



DAILY ENERGY COMPLEX COMMENTARY

Tuesday February 07, 2017

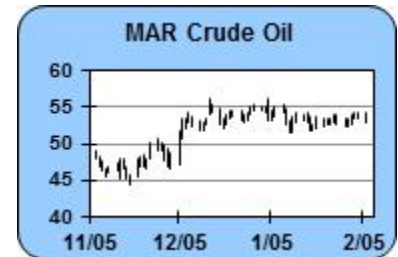
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02/07/17

Negative petroleum action but short covering positive for N-Gas

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE -9, HEATING OIL -48, UNLEADED GAS -68

CRUDE OIL MARKET FUNDAMENTALS: Positive risk-on appetites have not provided initial support to crude oil this morning. In fact the failure to climb above its January/February consolidation highs would seem to suggest that prices found a moderately significant high value zone yesterday. Other issues that have failed to provide support to energy prices this morning are renewed talk of a U.S. import tax, talk of new Iranian sanctions and news that BP has been forced to raise its "Break-even" price per barrel to \$60.00. In other words one of the world's major oil companies is suggesting that they need \$60.00 oil to make money and that pricing is at least \$7 a barrel above today's pricing. In the negative camp this morning is news of less than stellar Chinese energy demand "growth", a soaring US Dollar and the failure to hold the 50 day moving average in March crude oil in the early going today. It is also possible that the trade is having trouble ignoring the fact that US rigs operating have climbed significantly over year ago levels. In the end we can't argue against a further decline back toward the bottom of the last two months consolidation lows around the \$52.00 level in March Crude oil especially when one considers the historically overbought spec long positioning in crude oil.



PRODUCT MARKET FUNDAMENTALS: Both March RBOB and March heating oil posted heavy losses and outside-day down sessions on Monday and they have posted downside follow-through action during today's early trading. Slack gasoline demand combined with burdensome inventories, strength in the Dollar and definitive chart damage early today clearly leaves the bear camp in control. About the only supportive factor early on is a risk-on vibe in U.S. equities. On the other hand a relatively subdued winter in the US will continue with warmer temps across much of the US in the 6-10 day forecast, and that should be a difficult hurdle for heating oil to get past over the next few sessions.

NATURAL GAS: The bull camp is running out of time as far as the weather is concerned. The National Weather Service (NWS) 6-10 day forecast for February 12th to 16th has much above normal temps for the eastern two thirds of the US and above normal for the balance of the country. The longer term 8-14 day forecast is not as warm, but still trends above normal through February 20th. Furthermore the extended forecasts have no significant changes in the trend for the balance of the month of February. With the managed money category still holding 126,639 contracts of length as of January 31st, there could still be liquidation in the market. While March natural gas has filled the gap down at \$3.024 from November 18th, that might be inconsequential in the face of bearish weather. However, with the market just above the even number \$3.000 level this week, some psychological support might be seen below especially with momentum studies all oversold. The first level of resistance is seen up at \$3.194 followed by \$3.20.

TODAY'S MARKET IDEAS:

The bears clearly start out with the upper hand this morning as the threat of long liquidation is front and center in the market this morning. In fact it appears that the market will be discounting safe-haven concerns from tensions in the Middle East and instead prices look to remain under noted pressure until the bottom of the consolidation zone around \$52.00 is tested and holds. If there is a positive for RBOB this morning it is the fact that nearby

futures have already reached some level of past value on the charts However, near-term support for March RBOB isn't seen until \$1.4860 while near-term support for March heating oil is seen down at \$1.6160.

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) 02/07/2017: The close below the 40-day moving average is an indication the longer-term trend has turned down. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. The market setup is somewhat negative with the close under the 1st swing support. The near-term upside objective is at 54.53. The next area of resistance is around 53.71 and 54.53, while 1st support hits today at 52.49 and below there at 52.09.

HEATING OIL (MAR) 02/07/2017: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. The outside day down is somewhat negative. The market setup is somewhat negative with the close under the 1st swing support. The next upside target is 169.55. The next area of resistance is around 166.31 and 169.55, while 1st support hits today at 161.49 and below there at 159.92.

RBOB GAS (MAR) 02/07/2017: The close below the 60-day moving average is an indication the longer-term trend has turned down. Momentum studies are declining, but have fallen to oversold levels. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The outside day down is somewhat negative. The close below the 1st swing support could weigh on the market. The next downside target is now at 146.05. The next area of resistance is around 154.71 and 159.18, while 1st support hits today at 148.15 and below there at 146.05.

NATURAL GAS (MAR) 02/07/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. 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 2.969. The next area of resistance is around 3.091 and 3.128, while 1st support hits today at 3.011 and below there at 2.969.

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 | 53.10 | 48.44 | 49.68 | 57.09 | 61.58 | 53.59 | 53.28 | 53.11 | 53.47 | 52.11 |

| | | | | | | | | | | |
|-------|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| CLAJ7 | 53.72 | 47.96 | 49.30 | 51.24 | 56.27 | 54.21 | 53.89 | 53.80 | 54.18 | 52.81 |
| HOAH7 | 163.90 | 46.07 | 47.30 | 34.64 | 38.33 | 1.66 | 1.65 | 1.65 | 1.67 | 1.63 |
| HOAJ7 | 164.86 | 45.69 | 47.17 | 34.79 | 38.16 | 1.66 | 1.65 | 1.66 | 1.68 | 1.64 |
| RBAH7 | 151.43 | 36.90 | 40.20 | 16.43 | 14.31 | 1.55 | 1.55 | 1.58 | 1.60 | 1.55 |
| RBAJ7 | 175.00 | 40.55 | 43.69 | 23.24 | 20.65 | 1.77 | 1.77 | 1.79 | 1.80 | 1.75 |
| NGAH7 | 3.051 | 33.74 | 38.44 | 22.91 | 14.21 | 3.12 | 3.21 | 3.26 | 3.40 | 3.32 |
| NGAJ7 | 3.117 | 36.63 | 40.93 | 28.34 | 18.29 | 3.17 | 3.25 | 3.29 | 3.34 | 3.26 |

Calculations based on previous session. Data collected 02/06/2017

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 | 52.09 | 52.49 | 53.31 | 53.71 | 54.53 |
| CLAJ7 | Crude Oil | 52.70 | 53.10 | 53.93 | 54.33 | 55.16 |
| HOAH7 | Heating Oil | 159.91 | 161.49 | 164.73 | 166.31 | 169.55 |
| HOAJ7 | Heating Oil | 161.08 | 162.57 | 165.65 | 167.14 | 170.22 |
| RBAH7 | RBOB Gas | 146.04 | 148.14 | 152.61 | 154.71 | 159.18 |
| RBAJ7 | RBOB Gas | 170.56 | 172.28 | 176.00 | 177.72 | 181.44 |
| NGAH7 | Natural Gas | 2.968 | 3.011 | 3.048 | 3.091 | 3.128 |
| NGAJ7 | Natural Gas | 3.032 | 3.079 | 3.106 | 3.153 | 3.179 |

Calculations based on previous session. Data collected 02/06/2017

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