



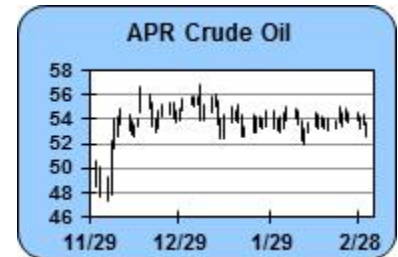
DAILY ENERGY COMPLEX COMMENTARY Friday March 03, 2017

DAILY ENERGY COMPLEX COMMENTARY 03/03/17

The path of least resistance in Petroleum is down up in N-Gas

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE +10, HEATING OIL -13, UNLEADED GAS +128**

CRUDE OIL MARKET FUNDAMENTALS: In addition to fresh and noted damage on the charts in both crude oil and unleaded yesterday, the market continues to play up the news that Russia is failing to achieve promised production cuts as quickly as other producers. It goes without saying that burgeoning crude oil and gasoline stocks have also given the bear camp cover for pressing the short side of the market this week, but the added pressure of a slight tempering of economic optimism to end the week is giving sellers added confidence. With the Saudi's cutting prices into Asia this morning and the stock market correcting and escalating fears of a rate hike expected from the Fed later today, it wouldn't be surprising to see April crude oil fall all the way to the bottom of the last 3 month's consolidation lows. While Chinese officials this week reported strong crude oil imports for the month of January and confirmed a strong double digit crude oil import tally for all of 2016, that news was at least partially offset by reports that Brazilian oil exports in February were the "highest" monthly total ever. Short-term technicals in the crude oil market are oversold but not excessively so and with the last commitments of traders report registering a net spec and fund long above 600,000 contracts (a record) we are not ready yet to predict a bottom. Therefore, we see a possible downside targeting in April crude oil of \$52.22 and possibly \$51.86 today.



PRODUCT MARKET FUNDAMENTALS: As we have been suggesting all week, the gasoline market remains the most vulnerable component of the energy complex. With massive damage on the charts over the last three trading sessions mostly the result of choking US inventories, a further decline to \$1.60 in the April contract might be in order. Cushioning the gasoline market is news from the prior trading session that Amsterdam Rotterdam and Antwerp (ARA) gas oil stocks fell in their latest weekly reading. However, modest declines in European inventories are unlikely to countervail the mountain of supply in the US. Another issue that has been discounted by the product markets this week is talk of tighter Asian product supplies and strong Chinese crude oil imports in the most recent monthly reports. While short-term technical indicators are becoming oversold, they are not yet at levels that point to a decisive low today. In fact, with the last commitments of traders report showing the net spec and fund long in gasoline to be 68,000 contracts, we can't rule out another three or four cents on the downside especially if the dollar remains strong and there is a risk off attitude in equity markets today.

NATURAL GAS: The weekly natural gas storage report showed an injection of 7 bcf versus trade estimates looking for a draw of 3 bcf. Total storage stands at 2,363 bcf or 14.3% above the 5 year average. Over the last four weeks, natural gas storage has declined 348 bcf. The stockpile gain was the first addition for this time of year ever, and in sharp contrast to the five year average of 132 bcf withdrawal. Gas focused producers including Range Resources and Southwestern Energy have been among the S&P 500 Index's biggest losers since the start of 2017. April natural gas traded to a 7 session high of \$2.835 but still well below the Presidents Day weekend gap of \$2.913 to \$2.946. The longer the gap remains open, the more vulnerable the market becomes to an extension down below the low at \$2.641. Forecasts out through March 15th continue to show above normal temperatures everywhere except the Northwest US. Resistance remains at retracement levels of \$2.875 followed by \$2.947. A potential major story line in favor of the bull camp might be seen from a Reuters report that China is

facing a daunting task to import/obtain massive natural gas supplies in its effort to replace coal with cleaner burning fuel. Support is at the old low of \$2.641 and below that the contract low at \$2.310 comes into play.

