



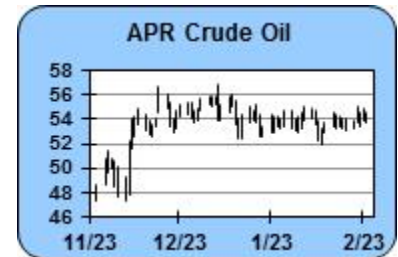
## DAILY ENERGY COMPLEX COMMENTARY Monday February 27, 2017

### DAILY ENERGY COMPLEX COMMENTARY 02/27/17

**Slightly vulnerable status due to a developing risk-off vibe**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):  
CRUDE +36, HEATING OIL +151, UNLEADED GAS +158**

**CRUDE OIL MARKET FUNDAMENTALS:** Apparently crude oil was not disappointed following forecasts Friday that OPEC compliance to production cut promises was only 88% versus a previous forecast of 90%. In fact this morning compliance projections from the Russians is thought to be only 86% and while that is splitting hairs with the 88% projection the important thing is the market thinks the prospects of more compliance ahead are high. The market also took note that Iraq and the UAE were the least compliant of the large producers and since that news comes on top of non-OPEC production compliance of less than 100% into the end of February, it is not surprising that nearby crude oil prices were unable to hold up near the February consolidation highs at the end of last week. As in a number of other physical commodities this week, the crude oil market could be facing some temporary outside market turmoil from action in the currency markets and from global equity markets in the lead up to a very important US speech to Congress. If the focus of US politics after the Tuesday speech is centered on pro-growth economic issues and not political wrangling, it is possible that last week's lows in April crude oil of \$53.35 might become some form of solid value. However, the crude oil market remains extensively overbought with the combined spec and fund net long hitting a new record level at 601,016 contracts! The Commitments of Traders Futures and Options report as of February 21st for Crude Oil showed Non-Commercial and Non-reportable combined traders held a net long position of 601,016 contracts. On the other hand, cushioning prices going forward are comments from OPEC suggesting they will take further action if the desired reaction to the initial wave of cuts is unsuccessful. In fact, OPEC continues to monitor world supply levels instead of prices as their measurement for effectiveness and that has cheered the bull camp.



**PRODUCT MARKET FUNDAMENTALS:** With periodic weakness on the charts at the end of last week, some weakness in Gulf Coast cash prices and news that Petrobras cut gasoline prices by 5.4%, one gets the impression that traders are sensing soft demand. Offsetting the partially bearish North and South American market conditions is relative tightness in European gasoline markets. Like crude oil, the gasoline market may have to weather extensive volatility due to wild swings in "risk on" and "risk off" psychology in the wake of events in Washington on Tuesday evening US time. As opposed to the crude oil charts, the gasoline chart appears to be fairly uniform in its downward motion. Downtrend channel resistance today comes in at \$1.7660 with initial support seen at 1.7136. However the inability to hold \$1.7109 could spark stop loss selling and send the April gas contract quickly below the \$1.70 level. The Commitments of Traders Futures and Options report as of February 21st for Gasoline (RBOB) showed Non-Commercial and Non-reportable combined traders held a net long position of 68,305 contracts. The Commitments of Traders Futures and Options report as of February 21st for Heating Oil showed Non-Commercial and Non-reportable combined traders held a net long position of 57,623 contracts.

**NATURAL GAS:** While the April natural gas contract was certainly short-term oversold from the February washout, commitments of traders positioning data suggests the market was only modestly short. In fact, the Commitments of Traders Futures and Options report as of February 21st for Natural Gas showed the Non-Commercial and Non-reportable combined traders held a net short position of only 13,187 contracts and that positioning has only just shifted from a net long to a net short position! With the 10 day forecast for the Midwest showing normal to above normal temperatures out to March 10th and US rig counts last week showing another

build, we doubt the market will have much in the way of bargain-hunting buying. In fact, other than shorts banking profits, there would seem to be very little reason to pick a low in this market. In fact the \$2.78-\$2.80 level offers up significant resistance from the underside of a five month consolidation pattern. Therefore, traders might remain sellers of rallies unless a major headline fundamental change surfaces.

**TODAY'S MARKET IDEAS:**

We sense some loss of upside momentum in crude oil. With the net spec and fund long at a fresh all-time high level of 601,000 contracts, a little bit of damage on the charts could cause a compacted washout to the \$52 level. In fact without a fresh supply-side threat or hints that OPEC will extend the production cuts beyond June, we can't rule out a return to the bottom of the last three months consolidation which could produce a low between \$52.42 and \$51.70.

