



DAILY ENERGY COMPLEX COMMENTARY

Monday March 13, 2017

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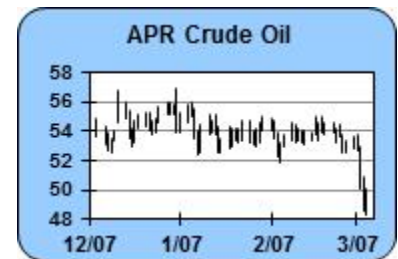
03/13/17

Crude oil complex remains on the defensive early this week

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE -40, HEATING OIL -42, UNLEADED GAS -184

CRUDE OIL MARKET FUNDAMENTALS: Crude oil prices are following through to the downside as they have dropped over \$5.00 since last Tuesday's close.

While crude oil showed some positive post-employment recovery action last Friday, it quickly fell back on the defensive and has now fallen to its lowest price level since late November. Word of the largest onshore US oil discovery in 30 years is merely a psychological negative for prices, as that production isn't expected on the market for three more years, but it adds to the negative tide of news. The market ended the latest trading week with yet another build in US inventories and another increase in operating rigs. Unfortunately, it seems as if an ongoing improvement in global energy demand expectations has been relegated to a backburner issue, perhaps because supply levels are hard facts and reality while demand is hoped for. An issue that could provide the energy complex with some fresh buying interest ahead is complaints from refiners of the building financial burden from biofuel mandates, as that is already resulting in a massive lobbying effort against biofuel interests. Another issue that might lean bearish going forward is the prospect that China's "teapot" refineries are asking the government for the right to export products which are currently blocked by regulations. As if the litany of bearish items weren't large enough already, some US shale oil companies have moved to raise their reserves. Lastly, the massive net spec and fund long in crude oil did not come down enough in the latest weekly report to suggest that the decline at the end of last week was enough to decrease the market's vulnerability. However, the majority of the washout last week took place after the COT report was compiled and therefore the net spec and fund long is probably moderately overstated. The Commitments of Traders Futures and Options report as of March 7th for Crude Oil showed Non-Commercial traders were net long 555,917 contracts, a decrease of 7,676 contracts on the week. Non-Commercial and Nonreportable combined traders held a net long position of 585,182 contracts, a decrease of 531.



PRODUCT MARKET FUNDAMENTALS: Both product markets remain squarely on the defensive as RBOB and heating oil have reached new lows for their moves early this week. While the gasoline market finished last week flat on its back and seemingly poised for more declines ahead, the outlook for RBOB may find some measure of support from last week's surprisingly large inventory decline. However, ongoing spillover pressure from weak crude oil prices and a general consensus of excess supply throughout the energy complex, as well as fresh technical damage on the charts, leave the path of least resistance pointing downward. The April gasoline contract has already filled in an old gap down between \$1.5821 and \$1.5782 that took place from November 18th to November 21st. With the net spec and fund long in gasoline still holding at a vulnerable level, more stop loss selling is likely, perhaps until prices fall back to \$1.5500 in the April contract. Similar downside targeting in April heating oil might be seen at \$1.4703. The Commitments of Traders Futures and Options report as of March 7th for Gasoline (RBOB) showed Non-Commercial traders were net long 59,097 contracts, an increase of 2,843 contracts on the week. Non-Commercial and Nonreportable combined traders held a net long position of 61,800 contracts an increase of 64. For Heating Oil, Non-Commercial traders were net long 38,157 contracts, an increase of 403 contracts. Non-Commercial and Nonreportable combined traders held a net long position of 49,972 contracts, a decrease of 4,250.

NATURAL GAS: One has to ask if the recent rally in natural gas is based on spread action, technical short covering or actual tangible fundamental reasons. It is possible that macroeconomic long crude/short natural gas spread plays are being unwound in the wake of the large crude oil slide, but we also give credence to a somewhat important shift in the weather.

Some will suggest that a slight cooler shift in recent forecasts provided technical short covering and fresh buying, but natural gas was not net spec and fund short enough to justify the gains seen over the last 13 trading sessions. Cold weather this week is thought to help total winter heating demand to tighten and temper excessive oversupply fears factored into the February 22nd low. Last week's inventory draw at least puts the bear camp off balance and may keep them off balance from the prospect of continuing draws in the next two weekly inventory reports. Others will suggest that prices below \$2.80 were unsustainable if the global economy continues to move forward. However, the April contract is now into significant overhead resistance from the underside of the December through early February consolidation that could make additional gains difficult. The Commitments of Traders Futures and Options report as of March 7th for Natural Gas showed Non-Commercial traders were net short 56,117 contracts, an increase of 12 contracts on the week. Non-Commercial and Nonreportable combined traders held a net short position of 27,355 contracts, an increase of 5,406 contracts in the net short position held by these traders.

