



DAILY ENERGY COMPLEX COMMENTARY

Thursday February 09, 2017

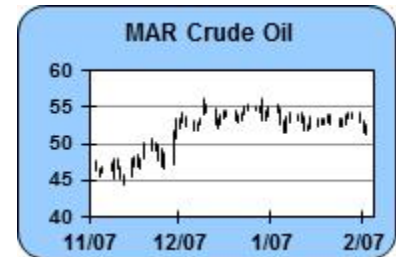
DAILY ENERGY COMPLEX COMMENTARY

02/09/17

Short term positive vibes not a shift up in trend

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE +47, HEATING OIL +183, UNLEADED GAS +108

CRUDE OIL MARKET FUNDAMENTALS: All things considered, the energy complex performed impressively yesterday and again overnight in the face of a series of patently bearish supply-side developments. However, a 13.8 million barrel-build in US crude oil stocks was less than expected and less than the API figures from the Tuesday session, and that might have lent some short covering type support to crude oil prices into their lows yesterday. With gasoline prices also going from being a distinct bearish drag to a bullish influence this week, it is possible that the \$51.22 low in March crude oil has become some form of a key value zone. Furthermore, the range down rejection and recovery in March crude oil this week was accomplished on a moderate uptick in trading volume and that might also hint at a temporary technical/fundamental low. Unfortunately, the net spec and fund long in crude oil probably remains within striking distance of a record high and the high to low slide of \$3 per barrel has only balanced conditions slightly. However, EIA crude stocks did rise by 13.8 million barrels and they are now 37.9 million barrels above year ago levels. Also, crude stocks stand 140.2 million barrels above the five year average. Crude oil imports for the week stood at 9.3 million barrels per day compared to 8.2 million barrels the previous week. An issue that might undermine prices to start today is a Press report that some buyers of Middle East crude have reduced purchases for next month and that hints at a weakening of demand. In the end supply is bearish and demand is negative while short term technical indicators are supportive.



PRODUCT MARKET FUNDAMENTALS: As suggested in the crude oil coverage today, a solid recovery in RBOB prices yesterday should have taken some of the pressure off the rest of the energy complex. It is entirely possible that a surprise gasoline draw in weekly inventories provided the wherewithal to put in a temporary low on the charts but the ultimate condition of US gasoline supply is "hardly" supportive of prices! However, it should be noted that implied gasoline demand this week reached up to the highest level in 5 weeks and nearly reached 9 million barrels per day. Furthermore gasoline prices did rejected a dip below \$1.50 and appear to be capable of temporarily holding above \$1.50. According to a Bloomberg story research showed US consumers in 2016 spent the lowest amount of their budget on energies in 60 years, and that could suggest demand ahead might not be as negatively impacted by modest strength in prices this year. Furthermore with a second US refinery glitch seen on Wednesday there has been a measure of bargain-hunting and that may indicate some form of value zone around the \$1.4650 area in the March contract. We can't argue against the bull tilt but we are skeptical. The refinery operating rate was 87.70% down, 0.50% from last week compared to 86.10% last year and the five year average of 86.20%. Gasoline stocks at 256 million barrels are the highest for this week since 2016. EIA gasoline stocks fell 869,000 barrels and are 560 thousand barrels above last year and 16.8 million above the five year average. Average total gasoline demand for the past four weeks was down 5.99% compared to last year. Gasoline imports came in at 811,000 barrels per day compared to 488,000 barrels the previous week. Distillate stocks at 170.7 million barrels and they are at a record high for this week. The previous record was in 2011. EIA distillate stocks rose 29,000 barrels and stand at 9.77 million barrels above last year and 35.769 million above the five year average. Distillate imports came in at 209,000 barrels per day compared to 236,000 barrels the previous week. Average total distillate demand for the past four weeks was up 7.60% compared to last year. Heating oil stocks at 13.716 million barrels is the lowest for this week since 2015 EIA heating oil stocks rose 788,000 barrels and are 2.502 million barrels below last year and 6.169 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
2/3/2017	508.592	13.83	37.916	368.353	9.372	87.7	86.1
DISTILLATES	Stocks				Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
2/3/2017	170.746	0.029	9.77	134.977	0.209	3.91	3.162
GASOLINE	Stocks				Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
2/3/2017	256.217	-0.869	0.56	239.363	0.811	8.941	9.122

