



## DAILY ENERGY COMPLEX COMMENTARY Tuesday February 28, 2017

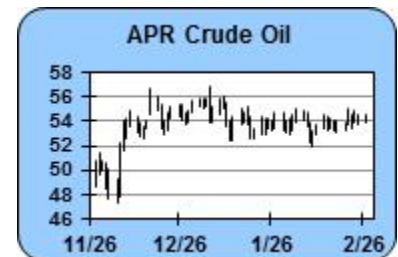
### DAILY ENERGY COMPLEX COMMENTARY 02/28/17

**A slightly negative tilt to start today as charts look negative**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):  
CRUDE -14, HEATING OIL -72, UNLEADED GAS -70**

**CRUDE OIL MARKET FUNDAMENTALS:** Crude oil has not only been unable to lift clear of its recent consolidation, it also saw negative chart action overnight.

With a huge/record net spec long position hanging over the market, it remains vulnerable to a sizable pullback over the next few sessions if there is a distinct shift to a risk-off mentality. While April crude oil was able to finish Monday's session with a modest gain, it once again had difficulty sustaining upside momentum with its close well below the midsession high. There were reports that Russia's Energy Minister is reporting further cuts to their nation's oil output this month, and this helps to reinforce ideas that major oil producers are for the most part complying with their output reduction agreement. Recent estimates have those nations at up to a 90% compliance rate, although Iraq and the UAE need to "catch up" with their target output levels. However, US crude oil production is climbing back above the key 9-million barrel per day level, which should keep pressure on prices throughout the energy complex. US crude oil stocks have remained above 500 million barrels and are likely to stay there with an eight weekly build in a row.



**PRODUCT MARKET FUNDAMENTALS:** Both RBOB and heating oil have remained on a bumpy ride this week, but they were able to grind out modest gains during Monday's session. However, like crude oil, the RBOB market has seen its charts erode overnight, and a possible downside extension can't be ruled out in the event that prices aren't supported in the wake of positive US scheduled data this morning. While we are several months away from the North American driving season, unseasonably warm temperatures may have helped improve demand enough already for gasoline stocks to decline in the latest EIA release, and that could disrupt an entrenched psychology of excessive oversupply. Distillates should also see a modest decline in their weekly EIA stocks figure, but this year's winter has turned out to much warmer than expected given that there was a La Nina weather event that should have resulted in a colder than normal temps for much of the US!

**NATURAL GAS:** Natural gas gapped lower yesterday. This followed a three day bounce last week, and that would seem to shift the short term bias back in favor of the bear camp. The market was down almost 4% on Monday and is now down 14% for the month of February. Natural gas is now the worst performer in the Bloomberg Commodity Index, down 28% for this year. With winter fading, temperatures are forecast to be average to above average for the entire country from March 4th through March 13th. As winter comes to an end, gas inventories will be at a surplus going into the low demand spring season. Managed money traders were still holding a

net long position of 75,815 contracts as of February 21st. Retracement rallies have been feeble, with the market searching for support and the only level on the charts sticking out being the contract low of \$2.310. Close-in resistance is at \$2.875 followed by \$2.947. Psychological support should unfold at \$2.500.

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

The combination of a huge net spec long position and the inability to sustain rallies lately should set the stage for crude oil prices to retest their early February lows. Compliance with the Oil Producers Agreement has resulted in



CLAJ7	54.04	52.22	51.61	65.90	68.31	54.02	53.92	53.83	54.05	54.04
CLAK7	54.41	51.86	51.09	62.66	66.29	54.36	54.26	54.24	54.60	54.57
HOAJ7	164.94	48.83	48.88	43.89	45.96	1.65	1.65	1.65	1.67	1.67
HOAK7	165.73	48.52	48.73	44.17	45.67	1.66	1.66	1.66	1.68	1.68
RBAJ7	174.34	45.61	45.95	37.76	36.21	1.74	1.75	1.76	1.79	1.78
RBAK7	176.71	46.03	46.51	39.25	37.93	1.76	1.77	1.78	1.80	1.80
NGAJ7	2.693	26.06	30.10	12.09	13.10	2.73	2.84	3.00	3.21	3.25
NGAK7	2.776	26.94	31.20	11.82	12.00	2.81	2.92	3.07	3.24	3.26

Calculations based on previous session. Data collected 02/27/2017

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	53.48	53.70	54.15	54.37	54.82
CLAK7	Crude Oil	53.85	54.08	54.50	54.73	55.15
HOAJ7	Heating Oil	162.62	163.54	165.41	166.33	168.20
HOAK7	Heating Oil	163.61	164.45	166.18	167.01	168.74
RBAJ7	RBOB Gas	171.65	172.91	174.51	175.77	177.37
RBAK7	RBOB Gas	174.33	175.40	176.95	178.02	179.57
NGAJ7	Natural Gas	2.629	2.662	2.691	2.724	2.753
NGAK7	Natural Gas	2.716	2.746	2.775	2.805	2.834

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