



DAILY ENERGY COMPLEX COMMENTARY

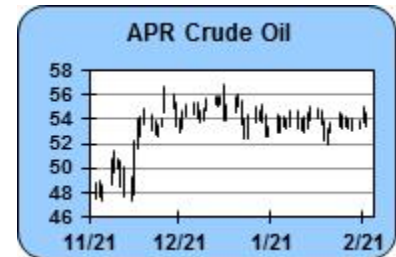
Thursday February 23, 2017

DAILY ENERGY COMPLEX COMMENTARY

02/23/17

A slight shift back to a bullish tilt in Crude & RBOB

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE +67, HEATING OIL +225, UNLEADED GAS +138



CRUDE OIL MARKET FUNDAMENTALS: With weekly EIA inventory readings delayed due to the Monday holiday, the energy markets overbought and the dollar showing ongoing strength to start this week, it wasn't surprising to see a moderate corrective slide on Wednesday. However the oil market was surprised yesterday afternoon with news from a private source that US inventories declined. Furthermore traders will probably take note that the April crude oil contract this morning has regained and moved above the 50 day moving average of \$54.10. On the other hand we expect yet another record spec and fund long in crude oil from the commitments of traders figures released later this week. An issue that failed to provide support to energy prices yesterday was news from OPEC delegates that non-OPEC compliance with the oil supply cut deal was only 60%. It should also be noted that the Qatar Energy Minister pegged non-OPEC compliance at only 50%. However, the OPEC delegates also suggested that compliance levels were on the rise among non-OPEC producers and there were some fresh comments about possible discussions in May, on whether the cuts might be extended beyond June. We still think the bull camp needs to be on guard against the EIA inventory report even if the private numbers released yesterday showed a decline. Limiting oil prices to start today is news that Singapore energy inventories reached up to a 7 month high.

PRODUCT MARKET FUNDAMENTALS: The gasoline market remains the weakest component of the energy complex (with the exception of natural gas) as it continued to damage its charts yesterday. However technical action in the last 24 hours has improved and RBOB might be able to diffuse some of the bearish psychology that has dominated the market for the last 2 weeks. Stories that might help nearby gasoline prices respect the 1.70 level is news that Russian January gasoline exports declined and that US Gulf refinery maintenance could temporarily lessen the supply side threat. While estimates for this week's gasoline inventory change are for minimal adjustments to last week's figures the recent pattern has been for outsized builds. A final positive for gasoline going forward is the fact that April began to see a decline in open interest once prices fell below \$1.7520.

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	518.1	9.5
Distillates	-0.3	-0.7	170.1	-0.7
Gasoline	-0.7	-1.1	259.1	2.8

NATURAL GAS: Natural gas futures gained for the first time in four days on Wednesday and it has added to those short covering gains overnight. There are some private forecasts that show slightly colder temperatures for late next week in the western half of the US but getting anything definitively supportive from the weather is highly unlikely. Industry estimates for the EIA report today have natural gas inventories falling 86 bcf last week versus

the five year average of 158 bcf. Natural gas inventories totaled 2,445 bcf as of February 10th which is 3.7% above the five year average. April natural gas has a gap above the market from \$2.913 to \$2.946 along with 50% retracement level up at \$2.947 and those level look to be a reasonable target for a corrective bounce. In fact momentum indicators are trying to turn up from oversold levels. On the other hand the market is still carrying speculative length from the managed money trader category and therefore anything more than normal retracement gains to \$2.874 might be difficult.

TODAY'S MARKET IDEAS:

With a 2 day range of \$1.23 a barrel in prices and the market still sitting just above the midpoint of the last two months' trading range technical action has shifted back in favor of the upside. As suggested already, one has to fear a build in US inventories later today with recent inventory builds producing outsized results. The decline in inventories from private sources yesterday afternoon appears to temper those inventory fears. In fact if there is a solid risk on tilt, fresh weakness in the dollar and favorable global energy demand stories, there could be a retest of \$54.77 in April crude oil this week.

