



DAILY ENERGY COMPLEX COMMENTARY

Thursday March 02, 2017

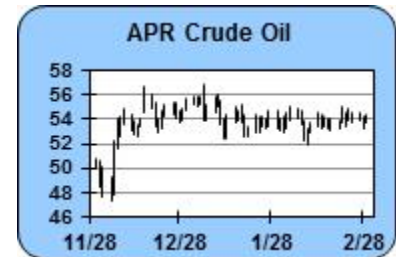
DAILY ENERGY COMPLEX COMMENTARY

03/02/17

The bears have an edge in crude and RBOB today

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE -43, HEATING OIL -154, UNLEADED GAS -249

CRUDE OIL MARKET FUNDAMENTALS: While crude oil prices started the session yesterday out on a positive track and appeared to be poised to run-up along with US equities, US scheduled inventory data served to knock prices back from those early highs in a move that rekindles the ever nagging threat of US supply. While US crude stocks did not build as much as was feared, they did build by another 1.5 million barrels and that keeps up the pressure of burgeoning US supplies. Furthermore, news that Exxon Mobil was looking for new shale projects outside of the Western Hemisphere and news that Russian production cuts for February failed to reach levels expected by the trade should create a fresh glimmer of supply concern again. An issue that diffuses some of the initial selling bias today is suggestions from OPEC that their compliance levels have reached 94% especially since that news was accompanied by suggestions from the Exxon CEO that world oil markets were more balanced. At least in the short-term, we think the market is vulnerable to a slide back toward the last four week's consolidation lows. Crude stocks at 520 million barrels is the highest ever for this week. EIA crude stocks rose 1.501 million barrels and are 33.4 million barrels above year ago levels. Also, crude stocks stand 139.7 million barrels above the five year average. Crude oil imports for the week stood at 7.589 million barrels per day compared to 7.286 million barrels the previous week.



PRODUCT MARKET FUNDAMENTALS: The gasoline market remains the weakest component of the energy complex on the charts and from a fundamental perspective. In fact, with a smaller than expected draw on US gasoline stocks and rather anemic demand (demand was off by 6.2% versus a year ago) the lowest trade since last November appears to be fully justified. Just to add to the negative supply-side scenario is news that US weekly gasoline output increased by 27,000 barrels per day. Apparently a dramatic improvement in macroeconomic psychology off the State of the Union address and a historically upbeat market reaction has not cushioned product prices. Adding into the weakness in gasoline is fears of adverse conditions for petroleum products off potential US Bio-fuel regulation changes. The refinery operating rate was 86.00% up, 1.70% from last week compared to 88.30% last year and the five year average of 85.68%. EIA gasoline stocks fell 546,000 barrels and are 900 thousand barrels above last year and 19.598 million above the five year average. Average total gasoline demand for the past four weeks was down 6.20% compared to last year. Gasoline imports came in at 457,000 barrels per day compared to 367,000 barrels the previous week. Distillate stocks at 164.208 million barrels are at a record high for this week. Previous record was in 2016. EIA distillate stocks fell 925,000 barrels and stand at 611 thousand barrels above last year and 32.028 million above the five year average. Distillate imports came in at 210,000 barrels per day compared to 129,000 barrels the previous week. Average total distillate demand for the past four weeks was up 15.72% compared to last year. EIA heating oil stocks rose 185,000 barrels and are 2.378 million barrels below last year and 5.058 million below the five year average.

NATURAL GAS: April natural gas was up for the second day in a row on Wednesday and it is showing some positive early technical action today. Some bargain hunting buying at "very" oversold levels from end users was noted but the trade is also being helped by slightly cooler weather and snow in the Midwest. The presence of snow merely tempers the idea that the North American winter is over. Some private forecasts are showing colder temperatures for the extreme Northeast US over the next few days, but the overall trend through mid-March still

has above normal temperatures throughout the US except in the Northwest region. With the forecasts as such going out into mid-March, the market will most likely stay in a sideways to lower trend. The EIA report today should show stockpiles fell 3 bcf last week versus the five year average drop of 132 bcf. A decline near 3 bcf would be the smallest seasonally on record. Resistance is at retracement levels of \$2.875 followed by \$2.947. An extreme bounce could see the 61.8% retracement level of 3.019 come into play.

