



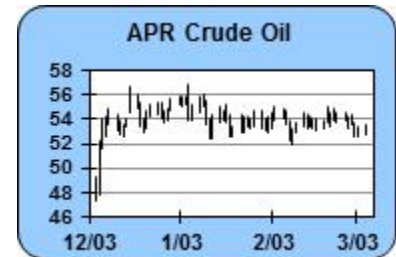
DAILY ENERGY COMPLEX COMMENTARY Tuesday March 07, 2017

DAILY ENERGY COMPLEX COMMENTARY 03/07/17

Crude has a positive tilt while N-Gas is vulnerable again

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE +15, HEATING OIL +90, UNLEADED GAS +195**

CRUDE OIL MARKET FUNDAMENTALS: In retrospect, it seems as if April crude oil has found some value around a quasi-double bottom low of \$52.55 especially with the market this morning favoring the upper portion of the prior range again in the early action. The market might see some support from the International Energy Agency concerns yesterday that the world might see shortages two years out if major oil players don't move to expand capital expenditures after the debacle of the last four years. Another shorter-term bullish impact on prices is suggestions from the Russian Oil Minister that they would reach their 300,000 barrel per day output cut promise by the end of next month. However, while the Russian Oil Minister also suggested that they might extend the deal to cut output beyond the month of June, he and others (Iraq) have also indicated that it was premature for the parties to extend that agreement at present. Therefore, the anticipated supply cuts are not fully in place yet and there isn't a definitive promise of extending those cuts yet. On the other hand, the Libyan Army has indicated that they are preparing to take back the commandeered port with force and that should make last week's double low even more solid. In the end, news that a pipeline was seized by Kurdish forces combined with the violence at Libyan ports does put some fresh supply anxiety back in place, but some of that potentially bullish influence might be offset by adverse Dollar action, a current pattern of risk-off in US equities and lastly fear of action at next week's US FOMC meeting.



PRODUCT MARKET FUNDAMENTALS: It would appear as if the gasoline market has also found some semblance of a value zone on the charts around \$1.6682 basis the May gasoline. It does seem as if the product markets are getting some support from chatter that there could be an extension of the output cuts but one also has to think that the sharp upward extension in RBOB prices this morning has some shorts on the run. Limiting the recovery capacity in gasoline is news that Exxon Mobil plans to spend 20 billion to add Gulf Coast refinery capacity, as that could be seen as a development that tempers supply chain problems. Other problems for the bull camp in gasoline today are significant overhead resistance from the underside of the December through February trading range and uncertainty toward the Administrations biofuels stance. From a technical perspective, volume did pick up on the recent low and a close back above \$1.70 today could prompt some measure of short covering considering the February to present slide was 17 cents!

NATURAL GAS: April natural gas gapped higher to start the week and in the process filled a gap that was left open from the February 21st break and for some that signals the end of the corrective bounce. The market also made a high at \$2.952 but settled below that level in another sign of a potential top. Forecasts for a late season cold front could boost demand in the Upper Midwest, Northeast and Northwest from March 9th to 19th but that situation was probably factored over the prior 2 trading sessions. In fact unless cold temperatures extend into April, inventories will probably end the peak demand season with a surplus after warmer than normal temperatures this winter. Longer term China's government pledged to dramatically slow the coal-power binge that is threatening their environment by shutting down dozens of coal power plants and halting some new construction of plants. The premier said China would eliminate more than 50 gigawatts of coal power capacity, equal to the entire capacity of South Africa, through new measures and that shift should be a big boost for natural gas demand ahead. The market has seen five consecutive higher highs, although Monday's close was on the low end of the

range. The next level of support remains at \$2.788.

TODAY'S MARKET IDEAS:

While we see some value at \$52.50 in crude oil, the upside track should be limited by the underside of the last two months consolidation around the \$53.97 level in the April crude oil contract. From a technical perspective, April crude oil has already taken out a downtrend channel resistance line at \$53.94 today and that shifts the short term technical picture minimally in favor of the bull camp. However, without some significant boost from the supply side of the market we think the demand influence today is slightly negative.