**NEW RECOMMENDATIONS:**

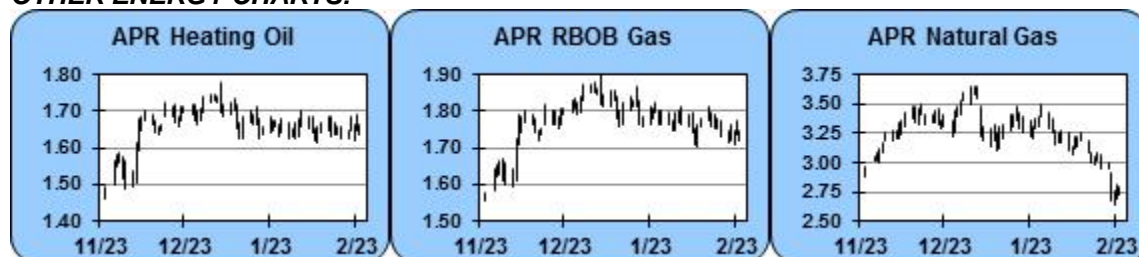
None.

**PREVIOUS RECOMMENDATIONS:**

None.

Commitment of Traders - Futures and Options - 2/14/2017 - 2/21/2017						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
<b>Energies</b>						
Crude Oil	586,229	+28,659	-601,016	-25,688	14,787	-2,970
Heating Oil	37,691	-333	-57,623	+478	19,932	-145
Natural Gas	-51,352	-15,971	13,187	+18,188	38,165	-2,217
Gas (RBOB)	58,938	-11,240	-68,305	+11,149	9,367	+92

**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) 02/27/2017:** 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 market tilt is slightly negative with the close under the pivot. The near-term upside objective is at 54.83. The next area of resistance is around 54.40 and 54.83, while 1st support hits today at 53.66 and below there at 53.34.

**HEATING OIL (APR) 02/27/2017:** The close under the 60-day moving average indicates the longer-term trend could be turning down. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The market tilt is slightly negative with the close under the pivot. The next upside target is 167.80. The next area of resistance is around 166.27 and 167.80, while 1st support hits today at 163.49 and below there at 162.24.

**RBOB GAS (APR) 02/27/2017:** Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market's short-term trend is negative as the close remains below the 9-day

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 170.67. The next area of resistance is around 174.85 and 176.20, while 1st support hits today at 172.09 and below there at 170.67.

NATURAL GAS (APR) 02/27/2017: Daily momentum studies are on the rise from low levels and should accelerate a move higher on a push through the 1st swing resistance. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The close over the pivot swing is a somewhat positive setup. The near-term upside target is at 2.848. The next area of resistance is around 2.828 and 2.848, while 1st support hits today at 2.761 and below there at 2.712.

## 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	54.03	52.09	51.54	64.84	68.49	54.10	53.85	53.80	54.07	53.93
CLAK7	54.37	50.79	50.47	60.85	65.04	54.41	54.20	54.21	54.63	54.47
HOAJ7	164.88	48.99	48.98	42.94	46.46	1.65	1.65	1.65	1.67	1.67
HOAK7	165.62	48.48	48.71	43.50	46.33	1.66	1.66	1.66	1.68	1.67
RBAJ7	173.47	42.67	44.30	38.53	35.35	1.74	1.75	1.76	1.79	1.78
RBAK7	175.83	43.96	45.35	39.91	37.31	1.76	1.77	1.78	1.81	1.80
NGAJ7	2.795	31.91	34.10	11.75	16.03	2.73	2.88	3.03	3.22	3.26
NGAK7	2.873	31.90	34.68	11.74	14.54	2.81	2.96	3.09	3.25	3.27

Calculations based on previous session. Data collected 02/24/2017

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	53.33	53.65	54.08	54.40	54.83
CLAK7	Crude Oil	53.69	54.01	54.41	54.73	55.13
HOAJ7	Heating Oil	162.24	163.49	165.02	166.27	167.80
HOAK7	Heating Oil	163.16	164.33	165.74	166.90	168.32
RBAJ7	RBOB Gas	170.66	172.08	173.43	174.85	176.20
RBAK7	RBOB Gas	173.29	174.57	175.80	177.08	178.31
NGAJ7	Natural Gas	2.711	2.760	2.780	2.828	2.848
NGAK7	Natural Gas	2.794	2.841	2.858	2.905	2.922

Calculations based on previous session. Data collected 02/24/2017

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