



DAILY ENERGY COMPLEX COMMENTARY

Thursday March 09, 2017

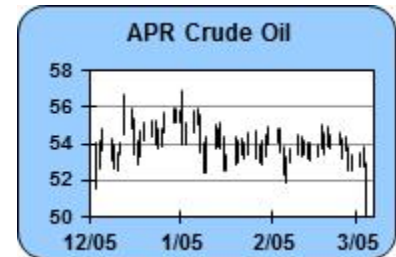
DAILY ENERGY COMPLEX COMMENTARY

03/09/17

The market is oversold but fundamentals remain bearish

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE -98, HEATING OIL -236, UNLEADED GAS -314

CRUDE OIL MARKET FUNDAMENTALS: In addition to a significant downside extension and the lowest price since early December, the crude oil market continues to see the impact off bearish weekly inventory data in each of the prior two sessions. Adding into the negative tilt this morning is news that Iraqi exports in January were 3.32 million barrels and report that February Iraqi crude oil exports reached 3.269. However, with the markets also seeing evidence that the UAE has informed customers of reduced flow in March and April, because of the production cut scheme, there is a minimal cushion for prices. On the other hand with US crude oil inventories rising for 9 weeks in a row, the dollar rallying and the trade apparently weary of supporting prices further off the production cut theme, the fundamental tidal shift in crude oil was not surprising this week. While weekly gasoline inventory data showed a surprise decline yesterday and also showed a decent implied gasoline demand figure that provided support to gasoline prices, but that news was not able to provide support to crude oil. We also think that further gains in the Dollar and less economic optimism in the US because of political issues contributed to this week's slide in oil. However, a much stronger than expected private employment reading from ADP should have provided some cushion to energy demand expectations. It is also possible that the oil industry conference in Houston floated too much optimism for increased capital expenditures for exploration ahead, and it is also possible that traders have started to embrace the idea that the pattern of rising rig operating counts will continue. In short, the bull camp in energies needs a fresh supply-side threat or much more prevalent upbeat demand stories to alter the short term trend. Crude stocks at 528.3 million barrels is the highest ever for this week. EIA crude stocks rose 8.2 million barrels and are 37.55 million barrels above year ago levels. Also, crude stocks stand 144.007 million barrels above the five year average. Crude oil imports for the week stood at 8.15 million barrels per day compared to 7.5 million barrels the previous week. The refinery operating rate was 85.90%, down 0.10% from last week compared to 89.10% last year and the five year average of 85.32%.



PRODUCT MARKET FUNDAMENTALS: While weekly gasoline inventory data showed a surprise decline and decent implied gasoline demand figures and that news provided support to gasoline prices, that news was not able to keep gasoline prices from extending their slide. However, with the slide in weekly gasoline stocks the biggest weekly decline since 2010 and the weekly implied gasoline demand reading reaching back above 9.00 mbd to 9.2 mbd, the dismal demand argument of the last 2 months was tempered and that might help the products find a bottom after some modest additional downside. Another issue that might provide support to products going forward is a modest decline in diesel and heating oil stocks yesterday. EIA gasoline stocks fell 6.5 million barrels and are 1.129 million barrels below last year and 16.028 million above the five year average. Average total gasoline demand for the past four weeks was down 6.07% compared to last year. Gasoline imports came in at 242,000 barrels per day compared to 457,000 barrels the previous week. EIA distillate stocks fell 2.676 million barrels and stand at 946,000 barrels below last year and 30.097 million above the five year average. Distillate imports came in at 266,000 barrels per day compared to 210,000 barrels the previous week. Average total distillate demand for the past four weeks was up 12.57% compared to last year. EIA heating oil stocks fell 1.012 million barrels and are 3.780 million barrels below last year and 5.741 million below the five year average.

Weekly EIA Petroleum Report						In Million Barrels	
CRUDE OIL	Stocks				Imports	Refinery Capacity(%)	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
3/3/2017	528.393	8.209	37.55	384.386	8.15	85.9	89.1
DISTILLATES	Stocks				Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
3/3/2017	161.532	-2.676	-0.946	131.435	0.266	4.091	3.706
GASOLINE	Stocks				Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
3/3/2017	249.334	-6.555	-1.129	233.306	0.242	9.268	9.411

NATURAL GAS: April natural gas was able to hold on to gains of 2.5% in light of unraveling crude oil prices that ended down over 5.0% on Wednesday. A late blast of cold weather in the northern Great Plains and Northeast US through March 15th firmed prices and could boost demand before the end of winter. The extended 8 to 14 forecast from March 15th to 21st has above normal temperatures over the entire US except the far Northwest regions. Estimates for today's inventory report could show stockpiles fell 64 bcf last week compared to the five year average decline of 136 bcf for the period. April natural gas again tested the 50% Fibonacci level of \$2.947 yesterday. This retracement is drawn from the February 9th interim high of \$3.352 and the February 22nd low of \$2.641. The 61.8% retracement for this study is at \$3.019 and continues to be a target for the April contract. One factor to note is that the recent bounce has momentum studies no longer oversold and in neutral territory. Close-in support is at \$2.796 to \$2.760.