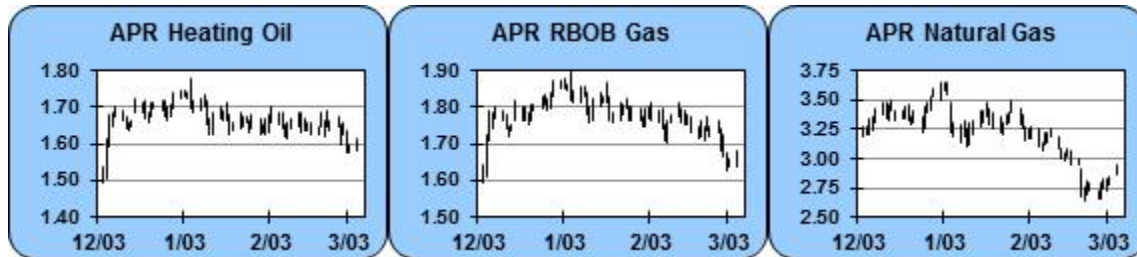
NEW RECOMMENDATIONS:

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) 03/07/2017: The moving average crossover down (9 below 18) indicates a possible developing short-term downtrend. Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market's short-term trend is negative as the close remains below the 9-day moving average. The close over the pivot swing is a somewhat positive setup. The next downside objective is 52.38. The next area of resistance is around 53.60 and 53.98, while 1st support hits today at 52.80 and below there at 52.38.

HEATING OIL (APR) 03/07/2017: Momentum studies are declining, but have fallen to oversold levels. A negative signal for trend short-term was given on a close under the 9-bar moving average. Market positioning is positive with the close over the 1st swing resistance. The next downside objective is now at 156.71. The next area of resistance is around 162.35 and 163.60, while 1st support hits today at 158.91 and below there at 156.71.

RBOB GAS (APR) 03/07/2017: Daily stochastics are trending lower but have declined into oversold territory. The market's short-term trend is negative as the close remains below the 9-day moving average. The outside day up is somewhat positive. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The next downside objective is 162.42. The next area of resistance is around 170.26 and 171.45, while 1st support hits today at 165.74 and below there at 162.42.

NATURAL GAS (APR) 03/07/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The close above the 9-day moving average is a positive short-term indicator for trend. The gap up move on the day session chart is a bullish indicator for trend. With the close over the 1st swing resistance number, the market is in a moderately positive position. The near-term upside target is at 2.983. The next area of resistance is around 2.920 and 2.983, while 1st support hits today at 2.826 and below there at 2.794.

DAILY TECHNICAL STATISTICS

CLOSE 9 DAY 14 DAY 14 DAY 4 DAY 9 DAY 18 DAY 45 DAY 60 DAY

		RSI	RSI	SLOW STOCH D	SLOW STOCH K	M AVG	M AVG	M AVG	M AVG	M AVG
ENERGY COMPLEX										
CLAJ7	53.20	44.20	46.34	46.47	35.59	53.24	53.67	53.69	53.89	54.03
CLAK7	53.69	45.06	46.68	46.82	37.39	53.71	54.08	54.08	54.42	54.56
HOAJ7	160.63	40.56	42.59	28.93	23.71	1.60	1.63	1.64	1.66	1.66
HOAK7	161.64	39.77	42.19	29.25	23.45	1.61	1.64	1.65	1.67	1.67
RBAJ7	168.00	38.07	39.40	24.30	23.02	1.66	1.70	1.73	1.77	1.78
RBAK7	170.59	35.50	38.09	24.72	21.81	1.69	1.73	1.75	1.79	1.79
NGAJ7	2.873	47.89	43.56	25.73	34.86	2.83	2.78	2.90	3.13	3.20
NGAK7	2.953	50.94	46.24	28.29	39.06	2.94	2.87	2.99	3.18	3.23

Calculations based on previous session. Data collected 03/06/2017

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	52.38	52.80	53.18	53.60	53.98
CLAK7	Crude Oil	52.83	53.28	53.65	54.10	54.47
HOAJ7	Heating Oil	156.70	158.90	160.15	162.35	163.60
HOAK7	Heating Oil	157.98	160.02	161.21	163.25	164.44
RBAJ7	RBOB Gas	162.41	165.74	166.93	170.26	171.45
RBAK7	RBOB Gas	165.62	168.58	169.63	172.59	173.64
NGAJ7	Natural Gas	2.793	2.825	2.888	2.920	2.983
NGAK7	Natural Gas	2.870	2.901	2.973	3.004	3.076

Calculations based on previous session. Data collected 03/06/2017

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