



DAILY ENERGY COMPLEX COMMENTARY

Monday March 06, 2017

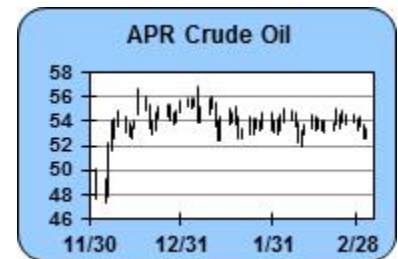
DAILY ENERGY COMPLEX COMMENTARY

03/06/17

The general bias in the energy complex is down to start today

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE -37, HEATING OIL -101, UNLEADED GAS -99

CRUDE OIL MARKET FUNDAMENTALS: Crude oil prices probably benefited last Friday from week ending short covering in the wake of a short term oversold condition on the charts. It is also possible that respect for 3 month consolidation support prompted some shorts to bank profits. The market might have seen some minor support at the end of last week from a supply disruption to the Kirkuk pipeline (from rising tensions across the Turkish border) but strength in the Dollar, tensions off a North Korean missile launch and political wrangling in Washington have fostered some fresh bearish interest. Apparently the market isn't concerned with weekend news from Libya that Armed Forces moved into key port area which in turn could disrupt export flow this week. Unfortunately for the bull camp, the Commitments of Traders Futures and Options report as of February 28th for Crude Oil continues to show a significant net long positioning with Non-Commercial and Non-reportable combined traders holding a net long position of 585,713 contracts. Given consistent outside market impacts over the last two weeks, traders need to continue to look over their shoulder at action in the dollar, action in equities and mumblings of the Fed. In fact, with the US weekly oil and gas rig count rising for the seventh straight week in a row Friday (with seven additional rigs operating) into the beginning of March and that tally the highest since October 2015 the trade will be focused intently on the Houston Oil meeting.



PRODUCT MARKET FUNDAMENTALS: The most positive force for the gasoline market entering this week is the short-term and intermediate oversold technical condition. In fact, from the February high nearby gasoline prices have declined \$0.19 or 10%. However, we suspect that a large portion of last week's pressure in gasoline was the result of spillover selling from the crude oil market and that pressure might not lessen today. While some further short covering action might take place it could be very difficult to see a return back above the \$1.70 level without aggressive outside market lift from crude oil and or a definitive risk on vibe in equities. The Commitments of Traders Futures and Options report as of February 28th for Gasoline (RBOB) showed Non-Commercial and Non-reportable combined traders held a net long position of 61,736 contracts. We suspect that gasoline positioning from the commitments of traders report is overstated due to the high to low slide at the end of last week of 9 cents. The Commitments of Traders Futures and Options report as of February 28th for Heating Oil showed Non-Commercial and Non-reportable combined traders held a net long position of 54,222 contracts. This represents a decrease of 3,401 contracts in the net long position held by these traders.

NATURAL GAS: The market continues to garner minimal support from an outage in Norway, but that news is offset by another increase in US rig operating counts at the end of last week. As a testament to the extreme oversold condition of natural gas into the February lows, it has now managed a sustained and somewhat significant recovery over the last two weeks and it has managed that action in the face of definitively bearish US weather. While Chinese news of a national effort to boost natural gas electricity generation (at the expense of coal) is a longer-term demand force, it does provide the market with badly needed psychological confidence for bargain hunting buyers. The Commitments of Traders Futures and Options report as of February 28th for Natural Gas showed Non-Commercial and Non-reportable combined traders held a net short position of 21,949 contracts and perhaps that is providing buying this morning. With the market able to take out last week's high of \$2.84 in the early going today that not only puts the bear camp off balance but it also prompts some additional speculative

buying. The possible long-term structural change in energy feedstocks within China begins the process of a major bottom.

TODAY'S MARKET IDEAS:

We think the odds are good that last week's lows in crude oil have become some form of value zone. Technical traders will point to the fact that April crude oil broke a pattern of lower lows and managed Friday to trade inside the big washout day last Thursday. Unfortunately, April crude oil has significant overhead consolidation low resistance and outside market forces from the financial area also look to be limiting. However, initial support in April crude oil to start should be seen at \$52.84 with another key point seen down at \$52.50. To put the bear camp back on its heels and shift the short-term bias to the upside might require an early trade back above \$53.35.

