



DAILY ENERGY COMPLEX COMMENTARY

Friday March 10, 2017

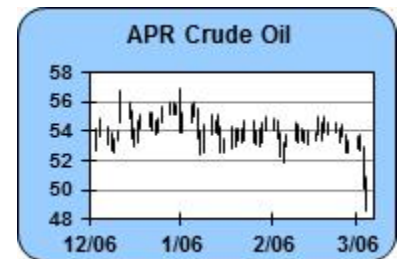
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03/10/17

A temporary pause if the trade sees improved demand views

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE +32, HEATING OIL +74, UNLEADED GAS +51

CRUDE OIL MARKET FUNDAMENTALS: In addition to ongoing capital, margin and panic liquidation, the crude oil market this week saw a wave of negative energy market opinions from widely respected analysts. In fact one analyst touting the bearish condition cited the prospect of ongoing builds in global inventories, and that argument is clearly justified by a 9 week string of US oil inventory builds. Adding into the negative bias is news of the largest on-land oil find in 30 years that could add as much as 120,000 barrels per day in supply, word that OPEC won't extend cuts and news from the oil conference in Houston that deep water drilling is back on the table again. Furthermore with a wave of physical commodities in a liquidation posture this week, it is likely that many funds are liquidating and moving to the sidelines ahead of a potentially important monthly nonfarm payroll reading later today. Bullish market factors from yesterday that were discounted by the trade but might provide some support going forward is news that European crude oil stocks declined by a little more than 1%, news that European refinery activity increased by nearly 4% and a bounce this morning in the wake of the US oil discovery. While the Chinese showed a significant pick up in crude oil imports from Saudi Arabia in January (+19%), the market currently isn't in a position to embrace the prospect of improved demand ahead. Furthermore, one has to expect another trading session of negative outside market influences from the Payrolls unless the trade manages to discount the drag from rising rates and instead embraces improved oil demand prospects from a robust economy.



PRODUCT MARKET FUNDAMENTALS: While the gasoline market attempted to hold up better than crude oil in the initial washout this week, it ultimately damaged its charts severely and it may not have much in the way of support until the April RBOB contract reaches down to \$1.5921. While the recent large decline in US gasoline stocks was somewhat beneficial on Wednesday that news was counter veiled on Thursday by news of more supply at a key European hub. Some traders might temper their negative views this morning because of the markets capacity to bounce early on as that tempers the patently bearish psychology in place yesterday. European gasoline stocks at the Amsterdam Rotterdam and Antwerp (ARA) hub increased to 1.157 million tonnes from 1.128 million in the prior week. European gas oil stocks at the ARA hub increased to 2.9 million tonnes from 2.8 million tons in the prior week. As in other industrial commodities the bear camp in gasoline continues to be supported by financial market action which are manifest by a higher dollar and fears of a rate hike.

NATURAL GAS: The weekly natural gas storage report showed a draw of 68 bcf. Total storage stands at 2295 bcf or 18.8% above the 5 year average.

Over the last four weeks natural gas storage has declined 264 bcf. We suspect that part of the gains in natural gas prices yesterday were the result of the unwinding of long crude oil/short natural gas spread plays by the funds. While the weekly inventory report showed a draw of 64 bcf, that reading was not far from expectations. A weather advisory from Pennsylvania to Connecticut through Friday with New York expected to get five inches of snow with a push of cold air in the Northeast section of the US for March 14th to 18th has been supportive as well. Beyond that though, the National Weather Service has above normal temperatures throughout the entire US for March 16th to 22nd, possibly indicating the end of winter like temperatures. April natural gas extended the rally to a new high for the move at \$2.983 on Thursday. The market has closed higher in 10 of the last 12 trading days

since the low on February 22nd at \$2.641. This has allowed the stochastics to correct from oversold levels and they are now approaching overbought levels. Still, we need to see a test and failure or taking out of the 200 day moving average at \$3.083 before the short side of the market looks attractive again. Resistance is seen at \$3.019 followed by \$3.083.

