



## DAILY ENERGY COMPLEX COMMENTARY

Wednesday February 22, 2017

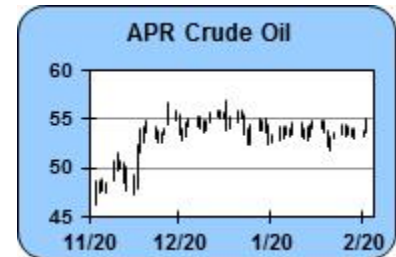
### DAILY ENERGY COMPLEX COMMENTARY

02/22/17

#### Short term overbought in crude oversold in Natural Gas

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**CRUDE -26, HEATING OIL -103, UNLEADED GAS -1**

**CRUDE OIL MARKET FUNDAMENTALS:** April crude oil prices yesterday reached up to the highest level since January 17th on the back of renewed global economic optimism as that facilitates both improved demand views and potentially tighter supplies. Certainly talk of high compliance with production cuts also laid the foundation for the rally, but news from the EIA of record US driving miles in 2016 (3.22 Trillion miles) added to the bullish bias. Some will also suggest that positive fund allocation talk and an investment bank prediction of \$70 oil by the end of 2017 should continue to stoke fresh buying interest. In fact the prediction of \$70 oil was made on the back of ideas that rising demand and production restraint outside of the US would more than offset gains in US production. Surprisingly the gains in prices yesterday were made even more impressive when one considers the Department of Energy undertook a Strategic Petroleum Reserve (SPR) sale of 10 million barrels of oil and that highlights the existence of lingering bullish sentiment. The bull camp should also continue to derive some support from news stories suggesting funds have made a "billion barrel bet" in the energy market. On the other hand, seeing such a massive fund investment in place already could also suggest the bull case is already heavily attended. We must note that last week's COT positioning showed yet another record net spec and fund long positioning. Another issue that adds to the bear case is reports of slackening Indian crude oil imports. Furthermore in looking ahead, the markets are expecting the seventh straight weekly build in crude oil stocks over the coming 2 trading sessions. In fact, in the last two months US crude oil stocks have built up by almost 40 million barrels. With a measure of corrective action in equities and more gains in the Dollar, crude oil might be expected to fall back toward the middle of the 2 month consolidation range defined as \$54.90 to \$53.00.



**PRODUCT MARKET FUNDAMENTALS:** It goes without saying that the gasoline market performed pitifully compared to crude oil to start the trading week. In fact, April gasoline only made a two day high yesterday, reversed course and closed lower which leaves a bearish technical signal in place. While the April contract is showing some minor positive action to start today it appears to be poised to forge a lower low for the move ahead. With the trade expecting another 2 to 3 million barrel build in weekly gasoline stocks we can't argue against a resumption of the last two weeks' erosion in prices especially if strength in the crude oil market fails to cushion sentiment today. While April gasoline might see some support down at \$1.7150 we think the market is destined to retest \$1.700. Downtrend channel resistance in April gasoline comes in today at \$1.7565 and to turn the trend back to the upside might require a rally back above \$1.7630.

**NATURAL GAS:** April natural gas has cratered to the lowest level in 9 months as it traded well below the May 2016 lows overnight. The market traded over 9% lower on the day yesterday and has extended that punishment overnight as recent well above normal temperatures throughout the US is crushing sentiment and reviving excess supply realities. Weakness was also due to forecasts for extended above normal temperatures for the eastern half of the US through March 7th, signaling the peak of winter demand has effectively passed. Furthermore this will be the third year in a row of lackluster winter gas demand and that clearly leaves the market struggling to absorb a historical supply glut. Volume the last few days has been well above normal with what has become a mass exodus by speculative longs and we now assume that the net spec and fund short is escalating. Momentum indicators are extremely oversold, with the market very susceptible to an exhaustive relief rally in the near term.

The market could test the old low of \$2.470, but new shorts are not advised at these levels. Resistance in the March contract is at \$2.798 followed by \$2.872.

#### **TODAY'S MARKET IDEAS:**

While the April crude oil contract launched above the 50 day moving average and forged a range of a \$1.30 per barrel yesterday, the market had trouble holding the brunt of the gains. While we understand that strong risk-on conditions can improve demand expectations there does not appear to be anything fresh from the tightening supply story line other than big banks bullish predictions. Granted, OPEC continues to play up high compliance levels but at some point the number of barrels held off the market should be factored into prices. Therefore, we would suggest that traders become sellers of rallies in April crude oil using a stop above \$55.16.

