



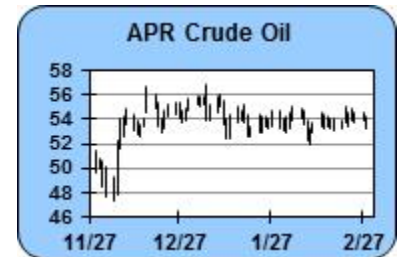
DAILY ENERGY COMPLEX COMMENTARY Wednesday March 01, 2017

DAILY ENERGY COMPLEX COMMENTARY 03/01/17

An initial upward bias might be difficult to sustain after EIA

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE +12, HEATING OIL +95, UNLEADED GAS -210**

CRUDE OIL MARKET FUNDAMENTALS: With a definitive downside breakout and reversal yesterday and an upward extension today above the 50 day moving average at 54.08 the April crude oil contract looks to start the session with a positive bias. While the market has had some concern this week toward compliance levels to the production cut agreement that potential negative is more than offset by favorable macroeconomic conditions. In fact with favorable Chinese manufacturing results overnight combined with favorable factory activity in Europe the demand side of the equation should contribute to a bullish bias. With Saudi Arabia managing to raise its crude price to Asia in April deliveries for the third straight such increase one could conclude that Asian demand is strong already. News that North Sea Brent crude production might reach a four-month low in April combined with Energy Information Agency suggestions that US oil output declined by 91,000 barrels per day in December leaves a bullish supply-side condition in place today. While a private survey showed a smaller than expected build yesterday, today's EIA crude oil stocks are expected to rise by more than 3 million barrels and remain well above the 500 million barrel level. Keep in mind that any increase would result in the 3 highest EIA crude oil stocks readings since the data point began in 1982 have all occurred in the last 3 readings!



PRODUCT MARKET FUNDAMENTALS: Although both product markets followed crude oil and made late comebacks yesterday, the product markets are in pretty poor shape chart wise as RBOB and heating oil prices reached their lowest level since November before ending Tuesday's session with moderate losses. While distillates and gasoline stocks are forecast to see minor declines in today's EIA stocks report, this should be more than offset by another build in crude oil stocks to a new record high level. In fact, the private survey yesterday did show a surprise build in gasoline stocks which put RBOB prices right back on the defensive overnight and that has left RBOB under a lingering liquidation watch. While the private survey had a much larger draw for distillates than expected, heating oil prices were unable to benefit due to the gasoline build.

NATURAL GAS: Natural gas prices bounced back from early losses to post a gain of 2.6% on the day yesterday and they have surprisingly forged a quasi-upside breakout to start today there would seem to be little change in the bearish fundamental setup. End-of-month short-covering and profit-taking was a noted feature yesterday as the market held the recent lows at \$2.641 but seeing the gains extend into the new month might suggest some bargain hunting buying by the funds. However, the National Weather Service 6-10 day and the 8-14 day forecasts still show above normal temperatures for the entire US from March 6th to March 14th. On the other hand Natural gas production fell 0.8% to 88.803 bcf per day in December from 89.48 bcf per day in November according to the EIA-914 report and that might temper the fear of excess supply slightly. However, US natural gas deliveries by pipeline into Mexico fell to 3.5 bcf per day in December from 3.9 bcf per day a month earlier from the EIA report. The early estimates for Thursday's inventory report have stockpiles falling 3 bcf last week compared to the five year average of a 132 bcf decline. April natural gas rebounded to fill a small gap left yesterday from \$2.721 to \$2.731 with the market trading to a high of \$2.788 on strong volume. With the forecast still leaning above normal for the first half of March, rallies will be limited for now. Resistance is at \$2.875 followed by \$2.947. Psychological support should unfold at \$2.7530.

TODAY'S MARKET IDEAS:

President Trump's speech and Chinese PMI numbers give a boost to global risk appetites and that helps to boost energy demand expectations but abundant US supply remains a major source of overhead resistance for prices. While an upward bias in prices might be present early this morning a lingering US supply problem is likely to be confirmed with a third record high US crude oil stocks reading in as many weeks from the EIA report. Add in a huge/record net spec long position into the equation, and crude oil prices will remain vulnerable to long liquidation selling over the rest of this week. Near-term support for April crude oil will be at \$53.23 with an initial downside target around \$52.42. Near-term resistance for April heating oil is at \$1.6655 while resistance for April RBOB is at \$1.7470.