NATURAL GAS: The average estimates from analysts for today's inventory report is looking for stockpiles to fall 155 bcf versus the five year average draw of 138 bcf. Natural gas inventories totaled 2.711 bcf as of January 27th, 2.2% above the five year average and 8.9% below last year's supplies. The weather continues to show warmer than normal temperatures out to February 22nd for the lower 48 states but a severe storm on the East Coast might give prices a psychological boost today. However, Gas drilling equities declined this week with Chesapeake falling to the lowest since November 18th that should leave some bearishness hanging over the market. March natural gas traded in a sideways congestion manner yesterday, but it corrected a short term oversold condition and it has forged a higher high today which leans bullish.

TODAY'S MARKET IDEAS:

Given technical action yesterday and a very slight tempering of bearish supply-side fundamentals, one might assume the prior session's low in crude and RBOB is some form of temporary value. While a surprise draw in US gasoline inventories fails to change a very bearish inventory situation, seeing a pair of refineries suffer problems this week and seeing a rise in US implied gasoline demand should scare some shorts from position. For today's action, we see critical support at \$51.63 and a potential recovery target up at the 50 day moving average of \$53.20.

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) 02/09/2017: The major trend could be turning up with the close back above the 60-day

moving average. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. 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 next downside target is 50.73. The next area of resistance is around 53.13 and 53.62, while 1st support hits today at 51.69 and below there at 50.73.

HEATING OIL (MAR) 02/09/2017: The cross over and close above the 60-day moving average is an indication the longer-term trend has turned positive. The daily stochastics gave a bullish indicator with a crossover up. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The close below the 9-day moving average is a negative short-term indicator for trend. The daily closing price reversal up is a positive indicator that could support higher prices. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside target is at 167.91. The next area of resistance is around 166.10 and 167.91, while 1st support hits today at 161.38 and below there at 158.47.

RBOB GAS (MAR) 02/09/2017: The daily stochastics gave a bullish indicator with a crossover up. 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 positive on the close above the 9-day moving average. The outside day up is somewhat positive. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The near-term upside target is at 162.72. The next area of resistance is around 160.05 and 162.72, while 1st support hits today at 150.62 and below there at 143.84.

NATURAL GAS (MAR) 02/09/2017: The daily stochastics have crossed over up which is a bullish indication. Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. The market's short-term trend is negative as the close remains below the 9-day moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside target is 3.230. The next area of resistance is around 3.193 and 3.230, while 1st support hits today at 3.089 and below there at 3.023.

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	52.41	43.46	46.30	50.24	43.76	52.86	53.05	52.98	53.43	52.28
CLAJ7	52.98	41.79	45.22	45.44	39.74	53.45	53.65	53.64	54.14	52.97
HOAH7	163.74	46.89	47.56	32.88	32.91	1.64	1.64	1.64	1.67	1.64
HOAJ7	164.46	46.46	47.42	33.21	32.62	1.65	1.65	1.65	1.68	1.64
RBAH7	155.34	49.05	47.97	19.19	27.66	1.53	1.54	1.56	1.60	1.55
RBAJ7	176.24	47.04	47.46	24.14	29.19	1.75	1.76	1.78	1.79	1.75
NGAH7	3.141	42.98	43.69	21.31	21.36	3.10	3.16	3.24	3.38	3.32
NGAJ7	3.211	46.42	46.70	26.57	26.84	3.16	3.21	3.28	3.34	3.27

Calculations based on previous session. Data collected 02/08/2017

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	50.72	51.68	52.17	53.13	53.62
CLAJ7	Crude Oil	51.38	52.29	52.76	53.67	54.14
HOAH7	Heating Oil	158.47	161.38	163.19	166.10	167.91
HOAJ7	Heating Oil	159.65	162.29	163.98	166.62	168.31
RBAH7	RBOB Gas	143.84	150.61	153.28	160.05	162.72
RBAJ7	RBOB Gas	168.56	173.11	174.81	179.36	181.06
NGAH7	Natural Gas	3.022	3.089	3.126	3.193	3.230
NGAJ7	Natural Gas	3.098	3.162	3.194	3.258	3.290

Calculations based on previous session. Data collected 02/08/2017

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