NEW RECOMMENDATIONS:

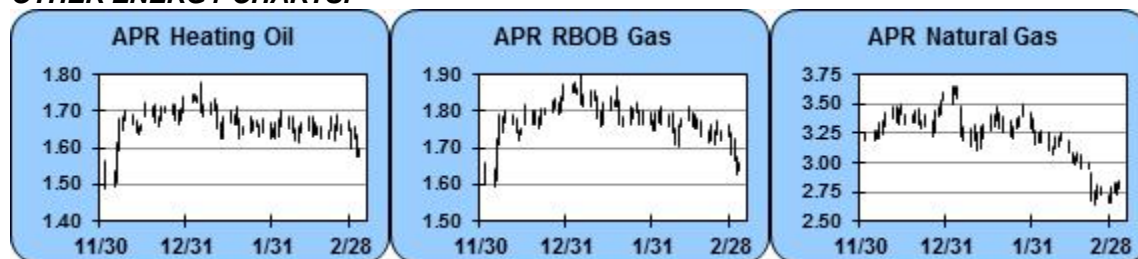
None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 2/21/2017 - 2/28/2017						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Energies						
Crude Oil	563,593	-22,636	-585,712	+15,304	22,120	+7,333
Heating Oil	37,754	+63	-54,221	+3,402	16,468	-3,464
Natural Gas	-56,105	-4,753	21,949	+8,762	34,156	-4,009
Gas (RBOB)	56,254	-2,684	-61,736	+6,569	5,482	-3,885

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) 03/06/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close below the 9-day moving average is a negative short-term indicator for trend. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside target is now at 52.26. The next area of resistance is around 53.63 and 53.93, while 1st support hits today at 52.80 and below there at 52.26.

HEATING OIL (APR) 03/06/2017: Daily stochastics are trending lower but have declined into oversold territory. The close below the 9-day moving average is a negative short-term indicator for trend. The upside closing price reversal on the daily chart is somewhat bullish. The market tilt is slightly negative with the close under the pivot. The next downside objective is 156.60. The next area of resistance is around 160.27 and 161.08, while 1st support hits today at 158.03 and below there at 156.60.

RBOB GAS (APR) 03/06/2017: Daily stochastics are trending lower but have declined into oversold territory. The close below the 9-day moving average is a negative short-term indicator for trend. The close over the pivot swing is a somewhat positive setup. The next downside objective is now at 162.93. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 165.97 and 166.94, while 1st

support hits today at 163.97 and below there at 162.93.

NATURAL GAS (APR) 03/06/2017: Daily momentum studies are on the rise from low levels and should accelerate a move higher on a push through the 1st swing resistance. A positive signal for trend short-term was given on a close over the 9-bar moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside target is 2.881. The next area of resistance is around 2.857 and 2.881, while 1st support hits today at 2.793 and below there at 2.752.

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	53.22	44.27	46.42	51.45	38.49	53.42	53.79	53.66	53.94	54.03
CLAK7	53.67	45.85	47.17	51.53	40.62	53.89	54.18	54.06	54.48	54.57
HOAJ7	159.15	34.08	38.79	31.31	20.73	1.61	1.63	1.64	1.66	1.67
HOAK7	160.28	34.31	39.01	31.88	21.19	1.62	1.64	1.65	1.67	1.67
RBAJ7	164.97	25.77	31.97	24.69	16.92	1.68	1.71	1.73	1.77	1.78
RBAK7	167.99	28.14	33.71	26.18	18.40	1.70	1.74	1.76	1.79	1.79
NGAJ7	2.825	41.98	39.92	21.12	27.73	2.80	2.76	2.92	3.15	3.21
NGAK7	2.935	45.32	42.68	22.81	30.93	2.91	2.85	3.00	3.19	3.24

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

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	52.25	52.80	53.09	53.63	53.93
CLAK7	Crude Oil	52.70	53.25	53.54	54.09	54.38
HOAJ7	Heating Oil	156.60	158.03	158.84	160.27	161.08
HOAK7	Heating Oil	157.85	159.21	159.99	161.35	162.13
RBAJ7	RBOB Gas	162.92	163.96	164.93	165.97	166.94
RBAK7	RBOB Gas	165.93	167.01	167.89	168.97	169.85
NGAJ7	Natural Gas	2.751	2.792	2.816	2.857	2.881
NGAK7	Natural Gas	2.854	2.900	2.924	2.970	2.994

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

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