



DAILY ENERGY COMPLEX COMMENTARY

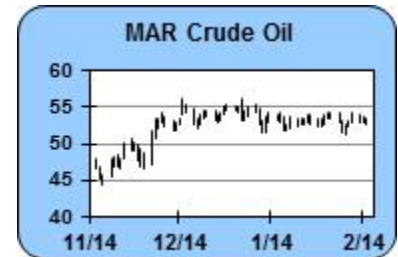
Thursday February 16, 2017

DAILY ENERGY COMPLEX COMMENTARY

02/16/17

A slight erosion of prices anticipated

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE +32, HEATING OIL +149, UNLEADED GAS +48



CRUDE OIL MARKET FUNDAMENTALS: On one hand, one could suggest that yesterday's crude oil inventory builds this week were not as bad as some dire predictions. However, the two month and six week cumulative gain in crude oil stocks is burdensome to prices going forward. Other potentially supportive news overnight came from suggestions from OPEC that they could extend or expand production cuts if the cuts fail to see surpluses decline. There is also the potential for an extension of risk-on psychology if the US President releases a tax plan. On the other hand slack US industrial production and capacity utilization from the US yesterday, expanding bird flu problems in China, a decrease in Chinese foreign investment combined could dent energy demand expectations globally. Another negative take-away from yesterday's action is additional but modest damage on the charts. In conclusion more weekly builds in crude stocks and the stocks at 518 million barrels (the highest ever for the week measured) leaves the supply blanket hanging over prices. The actual EIA crude stocks build was 9.5 million barrels and those stocks are now 45.2 million barrels above year ago levels. Also, crude stocks stand 146.4 million barrels above the five year average. Crude oil imports for the week stood at 8.4 million barrels per day compared to 9.3 million barrels the previous week. From a technical perspective, March crude oil has forged a series of lower highs and it sits at roughly the mid-point of the last 2 month's trade and that could leave energy prices vulnerable to slackening economic sentiment and warm temps.

PRODUCT MARKET FUNDAMENTALS: Like the crude oil market, the gasoline market was fortunate to have held up fairly well in the face of yesterday's EIA inventory data. In fact, the market was expecting a drop of 700,000 to 1 million barrels and instead it saw a significantly larger 2.8 million barrel build. However, strength in the dollar has been reversed and the prospect of a return to US risk-on is high given recent action in US equities and the prospect of a US tax plan. If there were a supportive issue from the EIA data, it was a sharp decline in the refinery operating rate which may serve to tighten product inventory levels ahead. However another month of slack seasonal demand might be seen and any tempering of economic optimism could easily justify a return down to \$1.50 in nearby gasoline futures. The refinery operating rate was 85.40% down, 2.30% from last week compared to 88.30% last year and the five year average of 86.44%. Gasoline stocks at 259 million barrels are at the highest level for this week since 2016. EIA gasoline stocks rose 2.846 million barrels and are 370,000 barrels above last year and 19.641 million above the five year average. Average total gasoline demand for the past four weeks was down 5.29% compared to last year. Gasoline imports came in at 604,000 barrels per day compared to 811,000 barrels the previous week.

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
2/10/2017	518.119	9.527	45.296	371.675	8.491	85.4	88.3
DISTILLATES		Stocks			Imports	Demand	

Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
2/10/2017	170.057	-0.689	7.682	133.929	0.216	3.853	3.482
GASOLINE	Stocks				Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
2/10/2017	259.063	2.846	0.37	239.422	0.604	8.433	9.203

NATURAL GAS: March natural gas rebounded from 12 week lows amid private forecasts that have turned a bit colder for the last couple days of February but that action was not sustained in the early trade today. The potential for a drop in temperatures has caused some bullish speculation from depressed prices levels but it is a tall order to call for a low off a slight cooling in a bigger trend of warmth. The government inventory data that will be released today could show inventories decreased by 128 bcf based on analyst's estimates compared to the five year average of a 156 bcf decline for the period. Inventories are now 1.8% above the five year average as of February 3rd and that is a shift from earlier this winter when inventories were able to fall below the 5 year average. However, the market was able to stem the declines of the past three days but it still remains below the psychological \$3.000 level. While the market could still be susceptible to a correction bounce, peak heating demand is clearly behind us. Resistance can be seen at the first retracement level of \$3.120 with support at the old low of \$2.764.