EIA Natural Gas Storage Report Summary

In Billion Cubic Feet

Week Of	Week Change	Total Storage	Change From Last Year	4 Week Combined Weekly Change	Percent Change vs 5 Year Average	Percent Change vs 10 Year Average
2/24/2017	7	2363	-187	-348	14.3%	20.9%

TODAY'S MARKET IDEAS:

As suggested already, the April crude contract still has some ground to give before solid consolidation low support is encountered. In the event of a risk off finish to the week, we wouldn't rule out a retest of the early February low down at \$51.86. Both stochastics and RSI are registering oversold conditions but are not excessively overdone. As also suggested in the product market coverage, the April gasoline contract looks destined to retest and temporarily fall below the \$1.60 level.

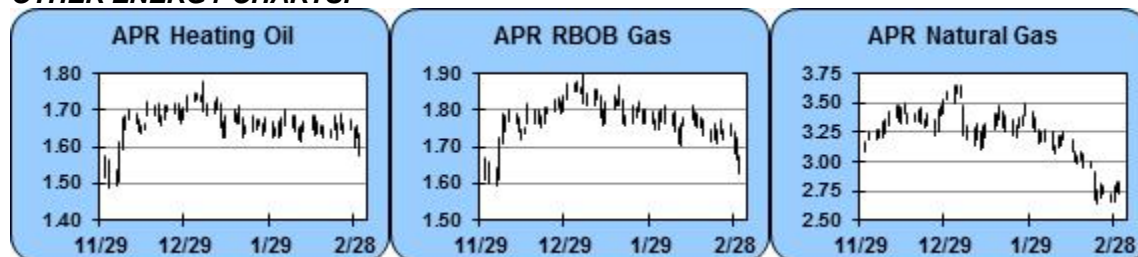
NEW RECOMMENDATIONS:

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) 03/03/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next downside objective is now at 51.68. The next area of resistance is around 53.23 and 54.13, while 1st support hits today at 52.01 and below there at 51.68.

HEATING OIL (APR) 03/03/2017: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The close below the 9-day moving average is a negative short-term indicator for trend. The close below the 2nd swing support number puts the market on the defensive. The next downside target is now at 153.69. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 160.77 and 164.88, while 1st support hits today at 155.17 and below there at 153.69.

RBOB GAS (APR) 03/03/2017: 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 market setup is somewhat negative with the close under the 1st swing support. The next downside target is 160.17. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is

around 166.95 and 169.45, while 1st support hits today at 162.32 and below there at 160.17.

NATURAL GAS (APR) 03/03/2017: The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The close above the 9-day moving average is a positive short-term indicator for trend. The daily closing price reversal up is a positive indicator that could support higher prices. The market has a slightly positive tilt with the close over the swing pivot. The next upside objective is 2.901. The next area of resistance is around 2.863 and 2.901, while 1st support hits today at 2.759 and below there at 2.692.

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	52.62	35.70	41.65	57.90	43.57	53.63	53.85	53.68	53.99	54.05
CLAK7	53.06	35.64	41.39	56.86	43.50	54.05	54.21	54.08	54.53	54.59
HOAJ7	157.97	28.25	35.51	36.67	24.45	1.62	1.64	1.64	1.66	1.67
HOAK7	159.11	28.55	35.76	37.24	25.00	1.63	1.65	1.65	1.67	1.68
RBAJ7	164.64	23.25	30.63	28.81	19.51	1.70	1.72	1.74	1.78	1.78
RBAK7	167.54	23.28	30.89	30.06	19.66	1.73	1.74	1.76	1.80	1.80
NGAJ7	2.811	40.12	38.80	17.94	23.02	2.77	2.77	2.94	3.17	3.22
NGAK7	2.917	42.81	41.12	18.75	24.92	2.87	2.86	3.01	3.20	3.24

Calculations based on previous session. Data collected 03/02/2017

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	51.67	52.00	52.90	53.23	54.13
CLAK7	Crude Oil	52.12	52.44	53.35	53.67	54.58
HOAJ7	Heating Oil	153.68	155.17	159.28	160.77	164.88
HOAK7	Heating Oil	155.46	156.72	160.24	161.50	165.02
RBAJ7	RBOB Gas	160.16	162.31	164.81	166.95	169.45
RBAK7	RBOB Gas	163.33	165.32	167.76	169.75	172.19
NGAJ7	Natural Gas	2.691	2.758	2.796	2.863	2.901
NGAK7	Natural Gas	2.800	2.866	2.902	2.968	3.004

Calculations based on previous session. Data collected 03/02/2017

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