



DAILY ENERGY COMPLEX COMMENTARY

Tuesday February 14, 2017

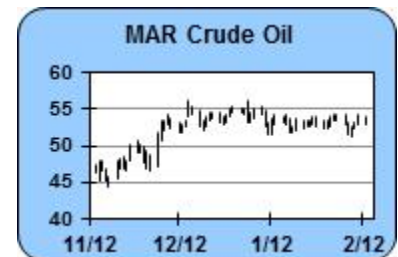
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02/14/17

Corrective action favored today

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE +43, HEATING OIL +183, UNLEADED GAS +209

CRUDE OIL MARKET FUNDAMENTALS: In retrospect, it would appear that March crude oil and March gasoline were overbought into last week's highs and in need of a slight corrective balancing. In fact, the failure to rally yesterday in the face of news from OPEC that they had reached 93% compliance in January should have lent more support to prices. Even more surprising is the lack of bullish sensitivity in energy prices yesterday to the latest round of new all-time highs in equities. Therefore, with the trade once again anticipating an increase in weekly crude oil inventories from both the API and EIA, it is possible that a portion of the bull camp is inclined to move to the sidelines. Keep in mind last week crude oil inventories saw massive inflows even if expectations for this week's build are only a fraction of what was seen last week. Another issue that might hold back prices today is word that a judge had denied a request to halt the Dakota access pipeline and there is also the potential threat of hawkish dialogue from the US Fed Chairman. Other negatives today include news that the idled Port Arthur refinery was back to running 84% of capacity and there is also the prospect of more gains in the Dollar in the wake of the Fed testimony. In retrospect, the crude oil market into the recent highs was excessively overbought as measured by commitments of traders positioning and the crude oil contract has now seen four days of declining trading volume which hints at a temporary top. In our opinion, the failure to rally on Monday, in the face of stellar gains in equities suggests prices were too high at \$54.13. While we don't think prices deserve to be below \$52.00 they probably need to correct deeper into the defined trading range of \$51.90 to \$54.34.



PRODUCT MARKET FUNDAMENTALS: We suspect that nearby unleaded prices were overbought following last week's 15 cent rally. Seeing the Port Arthur refinery climbing back into operation at the same time that crude oil prices were tugging down energy market sentiment highlights a 180 degree shift in sentiment in favor of the bear camp this week. With an upside breakout in the dollar and the product markets unable to benefit from a clear risk on environment yesterday, it is clear the bears have regained some control with a potential near term downside targeting of \$1.50. Downtrend channel resistance in March unleaded today is seen at \$1.6051. It should also be noted that March unleaded gasoline fell back below its 50 day moving average to start the week. Like crude oil, the gasoline market has now seen 4 straight days of falling volume and declining open interest which might suggest prices above \$1.55 are too expensive for current fundamentals.

NATURAL GAS: March natural gas gapped lower yesterday off continued much above normal temperatures through February 23rd and above normal temperatures through February 27th for the eastern two thirds of the country. The managed money category continues to carry a hefty long position of 119,307 contracts, down only 7,332 in the latest COT data and that might leave some long liquidation fuel in the market. The California dam crisis could leave the power market without a large hydropower plant north of San Francisco, and gas generation will need to pick up the slack, but that news comes at a time of low seasonal demand. With a gap down extension this week it could be difficult to respect the \$2.90 level which in turn targets the November lows below \$2.80.

TODAY'S MARKET IDEAS:

With the net spec and fund long in crude oil into the recent high probably registering a reading above 570,000

contracts it's not surprising to see a reversal on the charts yesterday. Furthermore the March crude oil contract fell below its 50 day moving average of \$53.37 yesterday and it is generally holding below that level this morning. The next solid area of support might not be seen until \$52.37 and perhaps not until a prior low of \$51.81. In order to turn the tide around today probably requires renewed weakness in the dollar, ongoing strength in equities, a dovish Fed and a March crude oil trade back above \$53.50.

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) 02/14/2017: The market back below the 40-day moving average suggests the longer-term trend could be turning down. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. The close below the 1st swing support could weigh on the market. The next upside objective is 54.30. The next area of resistance is around 53.48 and 54.30, while 1st support hits today at 52.31 and below there at 51.95.

HEATING OIL (MAR) 02/14/2017: The close below the 60-day moving average is an indication the longer-term trend has turned down. Positive momentum studies in the neutral zone will tend to reinforce higher price action. 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 next upside target is 168.96. The next area of resistance is around 165.33 and 168.96, while 1st support hits today at 159.99 and below there at 158.27.

RBOB GAS (MAR) 02/14/2017: The close below the 60-day moving average is an indication the longer-term trend has turned down. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The intermediate trend has turned down with the cross over back below the 18-day moving average. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The near-term upside target is at 162.08. The next area of resistance is around 157.54 and 162.08, while 1st support hits today at 151.22 and below there at 149.45.

NATURAL GAS (MAR) 02/14/2017: 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 gap lower on the day session chart is bearish and puts the market on the defensive. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside objective is 2.903. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 2.970 and 3.008, while 1st support hits today at 2.918 and below there at 2.903.

DAILY TECHNICAL STATISTICS

CLOSE 9 DAY 14 DAY 14 DAY 14 DAY 4 DAY 9 DAY 18 DAY 45 DAY 60 DAY

		RSI	RSI	SLOW STOCH D	SLOW STOCH K	M AVG	M AVG	M AVG	M AVG	M AVG
ENERGY COMPLEX										
CLAH7	52.90	48.13	49.03	54.82	58.32	53.03	53.17	53.05	53.46	52.62
CLAJ7	53.40	47.38	48.40	50.63	54.40	53.53	53.74	53.67	54.15	53.32
HOAH7	162.66	44.25	45.92	38.82	40.07	1.64	1.65	1.64	1.67	1.65
HOAJ7	163.75	45.05	46.56	39.84	41.83	1.65	1.66	1.65	1.67	1.65
RBAH7	154.38	46.47	46.65	41.89	54.03	1.56	1.55	1.56	1.60	1.57
RBAJ7	175.84	46.26	47.12	41.75	52.07	1.77	1.77	1.77	1.80	1.76
NGAH7	2.944	29.99	35.44	17.02	10.98	3.06	3.09	3.19	3.35	3.33
NGAJ7	3.031	32.47	37.78	22.35	15.46	3.14	3.16	3.23	3.32	3.28

Calculations based on previous session. Data collected 02/13/2017

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	51.95	52.30	53.13	53.48	54.30
CLAJ7	Crude Oil	52.46	52.82	53.62	53.98	54.78
HOAH7	Heating Oil	158.26	159.98	163.61	165.33	168.96
HOAJ7	Heating Oil	159.44	161.13	164.69	166.37	169.93
RBAH7	RBOB Gas	149.44	151.22	155.76	157.54	162.08
RBAJ7	RBOB Gas	172.72	173.86	176.68	177.82	180.64
NGAH7	Natural Gas	2.902	2.917	2.955	2.970	3.008
NGAJ7	Natural Gas	2.990	3.005	3.042	3.057	3.094

Calculations based on previous session. Data collected 02/13/2017

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