



DAILY ENERGY COMPLEX COMMENTARY

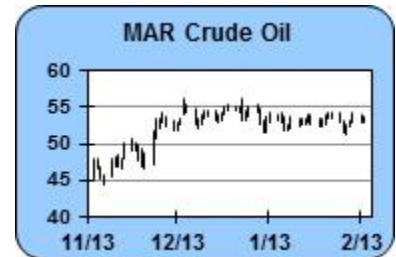
Wednesday February 15, 2017

DAILY ENERGY COMPLEX COMMENTARY

02/15/17

The bears have a slight edge today

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE -35, HEATING OIL -116, UNLEADED GAS -25



CRUDE OIL MARKET FUNDAMENTALS: We continue to think crude oil was overbought into last week's high, and we also suspect that the benefits of the producers production cut scheme was mostly priced with the recent return to \$54 in March crude oil. In fact with a developing pattern of lower highs on the charts, one could conclude that the technical picture once again favors the bear camp. It goes without saying that a firmer dollar and a temporary fear of a looming US rate hike probably justifies some measure of weakness in energy prices. Some traders were unwilling to take fresh positions ahead of the weekly inventory reports after 2 outsized gains from the API and EIA last week. Expectations for the weekly inventory readings centered on 2 to 3 million barrel builds. With API crude inventories coming in far above estimates with a 9.9 million barrel build overnight that could set the stage for a large build in EIA numbers later this morning. The path of least resistance is down technically and from a supply side perspective but news of soaring oil imports from Russia to China through a new pipeline, evidence that South Korea's January crude oil imports are running at twice the value of your ago levels and hints that Egypt might be poised to sign an import deal with Iraq would seem to point to improving global demand. Furthermore with the Dow Jones industrial average making fresh all-time highs after the Fed's dialogue, it is difficult to argue against views of global recovery which in turn should foster increased energy appetites. As indicated several times recently, we think the coming range in March crude oil will be \$54.34 and \$51.63.

PRODUCT MARKET FUNDAMENTALS: With a lower low for the move yesterday and the high to low slide from last week of six cents, the March gasoline contract looks to have returned to a bearish technical bias. However, overall macroeconomic conditions are supportive of energy products and the API presented only a modest build in gasoline stocks yesterday afternoon. However, Asian gasoline prices yesterday apparently hit a 13 month high and that suggests international demand and in particular Asian demand continues to improve. Expectations for this week's inventory builds were as usual within the 1 to 2 million barrel-build range, which on their face aren't negative but seeing a high crude oil stocks build from the API overnight should leave RBOB under pressure in sync with crude oil. Just as we see a near term trading range in crude oil, we define the trading range in March RBOB as \$1.6030 and \$1.4800. However, in looking at both crude oil and gasoline charts it would seem like gasoline is more vulnerable from a chart perspective.

Weekly EIA Petroleum Estimates - Week Ending 2/17/2017 - In Million Barrels

	High Estimate	Low Estimate	Stocks Last Week	Stocks Change Last Week
Crude Oil	3.7	3.3	508.6	13.8
Distillates	-0.5	-0.9	170.7	0
Gasoline	-0.6	-1	256.2	-0.9

NATURAL GAS: March natural gas futures were down for the third day in a row on Tuesday and they traded down to their lowest level since November 11th. With forecasts showing low temperatures of 50 degrees for Chicago on February 20th (25 degrees above normal), the market continues to struggle as the above normal temperature pattern over the eastern two thirds of the US will continue through the end of February. Natural gas is the worst performing commodity this year, down 20.9% so far. The market had its second close in a row below the \$3.000 level with the \$2.764 old low as the next target. Momentum studies are still deeply oversold, but the fact remains the managed money fund traders are still long over 100,000 contracts as of February 7th.

TODAY'S MARKET IDEAS:

With crude oil prices sitting just above the dead center of the anticipated trading range and the looming threat of building crude oil inventories in the marketplace the path of least resistance looks to be down. Certainly there are a number of favorable global energy demand stories in the headlines of late but short-term supply issues will probably rule the trade temporarily. Middle of the coming trading range is seen at \$52.77 and as mentioned before the bottom of the trading range is seen down at \$51.63. Pushed into the market we would sell rallies to \$53.72 in March crude oil.

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) 02/15/2017: The moving average crossover down (9 below 18) indicates a possible developing short-term downtrend. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The cross over and close above the 18-day moving average is an indication the intermediate-term trend has turned positive. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside target is at 54.10. The next area of resistance is around 53.63 and 54.10, while 1st support hits today at 52.77 and below there at 52.39.

HEATING OIL (MAR) 02/15/2017: A negative indicator was given with the downside crossover of the 9 and 18 bar moving average. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's short-term trend is negative as the close remains below the 9-day moving average. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside objective is at 167.05. The next area of resistance is around 165.30 and 167.05, while 1st support hits today at 162.10 and below there at 160.64.

RBOB GAS (MAR) 02/15/2017: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The market's close above the 9-day moving average suggests the short-term trend remains positive. The daily closing price reversal up on the daily chart is somewhat positive. It is a slightly negative indicator that the close was under the swing pivot. The next upside objective is 159.25. The next area of resistance is around 156.71 and 159.25, while 1st support hits today at 152.52 and below there at 150.86.

NATURAL GAS (MAR) 02/15/2017: 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 tilt is slightly negative with the close under the pivot. The next downside objective is now at 2.865. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 2.974 and 2.996, while 1st support hits today at 2.908 and below there at 2.865.

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	53.20	50.86	50.70	56.72	60.28	53.25	53.10	53.11	53.46	52.72
CLAJ7	53.70	50.07	50.03	52.48	56.19	53.73	53.65	53.72	54.15	53.41
HOAH7	163.69	47.38	47.85	39.07	39.41	1.64	1.64	1.64	1.67	1.65
HOAJ7	164.85	48.52	48.70	40.56	42.01	1.65	1.65	1.65	1.67	1.65
RBAH7	154.62	46.97	46.99	46.09	54.38	1.56	1.54	1.56	1.60	1.57
RBAJ7	176.29	47.61	47.99	45.83	53.98	1.77	1.76	1.77	1.80	1.77
NGAH7	2.941	29.82	35.33	15.24	10.90	3.02	3.07	3.17	3.33	3.33
NGAJ7	3.036	33.01	38.07	20.07	14.43	3.10	3.14	3.22	3.31	3.28

Calculations based on previous session. Data collected 02/14/2017

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	52.38	52.77	53.24	53.63	54.10
CLAJ7	Crude Oil	52.90	53.28	53.73	54.11	54.56
HOAH7	Heating Oil	160.63	162.09	163.84	165.30	167.05
HOAJ7	Heating Oil	161.76	163.25	164.95	166.44	168.14
RBAH7	RBOB Gas	150.85	152.51	155.05	156.71	159.25
RBAJ7	RBOB Gas	173.22	174.57	176.66	178.01	180.10
NGAH7	Natural Gas	2.864	2.908	2.930	2.974	2.996
NGAJ7	Natural Gas	2.965	3.005	3.026	3.066	3.087

Calculations based on previous session. Data collected 02/14/2017

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