TODAY'S MARKET IDEAS:

It goes without saying that the May crude oil contract severely damaged its charts in the prior trading session and there might not be much in the way of credible close in support until the \$48.00 level. One might've expected strong private payroll data to have provided some underpin to physical commodities, but the breakdown in crude prices seems to be off the US supply situation and not demand. Clearly gasoline prices held up much better than crude oil mostly because gasoline stocks posted a surprise weekly decline that was the largest in years. While further losses in crude oil might drag gasoline down, we see solid support at \$1.5900.

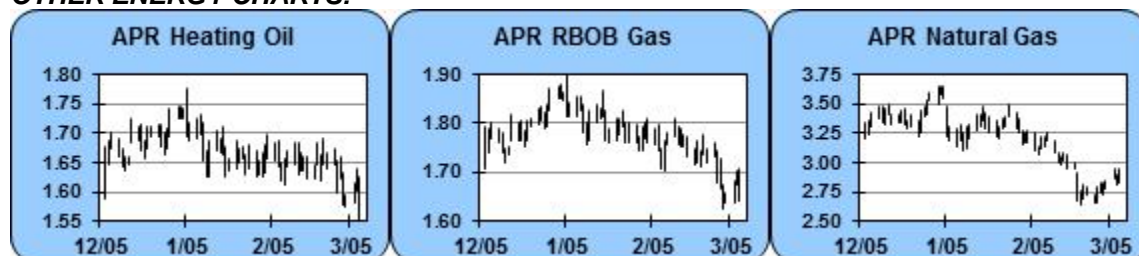
NEW RECOMMENDATIONS:

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) 03/09/2017: Momentum studies are declining, but have fallen to oversold levels. The market's

short-term trend is negative as the close remains below the 9-day moving average. The market is in a bearish position with the close below the 2nd swing support number. The next downside objective is now at 48.03. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 51.73 and 53.76, while 1st support hits today at 48.87 and below there at 48.03.

HEATING OIL (APR) 03/09/2017: Momentum studies are declining, but have fallen to oversold levels. The market's short-term trend is negative as the close remains below the 9-day moving average. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside objective is now at 149.88. The next area of resistance is around 159.62 and 164.77, while 1st support hits today at 152.18 and below there at 149.88.

RBOB GAS (APR) 03/09/2017: The daily stochastics gave a bearish indicator with a crossover down. 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. The outside day down and close below the previous day's low is a negative signal. The market is in a bearish position with the close below the 2nd swing support number. The next downside target is now at 159.87. The next area of resistance is around 168.11 and 172.60, while 1st support hits today at 161.75 and below there at 159.87.

NATURAL GAS (APR) 03/09/2017: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next upside objective is 3.018. The next area of resistance is around 2.971 and 3.018, while 1st support hits today at 2.856 and below there at 2.787.

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	50.30	23.78	31.43	33.93	18.60	52.49	53.16	53.52	53.72	53.98
CLAK7	50.86	23.82	31.36	34.91	19.50	52.99	53.61	53.93	54.25	54.51
HOAJ7	155.90	30.41	35.33	25.11	18.98	1.59	1.61	1.63	1.65	1.66
HOAK7	156.75	29.71	34.89	25.29	18.79	1.60	1.62	1.64	1.66	1.67
RBAJ7	164.93	31.59	34.99	23.81	22.48	1.66	1.69	1.72	1.76	1.77
RBAK7	166.83	29.99	34.08	23.59	20.26	1.69	1.71	1.74	1.78	1.79
NGAJ7	2.914	52.54	47.41	35.48	46.04	2.87	2.81	2.87	3.10	3.19
NGAK7	2.994	51.12	46.90	37.02	46.49	2.96	2.91	2.95	3.15	3.22

Calculations based on previous session. Data collected 03/08/2017

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	48.02	48.86	50.89	51.73	53.76
CLAK7	Crude Oil	48.62	49.45	51.44	52.27	54.26
HOAJ7	Heating Oil	149.87	152.17	157.32	159.62	164.77
HOAK7	Heating Oil	150.81	153.07	158.16	160.42	165.51
RBAJ7	RBOB Gas	159.86	161.74	166.23	168.11	172.60
RBAK7	RBOB Gas	161.75	163.59	168.22	170.06	174.69
NGAJ7	Natural Gas	2.786	2.856	2.902	2.971	3.018
NGAK7	Natural Gas	2.891	2.947	2.985	3.041	3.079

Calculations based on previous session. Data collected 03/08/2017

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