



## DAILY ENERGY COMPLEX COMMENTARY

Friday February 17, 2017

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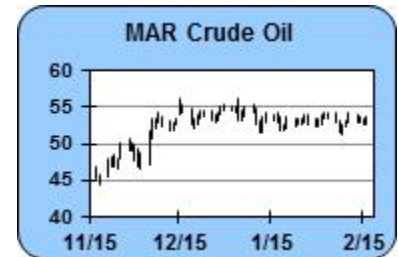
02/17/17

**The path of least resistance is pointing downward**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**CRUDE -25, HEATING OIL -137, UNLEADED GAS -249**

**CRUDE OIL MARKET FUNDAMENTALS:** For most of this week, crude oil prices have mostly tracked sideways and that is probably the result of offsetting fundamental storylines. It is a little surprising that crude oil failed to rally yesterday off indications from OPEC that an extension of production cuts and/or even greater production cuts could be seen if the desired results of tightening global supply are not realized.

Another issue cushioning the energy market over the prior 36 hours is very poor action in the US dollar, but this week's large builds in US crude oil inventories continues to hang over prices going into the end of the week. In retrospect, March crude oil did reject a fresh new low for the week yesterday in the wake of a series of international and domestic supply issues, and that shows some residual bullish sensitivity. In going forward, the main focus of the energy market could be any potential dialogue flowing from OPEC on their targeting of global petroleum inventories and production control efforts. Apparently, OPEC wants inventories to fall down to the five year average which they suggest will require 100% compliance of the 1.8 million barrel reduction agreed upon. Some analysts will suggest an extension of the production cut agreement is more likely than a deepening of the cuts. For energy prices to make a run up off fresh restricted production news, probably requires "risk on" psychology, weakness in the dollar and the avoidance of economic threats in Asia. However, in the early going today the bull camp is seeing just the opposite of what they "need". We can't rule out a retest of this week's consolidation low of \$52.73 in March crude oil.



**PRODUCT MARKET FUNDAMENTALS:** As opposed to a crude oil market that managed to hold within this week's sideways consolidation, the gasoline market has failed on its charts with a downside breakout and the lowest trade since February 8th in the trade yesterday. Therefore, the technical bias into the last trading session of the week clearly favors the bear camp. As we indicated in the prior day's coverage, US refinery operating rates remain low enough to potentially limit the amount of additional build in gasoline and other products stocks but the bull camp can't expect prices to stand up to a slightly negative economic environment today. In fact given historically burdensome supply levels, a chart failure at \$1.50 and ongoing slack seasonal demand the bear camp could send prices reeling down to the early February lows around \$1.4716.

**NATURAL GAS:** Natural gas prices came back under significant selling pressure yesterday off a weekly stocks draw that was less than anticipated. Natural gas prices didn't seem to be the least bit interested in gas production problems in Norway, and they also discounted news that the impact of the Norway gas outage was larger than estimated in the prior session. With temperatures expected to track higher over the coming 12 days throughout large portions of the US, the fresh downside breakout in natural gas prices yesterday was deserved. Just to highlight the bearish US weather pattern, there will only be three low temperatures below 30 degrees Fahrenheit (minus 1 degree Celsius) out to March 2nd in Chicago! While natural gas prices have already fallen more than 25% from their December highs, the net spec and fund positioning in natural gas only recently shifted into a net short and that suggests the market probably isn't significantly oversold yet. About the only things missing from the bear case in natural gas is noted spillover selling from the petroleum complex and a downshift in macroeconomic sentiment. The next downside targeting in March natural gas is seen at an old double low of \$2.823 and then at \$2.796 and finally at the November low of \$2.764. The most the bull camp can hope for is a very surprising shift in

weather forecasts, evidence of declining natural gas rig operating counts and or a full-blown euphoria wave capable of raising industrial demand expectations. However, the bull prospect remains highly suspect.

### 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
2/10/2017	-114	2445	-303	-472	3.7%	8.6%

#### TODAY'S MARKET IDEAS:

While the March crude oil contract has managed to stay with in relatively close proximity to the 50 day moving average this week, it has spent a large portion of this week trading below that measure and it has seen declining volume on a tightening consolidation. Therefore, it would appear as if the coiling action is a prelude to a fresh trend decision and our inclination is to favor the downward tilt. An initial critical pivot point on the downside in March crude oil today is seen at \$52.77, and to turn the bias technically back to the upside might require a rally back above the 50 day moving average at \$53.38.

#### 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 (APR) 02/17/2017:** Momentum studies are rising from mid-range, which could accelerate 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. The upside daily closing price reversal gives the market a bullish tilt. The market has a slightly positive tilt with the close over the swing pivot. The next upside objective is 54.65. The next area of resistance is around 54.30 and 54.65, while 1st support hits today at 53.36 and below there at 52.77.

**HEATING OIL (MAR) 02/17/2017:** Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The daily closing price reversal down is a negative indicator for prices. The market tilt is slightly negative with the close under the pivot. The next downside objective is now at 159.36. The next area of resistance is around 164.60 and 166.51, while 1st support hits today at 161.02 and below there at 159.36.

**RBOB GAS (MAR) 02/17/2017:** Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. A negative signal for trend short-term was given on a close under the 9-

bar moving average. The market setup is somewhat negative with the close under the 1st swing support. The near-term upside objective is at 157.45. The next area of resistance is around 154.56 and 157.45, while 1st support hits today at 149.92 and below there at 148.17.

NATURAL GAS (MAR) 02/17/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's short-term trend is negative as the close remains below the 9-day moving average. The market is in a bearish position with the close below the 2nd swing support number. The next downside objective is 2.740. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 2.893 and 2.984, while 1st support hits today at 2.771 and below there at 2.740.

## 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>										
CLAJ7	53.83	51.48	50.83	55.36	58.65	53.64	53.52	53.71	54.12	53.59
CLAK7	54.14	48.72	49.03	51.52	53.53	54.01	53.95	54.19	54.69	54.15
HOAH7	162.81	44.85	46.29	36.83	33.73	1.63	1.64	1.64	1.67	1.65
HOAJ7	164.00	45.68	46.94	38.98	36.62	1.64	1.65	1.65	1.67	1.66
RBAH7	152.24	41.76	43.65	49.23	49.56	1.54	1.54	1.55	1.60	1.57
RBAJ7	174.55	42.52	44.77	49.67	50.77	1.76	1.76	1.77	1.80	1.77
NGAH7	2.832	25.63	31.94	10.15	5.64	2.90	3.01	3.13	3.30	3.33
NGAJ7	2.953	30.66	35.95	14.57	9.92	3.01	3.10	3.19	3.29	3.29

Calculations based on previous session. Data collected 02/16/2017

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>						
CLAJ7	Crude Oil	52.77	53.36	53.71	54.30	54.65
CLAK7	Crude Oil	53.10	53.67	54.03	54.60	54.96
HOAH7	Heating Oil	159.35	161.02	162.93	164.60	166.51
HOAJ7	Heating Oil	160.54	162.23	164.08	165.77	167.62
RBAH7	RBOB Gas	148.17	149.92	152.81	154.56	157.45
RBAJ7	RBOB Gas	170.62	172.39	174.92	176.70	179.22
NGAH7	Natural Gas	2.740	2.771	2.862	2.893	2.984
NGAJ7	Natural Gas	2.866	2.896	2.979	3.009	3.092

Calculations based on previous session. Data collected 02/16/2017

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