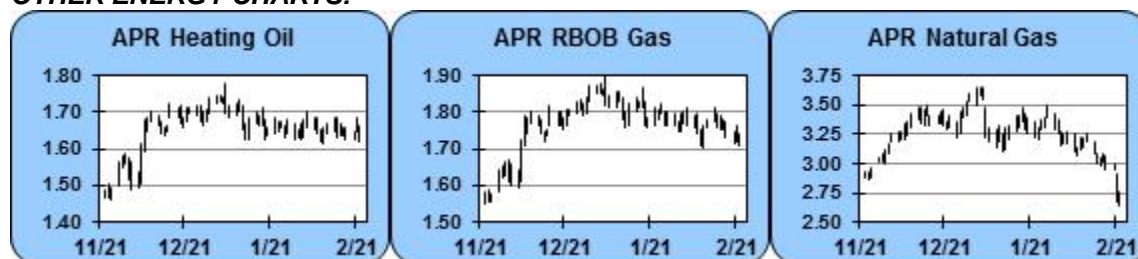
NEW RECOMMENDATIONS:

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) 02/23/2017: The market back below the 60-day moving average suggests the longer-term trend could be turning down. The moving average crossover up (9 above 18) indicates a possible developing short-term uptrend. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The intermediate trend has turned down with the cross over back below the 18-day moving average. The close below the 1st swing support could weigh on the market. The next upside objective is 55.02. The next area of resistance is around 54.20 and 55.02, while 1st support hits today at 52.96 and below there at 52.53.

HEATING OIL (APR) 02/23/2017: The daily stochastics gave a bearish indicator with a crossover down. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is 159.43. The next area of resistance is around 166.16 and 168.48, while 1st support hits today at 161.64 and below there at 159.43.

RBOB GAS (APR) 02/23/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close below the 9-day moving average is a negative short-term indicator for trend. The upside daily closing price reversal gives the market a bullish tilt. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside objective is now at 170.27. The next area of resistance is around 174.98 and 175.80, while 1st support hits today at 172.22 and below there at 170.27.

NATURAL GAS (APR) 02/23/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. A negative signal for trend short-term was given on a close under the 9-bar moving average. The upside daily closing price reversal gives the market a bullish tilt. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is now at 2.595. The 9-day RSI under 20 suggests the market is extremely oversold. The next area of resistance is around 2.772 and 2.818, while 1st support hits today at 2.660 and below there at 2.595.

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										
CLAJ7	53.58	47.80	48.87	60.22	61.73	53.86	53.77	53.71	54.09	53.76
CLAK7	53.90	46.68	47.95	55.80	57.05	54.18	54.15	54.16	54.65	54.31
HOAJ7	163.90	45.28	46.76	38.45	36.98	1.64	1.65	1.65	1.67	1.66
HOAK7	164.70	44.79	46.55	39.62	37.48	1.65	1.66	1.66	1.68	1.67
RBAJ7	173.60	41.65	43.79	41.69	35.36	1.74	1.76	1.76	1.79	1.78
RBAK7	175.73	41.71	44.14	42.62	35.98	1.76	1.78	1.78	1.81	1.79
NGAJ7	2.716	19.43	26.73	8.94	6.98	2.83	2.97	3.09	3.25	3.27
NGAK7	2.797	19.57	27.52	10.59	6.82	2.91	3.04	3.15	3.27	3.28

Calculations based on previous session. Data collected 02/22/2017

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						
CLAJ7	Crude Oil	52.52	52.95	53.77	54.20	55.02
CLAK7	Crude Oil	52.88	53.30	54.08	54.50	55.28
HOAJ7	Heating Oil	159.42	161.63	163.95	166.16	168.48
HOAK7	Heating Oil	160.56	162.56	164.83	166.83	169.10
RBAJ7	RBOB Gas	170.26	172.21	173.03	174.98	175.80
RBAK7	RBOB Gas	172.50	174.36	175.24	177.10	177.98
NGAJ7	Natural Gas	2.594	2.660	2.706	2.772	2.818
NGAK7	Natural Gas	2.691	2.746	2.792	2.847	2.893

Calculations based on previous session. Data collected 02/22/2017

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.