TODAY'S MARKET IDEAS:

The long and short of it is the crude oil market remains excessively speculatively long, and supply-side fundamentals have turned decisively negative at the same time that improving demand expectations are not being given much credence. Critical pivot points in April crude oil are seen at \$47.85, \$47.71 and \$47.34. In order to reverse the downside bias probably requires a trade and close today back above \$49.01.

NEW RECOMMENDATIONS:

None.

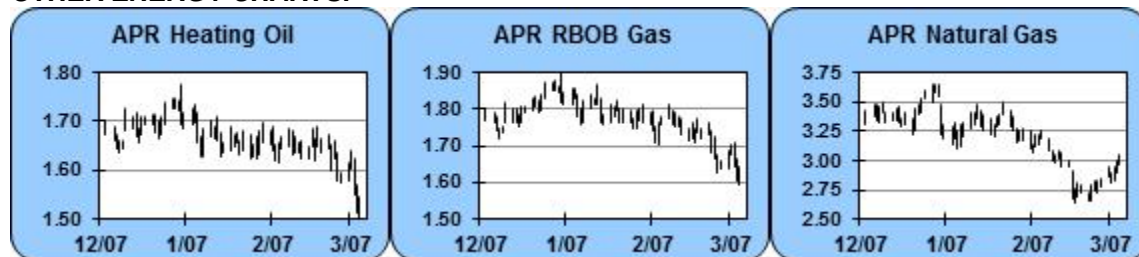
PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 2/28/2017 - 3/7/2017

	Non-Commercial			Commercial		Non-Reportable	
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Weekly Net Change
Energies							
Crude Oil	555,917	-7,676	-585,181	+531	29,265	+7,145	
Heating Oil	38,157	+403	-49,973	+4,248	11,815	-4,653	
Natural Gas	-56,117	-12	27,356	+5,407	28,762	-5,394	
Gas (RBOB)	59,097	+2,843	-61,800	-64	2,703	-2,779	

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) 03/13/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The close below the 9-day moving average is a negative short-term indicator for trend. The market's close below the pivot swing number is a mildly negative setup. The next downside target is now at 47.03. More downside action may be limited by the RSI under 20 putting the market in extremely oversold territory. The

next area of resistance is around 49.34 and 50.62, while 1st support hits today at 47.54 and below there at 47.03.

HEATING OIL (APR) 03/13/2017: Momentum studies are declining, but have fallen to oversold levels. The close below the 9-day moving average is a negative short-term indicator for trend. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is now at 146.91. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 152.97 and 156.07, while 1st support hits today at 148.39 and below there at 146.91.

RBOB GAS (APR) 03/13/2017: 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. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside target is 155.35. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 161.81 and 165.62, while 1st support hits today at 156.68 and below there at 155.35.

NATURAL GAS (APR) 03/13/2017: The moving average crossover up (9 above 18) indicates a possible developing short-term uptrend. Rising stochastics at overbought levels warrant some caution for bulls. A positive signal for trend short-term was given on a close over the 9-bar moving average. A positive setup occurred with the close over the 1st swing resistance. The near-term upside target is at 3.096. The next area of resistance is around 3.074 and 3.096, while 1st support hits today at 2.998 and below there at 2.944.

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	48.44	17.58	25.55	21.35	9.13	50.29	52.01	52.97	53.47	53.79
CLAK7	48.99	17.63	25.52	22.22	9.87	50.83	52.51	53.39	53.99	54.33
HOAJ7	150.68	22.62	29.00	17.48	9.81	1.55	1.58	1.62	1.64	1.66
HOAK7	151.50	21.94	28.50	17.40	9.56	1.56	1.59	1.62	1.65	1.67
RBAJ7	159.25	22.63	28.25	18.83	11.99	1.64	1.66	1.70	1.75	1.77
RBAK7	161.13	22.29	28.10	18.41	12.10	1.66	1.68	1.73	1.77	1.79
NGAJ7	3.036	62.57	54.62	52.47	71.38	2.93	2.87	2.86	3.09	3.17
NGAK7	3.100	62.08	54.49	53.70	71.99	3.01	2.96	2.94	3.14	3.21

Calculations based on previous session. Data collected 03/10/2017

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	47.02	47.54	48.82	49.34	50.62
CLAK7	Crude Oil	47.57	48.09	49.36	49.88	51.15
HOAJ7	Heating Oil	146.91	148.39	151.49	152.97	156.07
HOAK7	Heating Oil	147.74	149.21	152.31	153.78	156.88
RBAJ7	RBOB Gas	155.34	156.67	160.48	161.81	165.62
RBAK7	RBOB Gas	157.35	158.63	162.32	163.61	167.31
NGAJ7	Natural Gas	2.944	2.998	3.020	3.074	3.096
NGAK7	Natural Gas	3.016	3.066	3.084	3.134	3.152

Calculations based on previous session. Data collected 03/10/2017

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