



DAILY ENERGY COMPLEX COMMENTARY

Friday February 10, 2017

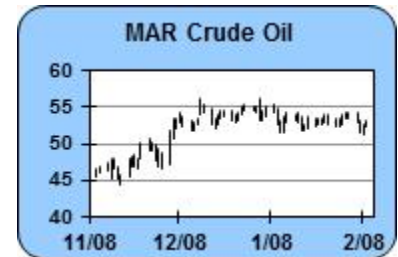
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02/10/17

Up in crude oil/RBOB and down in natural gas

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE +55, HEATING OIL +152, UNLEADED GAS +252

CRUDE OIL MARKET FUNDAMENTALS: While some of the gains yesterday might have been additional technical short covering from the oversold position seen earlier in the week, some of the fresh buying interest was probably the result of a shift back toward risk on sentiment. The risk on sentiment shift was the result of a possible return to a pro-growth policy focus by the White House and part of the recovery was the result of IEA suggestions that production cuts were serving to "re-balance"/reduce global supplies. Some predictions in the marketplace suggest that the re-balancing in world supply with compliance is roughly 600,000 barrels per day but the question will be will the compliance be sustainable. Limiting the upside in the crude oil market today is strength in the dollar, bearish US inventory news from earlier this week and a measure of thick overhead resistance up around \$54.00 in March Crude oil. In the end new highs in equities and hope for stimulative policy action from President Trump provides the bulls with an ongoing edge. Another issue that might provide support into the end of the week is news that Amsterdam, Rotterdam and Antwerp (ARA) gas oil stocks declined by more than 3.5% on the week. In conclusion the rise above the 50 day moving average in March crude oil, favorable Chinese trade data and positive UK manufacturing data provides the bull camp with a number of fresh bullish themes.



PRODUCT MARKET FUNDAMENTALS: The low to high recovery in gasoline prices over the last 3 sessions has been almost \$0.13 and the March contract has reached up to the vicinity of downtrend channel resistance and more importantly it has regained the 50 day moving average in the early going today. Like crude oil, the gasoline market is due some reflation buying in the wake of pro-growth talk from the White House. However, this newfound macroeconomic hope will have to be followed up by specific policy details on tax reform or the political opposition will quickly squelch the benefit to equities and physical commodities. Another issue that might provide support into the end of the week is news that Amsterdam, Rotterdam and Antwerp (ARA) gas oil stocks declined by more than 3.5% on the week. Downtrend channel resistance in March RBOB is seen up at \$1.6135 and the market might be poised to reach up to the highest level since January 24th. In the end, ongoing production problems at the Port Arthur refinery in its gasoline unit should help RBOB prices hold up high in this week's range. However, as indicated in crude oil coverage today, a large portion of the bull case hinges on a continuation of risk on psychology and on more new highs in stock prices.

NATURAL GAS: March natural gas traded firmer to start on Thursday, but drifted in sideways fashion for the balance of the day and it has clearly failed at a series of key support levels to start the Friday action. The EIA report offered little surprise as inventories declined 152 bcf which was right on the average estimate from analysts. The five year average inventory withdrawal for this period is 138 bcf. Stockpiles are now 2,559 bcf which are 1.8% above the five year average and 11.3% below last year's total. While the Northeast is colder than normal this week, warmer weather is forecast throughout the US from February 16th to the 22nd. While the market scored higher highs the last three days, they were forged in a very tight range and the action this morning washes out any semblance of favorable technical action. Given the poor action to start we can't rule out a failure to hold the low at \$3.006.

EIA Natural Gas Storage Report Summary

In Billion Cubic Feet

Week Of	Week Change	Total Storage	Change From Last Year	4 Week Combined Weekly Change	Percent Change vs 5 Year Average	Percent Change vs 10 Year Average
2/3/2017	-152	2559	-325	-601	1.8%	5.7%

TODAY'S MARKET IDEAS:

On a positive note, both futures prices and energy-related shares rallied in sync in the prior trading session and that shows widespread bullishness. It goes without saying that a large portion of the gains were the result of renewed economic optimism but some of the support might have come from news of shipping problems out of Venezuela. As suggested already, March crude oil faces thick overhead resistance from the late January/early February consolidation highs but a move above the 50 day moving average at \$53.19 this morning should pave the way for a probe back above \$54. As long as March crude oil maintains above \$52.67 we leave the edge with the bull camp. At least today expect an extremely tight correlation between energy prices and equity prices.

