome even though the gas market began to work off some excessive supply over the last couple months. While the Commitments of Traders Futures and Options report as of January 31st for Natural Gas showed Non-Commercial and Non-reportable combined traders held a net long position of only 15,849 contracts we suspect that position is dramatically overstated given the massive additional slide at the end of last week of 8 cents. There would seem to

be little support in the March gas contract until the bottom of an old gap down at \$3.024.

**TODAY'S MARKET IDEAS:**

While the short-term technical path of least resistance would seem to be pointing upward, we are little discouraged that the market displayed little bullish sensitivity to the potential for rising tensions and the talk of fresh sanctions against Iran. We are also concerned with the record spec and fund long positioning in crude oil as that would seem to suggest there is a significant amount of Middle East safe haven premium already factored into prices. On the other hand, the March crude oil contract has managed to respect its 50 day moving average and for most of last week it carved out a pattern of higher lows. Uptrend channel support in March crude oil to start the trading week is seen down at \$52.83 and there might be little in the way of resistance until the \$54.34 level. It is difficult to take control away from the bull camp but we would suggest that the risk to fresh longs is rising rapidly.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

Commitment of Traders - Futures and Options - 1/24/2017 - 1/31/2017						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
<b>Energies</b>						
Crude Oil	543,830	+16,996	-560,271	-18,323	16,440	+1,326
Heating Oil	48,618	-398	-66,932	+6,091	18,313	-5,694
Natural Gas	-28,628	-2,502	-15,849	-997	44,477	+3,499
Gas (RBOB)	81,763	-4,188	-93,946	+2,784	12,182	+1,403

**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) 02/06/2017: 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 market has a slightly positive tilt with the close over the swing pivot. The next upside objective is 54.64. The next area of resistance is around 54.24 and 54.64, while 1st support hits today at 53.42 and below there at 53.00.

HEATING OIL (MAR) 02/06/2017: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. A positive signal for trend short-term was given on a close over the 9-bar moving average. The daily closing price reversal up on the daily chart is somewhat positive. The close over the pivot swing is a somewhat positive setup. The near-term upside target is at 169.50. The next area of resistance is around 168.30 and 169.50, while 1st support hits today at 165.06 and below there at 163.01.

RBOB GAS (MAR) 02/06/2017: The cross over and close above the 60-day moving average is an indication the longer-term trend has turned positive. The crossover up in the daily stochastics is a bullish signal. Daily momentum studies are on the rise from low levels and should accelerate a move higher on a push through the 1st

swing resistance. The market's short-term trend is negative as the close remains below the 9-day moving average. The upside daily closing price reversal gives the market a bullish tilt. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside target is at 159.17. The next area of resistance is around 157.94 and 159.17, while 1st support hits today at 153.70 and below there at 150.69.

NATURAL GAS (MAR) 02/06/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market is in a bearish position with the close below the 2nd swing support number. The next downside objective is 2.932. The next area of resistance is around 3.138 and 3.249, while 1st support hits today at 2.980 and below there at 2.932.

## 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	53.83	55.73	53.95	54.84	65.80	53.52	53.29	53.03	53.43	52.00
CLAJ7	54.48	55.48	53.72	48.72	59.21	54.14	53.91	53.73	54.14	52.71
HOAH7	166.68	53.57	52.04	32.99	42.16	1.66	1.65	1.65	1.67	1.63
HOAJ7	167.50	53.64	52.19	33.10	42.22	1.66	1.66	1.66	1.68	1.63
RBAH7	155.82	45.67	46.30	17.79	18.34	1.56	1.56	1.58	1.60	1.55
RBAJ7	178.52	49.02	49.48	24.53	25.89	1.78	1.78	1.79	1.80	1.74
NGAH7	3.059	34.20	38.74	27.15	16.89	3.13	3.24	3.27	3.40	3.31
NGAJ7	3.109	36.14	40.59	33.00	20.07	3.18	3.28	3.29	3.34	3.25

Calculations based on previous session. Data collected 02/03/2017

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	53.00	53.42	53.82	54.24	54.64
CLAJ7	Crude Oil	53.64	54.07	54.45	54.88	55.26
HOAH7	Heating Oil	163.00	165.05	166.25	168.30	169.50
HOAJ7	Heating Oil	163.98	165.93	167.11	169.06	170.24
RBAH7	RBOB Gas	150.69	153.70	154.93	157.94	159.17
RBAJ7	RBOB Gas	174.60	176.90	177.83	180.13	181.06
NGAH7	Natural Gas	2.931	2.979	3.090	3.138	3.249
NGAJ7	Natural Gas	2.992	3.033	3.143	3.184	3.294

Calculations based on previous session. Data collected 02/03/2017

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