TODAY'S MARKET IDEAS:

We think energy prices are vulnerable in the short-term. We also think that gasoline is likely to drag the rest of the complex lower. Initial downside targeting in April crude oil is seen at \$53.12 and possibly down at \$52.95 especially if the dollar continues to rise and economic optimism tempers slightly. As indicated already, the gasoline market appears to be poised for a noted downside extension and a possible retest of the \$1.6285 level.

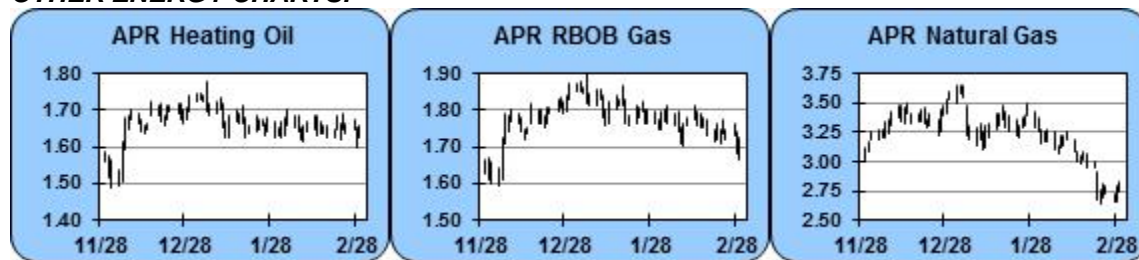
NEW RECOMMENDATIONS:

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) 03/02/2017: The market back below the 40-day moving average suggests the longer-term trend could be turning down. A crossover down in the daily stochastics is a bearish signal. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The market could take on a defensive posture with the daily closing price reversal down. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is 53.09. The next area of resistance is around 54.06 and 54.64, while 1st support hits today at 53.29 and below there at 53.09.

HEATING OIL (APR) 03/02/2017: A crossover down in the daily stochastics is a bearish signal. Stochastics trending lower at midrange will tend to reinforce a move lower especially 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 downside closing price reversal on the daily chart is somewhat negative. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is 159.49. The next area of resistance is around 164.25 and 166.97, while 1st support hits today at 160.51 and below there at 159.49.

RBOB GAS (APR) 03/02/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The close below the 9-day moving average is a negative short-term indicator for trend. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside objective is now at 162.06. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 169.56 and 174.07, while 1st support hits today at 163.56 and below there at 162.06.

NATURAL GAS (APR) 03/02/2017: The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. A positive signal for trend short-term was given on a close over the 9-bar moving average. The close over the pivot swing is a somewhat positive setup. The near-term upside objective is at 2.873.

The next area of resistance is around 2.833 and 2.873, while 1st support hits today at 2.749 and below there at 2.704.

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	53.68	47.23	48.83	64.47	60.02	53.93	53.96	53.78	54.03	54.08
CLAK7	54.14	47.89	48.93	62.94	60.28	54.33	54.31	54.18	54.57	54.61
HOAJ7	162.38	39.56	43.41	42.74	39.26	1.64	1.65	1.65	1.67	1.67
HOAK7	163.43	40.14	43.80	43.35	40.43	1.65	1.65	1.66	1.67	1.68
RBAJ7	166.56	26.24	33.05	32.32	22.47	1.72	1.73	1.75	1.78	1.78
RBAK7	169.64	29.18	35.63	35.19	27.38	1.75	1.76	1.77	1.80	1.80
NGAJ7	2.791	37.82	37.36	15.26	18.94	2.76	2.79	2.95	3.18	3.23
NGAK7	2.900	41.32	40.16	15.49	20.14	2.85	2.87	3.03	3.22	3.25

Calculations based on previous session. Data collected 03/01/2017

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	53.08	53.28	53.86	54.06	54.64
CLAK7	Crude Oil	53.57	53.77	54.31	54.51	55.05
HOAJ7	Heating Oil	159.49	160.51	163.23	164.25	166.97
HOAK7	Heating Oil	160.74	161.67	164.25	165.18	167.76
RBAJ7	RBOB Gas	162.05	163.55	168.06	169.56	174.07
RBAK7	RBOB Gas	165.45	166.85	171.03	172.43	176.61
NGAJ7	Natural Gas	2.703	2.748	2.788	2.833	2.873
NGAK7	Natural Gas	2.799	2.852	2.894	2.947	2.989

Calculations based on previous session. Data collected 03/01/2017

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