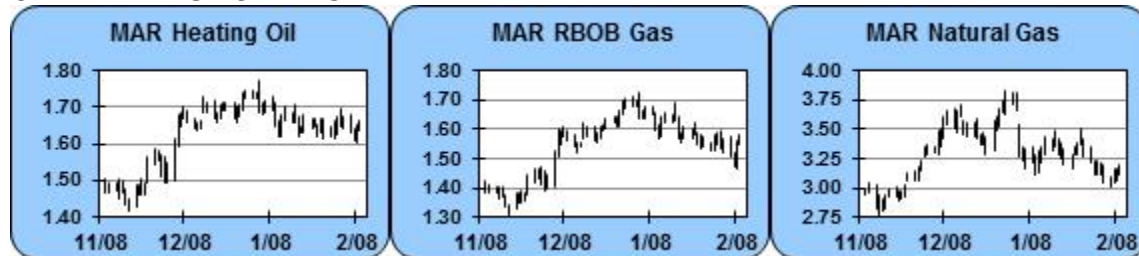
NEW RECOMMENDATIONS:

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) 02/10/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The intermediate trend could be turning up with the close back above the 18-day moving average. The market setup is supportive for early gains with the close over the 1st swing resistance. The next downside target is 52.10. The next area of resistance is around 53.51 and 53.78, while 1st support hits today at 52.67 and below there at 52.10.

HEATING OIL (MAR) 02/10/2017: The market now above the 60-day moving average suggests the longer-term trend has turned up. The crossover up in the daily stochastics is a bullish signal. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The close below the 9-day moving average is a negative short-term indicator for trend. The close over the pivot swing is a somewhat positive setup. The near-term upside objective is at 167.32. The next area of resistance is around 165.62 and 167.32, while 1st support hits today at 162.84 and below there at 161.75.

RBOB GAS (MAR) 02/10/2017: The major trend could be turning up with the close back above the 60-day moving average. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The intermediate trend could be turning up with the close back above the 18-day moving average. The close over the pivot swing is a somewhat positive setup. The next upside objective is 160.18. The next area

of resistance is around 158.86 and 160.18, while 1st support hits today at 155.46 and below there at 153.39.

NATURAL GAS (MAR) 02/10/2017: 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. The downside closing price reversal on the daily chart is somewhat negative. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is 3.052. The next area of resistance is around 3.151 and 3.209, while 1st support hits today at 3.073 and below there at 3.052.

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	53.09	50.47	50.35	49.63	48.95	52.65	53.03	52.97	53.42	52.40
CLAJ7	53.53	47.84	48.65	44.94	43.95	53.20	53.62	53.61	54.12	53.09
HOAH7	164.23	48.47	48.51	33.84	36.11	1.63	1.64	1.64	1.67	1.64
HOAJ7	165.06	48.39	48.58	34.16	36.07	1.64	1.65	1.65	1.67	1.64
RBAH7	157.16	52.65	50.52	26.59	41.50	1.53	1.54	1.56	1.60	1.56
RBAJ7	177.50	50.05	49.46	29.17	39.34	1.75	1.76	1.78	1.79	1.76
NGAH7	3.112	40.50	42.24	20.88	20.73	3.10	3.13	3.23	3.37	3.33
NGAJ7	3.181	43.56	44.99	26.25	26.42	3.17	3.19	3.26	3.33	3.28

Calculations based on previous session. Data collected 02/09/2017

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	52.10	52.67	52.94	53.51	53.78
CLAJ7	Crude Oil	52.67	53.15	53.42	53.90	54.17
HOAH7	Heating Oil	161.74	162.83	164.53	165.62	167.32
HOAJ7	Heating Oil	162.77	163.77	165.35	166.35	167.93
RBAH7	RBOB Gas	153.38	155.46	156.78	158.86	160.18
RBAJ7	RBOB Gas	174.93	176.37	177.18	178.62	179.43
NGAH7	Natural Gas	3.051	3.072	3.130	3.151	3.209
NGAJ7	Natural Gas	3.124	3.144	3.198	3.218	3.272

Calculations based on previous session. Data collected 02/09/2017

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