



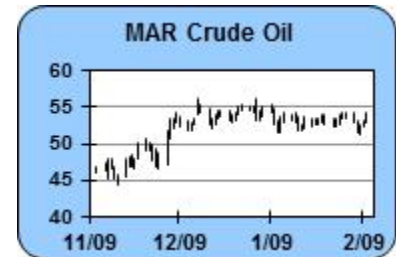
## DAILY ENERGY COMPLEX COMMENTARY Monday February 13, 2017

### DAILY ENERGY COMPLEX COMMENTARY 02/13/17

**A slight stall in crude gains might spark back & fill**

**OVERNIGHT CHANGES THROUGH 6:06 AM (CT):  
CRUDE -13, HEATING OIL -89, UNLEADED GAS -89**

**CRUDE OIL MARKET FUNDAMENTALS:** In addition to the ongoing bullish tide of improved global economic psychology, the energy markets last week were given added lift by predictions from the IEA predicting world demand growth of 1.4 million barrels per day this year. Seeing demand grow by 1.4 million barrels per day makes the producer cut efforts even more significant, and that leaves a very good chance of further supply side balancing. While prices are showing some modest weakness to start today the Press overnight did see news that Saudi Arabia has apparently made more cuts than required in the month of January. Furthermore the world's largest energy company early last week suggested their breakeven cost was a lofty \$60 per barrel and with current prices only around \$54 a barrel that would seem to justify further gains in prices ahead. With OPEC also indicating compliance was not yet at 50% of the agreement into the end of January that would seem to suggest that balancing is taking place without the full effort of the producers. Another issue providing support to prices to start this week is IEA news that OECD oil stocks declined by 800,000 barrels per day in the fourth-quarter of 2016. Just to add to the bullish tilt is news of a weekend production cutback in Norway combined with the move above the 50 day moving average in March crude oil would seem to leave both technical and fundamental factors in favor of the bull camp. However, the Commitments of Traders Futures and Options report as of February 7th for Crude Oil showed Non-Commercial and Non-reportable combined traders held a net long position of 557,821 contracts and that reading is probably understated given the rally of \$1.10 after the report was measured. Therefore, the crude oil market is probably sitting near a new record spec and fund long if the COT report were compiled today.



**PRODUCT MARKET FUNDAMENTALS:** Talk of surging crack spreads in the Middle East, a probe above the 50 day moving average at the end of last week and the potential for positive macroeconomic psychology would seem to leave the path of least resistance pointing upward for gasoline. Reports that half of the gasoline consumed in Mexico is imported from the US could project a certain amount of volatility in gasoline prices going forward, especially if the subject of the trade barriers between the two countries returns to the headlines. Like crude oil, RBOB is short-term overbought from the low to high rally last week of 6 cents. The 50 day moving average in gasoline to start week comes in at \$1.5930. Another issue that might restrict gasoline on the upside is its return to the underside of the December and January consolidation zone. The most recent commitments of traders report in gasoline is probably understated due to the sharp rally after the report was compiled. The Commitments of Traders Futures and Options report as of February 7th for Gasoline (RBOB) showed Non-Commercial and Non-reportable combined traders held a net long position of 80,555 contracts. The record spec and fund long in RBOB is 93,945 contracts! The Commitments of Traders Futures and Options report as of February 7th for Heating Oil showed Non-Commercial and Non-reportable combined traders held a net long position of 61,034 contracts.

**NATURAL GAS:** With highs on February 20th in Chicago expected to reach 63 degrees Fahrenheit (17 degrees Celsius) and low temps barely reaching freezing periodically, we suspect natural gas prices will remain vulnerable. About the only cushion for natural gas is a looming oversold condition. Another minor supportive issue might be seen from news of a cut in capacity in Norway over the weekend due to an unexpected problem in its pipeline system. Apparently natural gas is garnering little benefit from the improvement in global economic

sentiment and strength in the petroleum complex. The Commitments of Traders Futures and Options report as of February 7th for Natural Gas showed Non-Commercial and Non-reportable combined traders held a net short position of only 1,685 contracts and while that reading is understated we can't suggest market is oversold enough to suggest the selling will exhaust itself soon. Apparently the three dollar level might not support and weather simply isn't helping the bull camp. In fact given 10 day forecasts getting long might have the effect of catching a falling knife.