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
3/3/2017	-68	2295	-192	-264	18.8%	25.1%

TODAY'S MARKET IDEAS:

Given the freefall in prices this week and the lack of serious support until the \$47.85 level, we do not expect to see a bottom today. In fact, given past history and a massive spec and fund long position in the crude oil market it may take a significant downside thrust and then a reversal to bring the market into a fundamental and technical balance. Additional downside targeting in April crude oil is seen at \$47.34 and then again down at \$46.86. However, one should not discount the prospect of a technical bounce today as the \$5.21 break in 3 days has left the market significantly oversold.

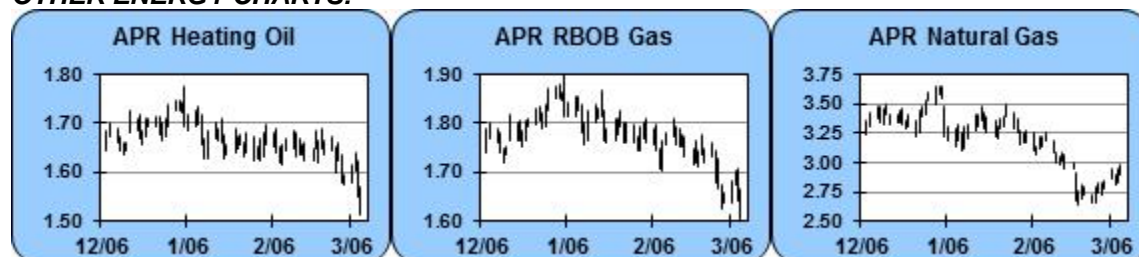
NEW RECOMMENDATIONS:

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) 03/10/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is now at 47.45. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 50.80 and 51.94, while 1st support hits today at 48.56 and below there at 47.45.

HEATING OIL (APR) 03/10/2017: 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is 148.44. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 156.72 and 159.76, while 1st support hits today at 151.06 and below there at 148.44.

RBOB GAS (APR) 03/10/2017: Daily stochastics are trending lower but have declined into oversold territory. A negative signal for trend short-term was given on a close under the 9-bar moving average. It is a slightly negative

indicator that the close was under the swing pivot. The next downside objective is 157.22. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 165.81 and 169.27, while 1st support hits today at 159.79 and below there at 157.22.

NATURAL GAS (APR) 03/10/2017: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. A positive signal for trend short-term was given on a close over the 9-bar moving average. With the close over the 1st swing resistance number, the market is in a moderately positive position. The near-term upside target is at 3.050. The next area of resistance is around 3.024 and 3.050, while 1st support hits today at 2.930 and below there at 2.863.

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	49.68	21.37	29.24	28.44	17.60	51.57	52.68	53.26	53.62	53.91
CLAK7	50.21	21.34	29.11	29.38	18.34	52.10	53.15	53.67	54.15	54.44
HOAJ7	153.89	27.04	32.69	22.07	16.40	1.58	1.60	1.62	1.65	1.66
HOAK7	154.77	25.00	31.09	21.32	13.83	1.59	1.61	1.63	1.66	1.67
RBAJ7	162.80	27.71	32.21	22.52	19.44	1.66	1.68	1.71	1.76	1.77
RBAK7	164.61	25.62	30.78	21.57	16.88	1.68	1.70	1.73	1.78	1.79
NGAJ7	2.977	57.83	51.11	43.01	58.68	2.90	2.83	2.86	3.10	3.18
NGAK7	3.048	57.64	51.32	44.68	60.00	2.98	2.93	2.94	3.15	3.21

Calculations based on previous session. Data collected 03/09/2017

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	47.44	48.55	49.69	50.80	51.94
CLAK7	Crude Oil	47.98	49.07	50.23	51.33	52.49
HOAJ7	Heating Oil	148.44	151.06	154.10	156.72	159.76
HOAK7	Heating Oil	149.40	151.98	154.98	157.56	160.56
RBAJ7	RBOB Gas	157.21	159.78	163.24	165.81	169.27
RBAK7	RBOB Gas	159.10	161.60	165.12	167.62	171.14
NGAJ7	Natural Gas	2.862	2.930	2.956	3.024	3.050
NGAK7	Natural Gas	2.954	3.009	3.031	3.086	3.108

Calculations based on previous session. Data collected 03/09/2017

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