TODAY'S MARKET IDEAS:

As suggested already, we think the near term path of least resistance is pointing downward in both crude oil and RBOB. As we have also suggested, energy prices in general remain near the midpoint of the last two months range and therefore modestly bearish fundamentals could easily justify lower lows during this week's action. Unfortunately for the bear camp OPEC has potentially offered up a fresh game changer on the bearish supply pattern this week with suggestions they could step up efforts if supply doesn't balance. However, it should be noted that March crude oil has been unable to hold above the 50 day moving average at \$53.37 on several occasions this week. Trading below the \$52.73 level in the early going today could target a slide to \$52.24 or a failure at the \$50 level.

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) 02/16/2017: 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The near-term upside target is at 53.84. The next area of resistance is around 53.39 and 53.84, while 1st support hits today at 52.62 and below there at 52.29.

HEATING OIL (MAR) 02/16/2017: A bearish signal was triggered on a crossover down in the daily stochastics. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. A negative signal for trend short-term was given on a close under the 9-bar moving average. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is now at 160.52. The next area of resistance is around 164.34 and 165.83, while 1st support hits today at 161.68 and below there at 160.52.

RBOB GAS (MAR) 02/16/2017: 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The near-term upside target is at 157.37. The next area of resistance is around 156.16 and 157.37, while 1st support hits today at 153.62 and below there at 152.28.

NATURAL GAS (MAR) 02/16/2017: Daily stochastics are trending lower but have declined into oversold territory. The market's short-term trend is negative as the close remains below the 9-day moving average. The close over the pivot swing is a somewhat positive setup. The next downside objective is 2.862. The next area of resistance is around 2.971 and 3.023, while 1st support hits today at 2.891 and below there at 2.862.

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	53.01	48.99	49.58	57.58	59.30	53.25	53.04	53.10	53.46	52.81
CLAJ7	53.50	48.00	48.79	53.35	55.08	53.74	53.58	53.69	54.14	53.50
HOAH7	163.01	45.46	46.66	38.33	36.56	1.64	1.64	1.64	1.67	1.65
HOAJ7	164.16	46.45	47.41	40.16	39.36	1.65	1.65	1.65	1.67	1.66
RBAH7	154.89	47.62	47.41	49.14	55.16	1.56	1.54	1.55	1.60	1.57
RBAJ7	176.64	48.00	48.23	49.12	55.69	1.77	1.76	1.77	1.80	1.77
NGAH7	2.931	31.44	35.87	12.53	8.59	2.95	3.04	3.15	3.32	3.33
NGAJ7	3.040	35.26	39.03	16.90	12.00	3.05	3.11	3.20	3.30	3.29

Calculations based on previous session. Data collected 02/15/2017

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	52.28	52.62	53.06	53.39	53.84
CLAJ7	Crude Oil	52.78	53.11	53.56	53.89	54.34
HOAH7	Heating Oil	160.51	161.68	163.17	164.34	165.83
HOAJ7	Heating Oil	162.12	163.01	164.41	165.30	166.70
RBAH7	RBOB Gas	152.27	153.61	154.82	156.16	157.37
RBAJ7	RBOB Gas	174.05	175.39	176.54	177.88	179.03
NGAH7	Natural Gas	2.861	2.890	2.942	2.971	3.023
NGAJ7	Natural Gas	2.981	3.006	3.048	3.073	3.115

Calculations based on previous session. Data collected 02/15/2017

Data sources can & do produce bad ticks. Verify before use.

***This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Opinions expressed are subject to change without notice. Any information or recommendation contained herein: (i) is not based on, or tailored to, the commodity interest or cash market positions or other circumstances or characterizations of particular investors or traders; (ii) is not customized or personalized for any such investor or trader; and (iii) does not take into consideration, among other things, risk tolerance, net worth, or available risk capital. Any use or reliance upon the information or recommendations is at the sole discretion and election of the subscriber. The risk of loss in trading futures contracts or commodity options can be substantial, and traders should carefully consider the inherent risks of such trading in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of Lakefront Futures is strictly prohibited.