**TODAY'S MARKET IDEAS:**

As indicated in our coverage today, the trade continues to embrace the prospect of narrowing global supply but the question becomes at what price does the market factor in that potential reality? On the other hand, March crude oil prices haven't made a 30 day high yet and they are a bit weak to start even with a slight extension of the economic optimism from last week. To extend the definitive bullish track from last week probably requires breakout above key resistance of \$54.34. The 50 day moving average in March crude oil today comes in at \$53.33. Close in critical pivot point support in March crude oil is seen at \$53.40. The 50 day moving average in March gasoline comes in today at \$1.5930 and critical pivot point support is seen at \$1.581.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

Commitment of Traders - Futures and Options - 1/31/2017 - 2/7/2017						
	Non-Commercial		Net Position	Commercial		Non-Reportable
	Net Position	Weekly Net Change		Weekly Net Change	Net Position	
<b>Energies</b>						
Crude Oil	527,866	-15,964	-557,822	+2,449	29,955	+13,515
Heating Oil	45,219	-3,399	-61,035	+5,897	15,815	-2,498
Natural Gas	-43,510	-14,882	1,685	+17,534	41,825	-2,652
Gas (RBOB)	70,999	-10,764	-80,555	+13,391	9,556	-2,626

**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) 02/13/2017: The market now above the 40-day moving average suggests the longer-term trend has turned up. A bullish signal was given with an upside crossover of the daily stochastics. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market's close above the 2nd swing resistance number is a bullish indication. The near-term upside target is at 54.88. The next area of resistance is around 54.40 and 54.88, while 1st support hits today at 53.18 and below there at 52.43.

HEATING OIL (MAR) 02/13/2017: The moving average crossover up (9 above 18) indicates a possible developing short-term uptrend. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The cross over and close above the 18-day moving average is an indication the intermediate-term trend has turned positive. A positive setup occurred with the close over the 1st

swing resistance. The near-term upside objective is at 169.84. The next area of resistance is around 168.32 and 169.84, while 1st support hits today at 164.54 and below there at 162.28.

RBOB GAS (MAR) 02/13/2017: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market setup is supportive for early gains with the close over the 1st swing resistance. The near-term upside objective is at 163.40. The next area of resistance is around 161.02 and 163.40, while 1st support hits today at 156.58 and below there at 154.52.

NATURAL GAS (MAR) 02/13/2017: The daily stochastics gave a bearish indicator with a crossover down. Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The close below the 9-day moving average is a negative short-term indicator for trend. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next downside target is now at 2.935. The next area of resistance is around 3.096 and 3.166, while 1st support hits today at 2.980 and below there at 2.935.

## 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	53.79	56.70	54.19	52.81	59.87	52.83	53.15	52.99	53.43	52.54
CLAJ7	54.26	55.99	53.61	48.74	56.35	53.37	53.74	53.62	54.13	53.23
HOAH7	166.43	55.07	52.60	38.00	46.50	1.64	1.65	1.64	1.67	1.64
HOAJ7	167.40	55.96	53.29	38.84	48.20	1.65	1.66	1.65	1.68	1.65
RBAH7	158.80	55.82	52.78	35.70	54.14	1.55	1.55	1.56	1.60	1.56
RBAJ7	179.24	54.80	52.66	36.59	51.43	1.76	1.77	1.78	1.80	1.76
NGAH7	3.038	35.49	39.14	20.13	17.28	3.11	3.11	3.21	3.36	3.33
NGAJ7	3.118	38.40	41.78	25.82	23.50	3.18	3.17	3.25	3.32	3.28

Calculations based on previous session. Data collected 02/10/2017

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	52.42	53.17	53.65	54.40	54.88
CLAJ7	Crude Oil	52.93	53.66	54.11	54.84	55.29
HOAH7	Heating Oil	162.28	164.54	166.06	168.32	169.84
HOAJ7	Heating Oil	163.30	165.57	166.95	169.22	170.60
RBAH7	RBOB Gas	154.52	156.58	158.96	161.02	163.40
RBAJ7	RBOB Gas	175.50	177.39	179.19	181.08	182.88
NGAH7	Natural Gas	2.934	2.980	3.050	3.096	3.166
NGAJ7	Natural Gas	3.028	3.067	3.128	3.167	3.228

Calculations based on previous session. Data collected 02/10/2017

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