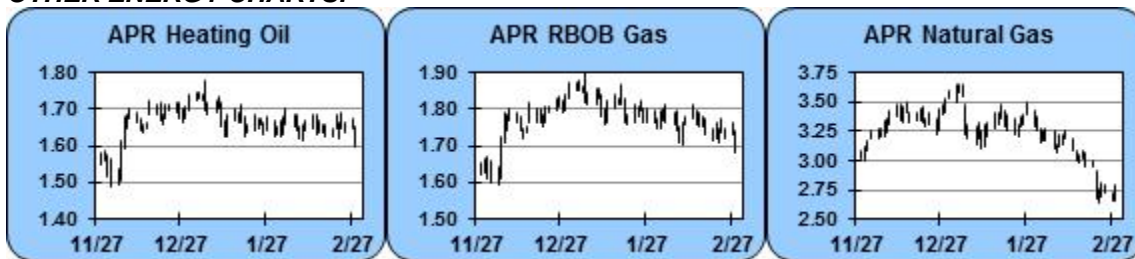
NEW RECOMMENDATIONS:

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) 03/01/2017: The major trend has turned down with the cross over back below the 60-day moving average. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The close below the 9-day moving average is a negative short-term indicator for trend. The market's close below the pivot swing number is a mildly negative setup. The next upside objective is 54.86. The next area of resistance is around 54.45 and 54.86, while 1st support hits today at 53.41 and below there at 52.77.

HEATING OIL (APR) 03/01/2017: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market's short-term trend is negative as the close remains below the 9-day moving average. The market's close below the pivot swing number is a mildly negative setup. The near-term upside target is at 168.78. The next area of resistance is around 166.61 and 168.78, while 1st support hits today at 161.07 and below there at 157.69.

RBOB GAS (APR) 03/01/2017: 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. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is 165.70. The next area of resistance is around 175.97 and 178.27, while 1st support hits today at 169.69 and below there at 165.70.

NATURAL GAS (APR) 03/01/2017: 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 close below the 9-day moving average is a negative short-term indicator for trend. The outside day up and close above the previous day's high is a positive signal. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next upside objective is 2.877. The next area of resistance is around 2.831 and 2.877, while 1st

support hits today at 2.697 and below there at 2.608.

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	53.93	50.73	50.78	66.41	67.37	54.11	53.94	53.80	54.05	54.07
CLAK7	54.35	51.01	50.62	63.98	66.53	54.46	54.29	54.21	54.60	54.60
HOAJ7	163.84	45.45	46.95	44.48	45.67	1.65	1.65	1.65	1.67	1.67
HOAK7	164.78	45.67	47.09	44.82	46.12	1.66	1.66	1.66	1.67	1.68
RBAJ7	172.83	40.34	42.87	37.14	36.25	1.74	1.74	1.75	1.79	1.78
RBAK7	175.37	42.19	44.30	39.10	38.79	1.76	1.76	1.77	1.80	1.80
NGAJ7	2.764	34.80	35.45	13.23	15.50	2.75	2.82	2.98	3.20	3.24
NGAK7	2.862	38.02	38.04	13.17	15.86	2.83	2.90	3.05	3.23	3.26

Calculations based on previous session. Data collected 02/28/2017

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	52.76	53.40	53.81	54.45	54.86
CLAK7	Crude Oil	53.24	53.85	54.23	54.84	55.22
HOAJ7	Heating Oil	157.68	161.06	163.23	166.61	168.78
HOAK7	Heating Oil	158.79	162.11	164.12	167.44	169.45
RBAJ7	RBOB Gas	165.69	169.68	171.98	175.97	178.27
RBAK7	RBOB Gas	168.64	172.44	174.49	178.29	180.34
NGAJ7	Natural Gas	2.607	2.696	2.742	2.831	2.877
NGAK7	Natural Gas	2.695	2.792	2.835	2.932	2.975

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