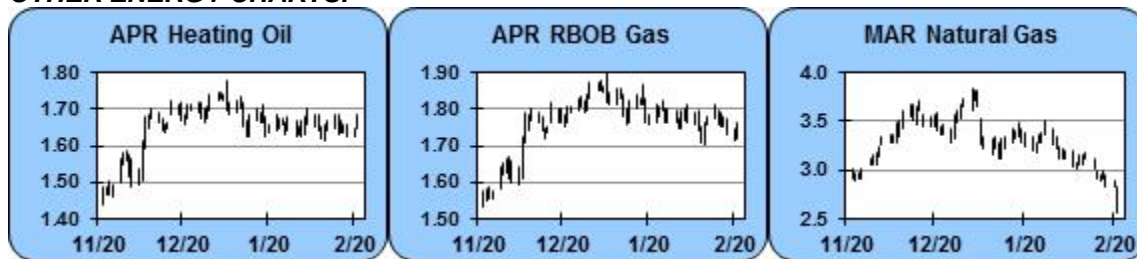
#### **NEW RECOMMENDATIONS:**

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) 02/22/2017:** The cross over and close above the 40-day moving average indicates the longer-term trend has turned up. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The close above the 9-day moving average is a positive short-term indicator for trend. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next upside objective is 55.68. The next area of resistance is around 55.02 and 55.68, while 1st support hits today at 53.72 and below there at 53.07.

**HEATING OIL (MAR) 02/22/2017:** The daily stochastics have crossed over up which is a bullish indication. 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. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside objective is at 168.86. The next area of resistance is around 166.37 and 168.86, while 1st support hits today at 162.53 and below there at 161.17.

**RBOB GAS (MAR) 02/22/2017:** A positive indicator was given with the upside crossover of the 9 and 18 bar moving average. Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The close below the 9-day moving average is a negative short-term indicator for trend. The daily closing price reversal down puts the market on the defensive. The market setup is somewhat negative with the close under the 1st swing support. The next downside objective is now at 145.70. The next area of resistance is around 151.74 and 154.79, while 1st support hits today at 147.20 and below there at 145.70.

**NATURAL GAS (MAR) 02/22/2017:** 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 gap lower price action on the day session chart is a bearish 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 objective is now at 2.366. More downside action may be limited by the RSI under 20

putting the market in extremely oversold territory. The next area of resistance is around 2.716 and 2.906, while 1st support hits today at 2.446 and below there at 2.366.

## 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	54.37	57.82	54.45	59.61	65.97	53.88	53.70	53.76	54.09	53.71
CLAK7	54.65	55.47	52.82	55.17	60.50	54.20	54.09	54.21	54.65	54.26
HOAH7	164.45	50.33	49.41	36.85	37.91	1.63	1.64	1.64	1.66	1.66
HOAJ7	165.46	50.67	49.78	39.18	40.42	1.65	1.65	1.65	1.67	1.66
RBAH7	149.47	35.98	39.85	44.18	36.69	1.52	1.54	1.54	1.59	1.58
RBAJ7	172.53	36.70	41.00	44.85	37.50	1.74	1.76	1.76	1.79	1.78
NGAH7	2.581	16.35	24.35	7.47	4.69	2.80	2.93	3.06	3.27	3.31
NGAJ7	2.703	18.42	26.26	10.20	6.06	2.92	3.02	3.13	3.26	3.28

Calculations based on previous session. Data collected 02/21/2017

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	53.06	53.71	54.37	55.02	55.68
CLAK7	Crude Oil	53.42	54.02	54.67	55.27	55.92
HOAH7	Heating Oil	161.16	162.52	165.01	166.37	168.86
HOAJ7	Heating Oil	162.18	163.54	166.01	167.37	169.84
RBAH7	RBOB Gas	145.69	147.19	150.24	151.74	154.79
RBAJ7	RBOB Gas	168.76	170.23	173.34	174.82	177.92
NGAH7	Natural Gas	2.366	2.446	2.636	2.716	2.906
NGAJ7	Natural Gas	2.518	2.586	2.750	2.819	2.982

Calculations based on previous session. Data collected 02/21/2017

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