



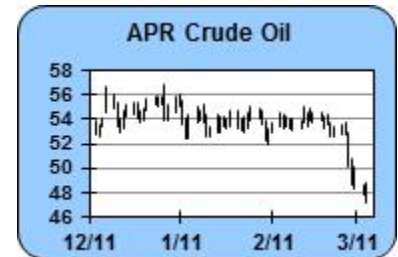
## DAILY ENERGY COMPLEX COMMENTARY Wednesday March 15, 2017

### DAILY ENERGY COMPLEX COMMENTARY 03/15/17

#### Potential EIA draws could strengthen near-term rebound

**OVERNIGHT CHANGES THROUGH 6:06 AM (CT):  
CRUDE +97, HEATING OIL +236, UNLEADED GAS +215**

**CRUDE OIL MARKET FUNDAMENTALS:** Crude oil prices have followed through on their after-market recovery move on Tuesday with solid gains this morning. After dropping more than \$6.00 in the space of a week, the market may have a chance to regain additional lost ground. However, it will probably need the longer-term supply outlook to drastically change before it sees an extended upside move. Energy markets started Tuesday with a modest rebound, only to have an abrupt change in fortune that sent crude oil prices nosediving down towards 4-month lows. The catalyst for crude oil's selloff was a report from OPEC indicating that global crude oil stocks are continuing to rise, even with the Oil Producers Agreement in place since the start of this year. One major source for this increase was the US, where the weekly EIA stocks report to be released later today was expected to show crude oil stocks increasing by just over 3 million barrels. This would be a tenth straight weekly build. Crude stocks have reached their highest levels since records began in 1982. However, a private survey of crude oil stocks released late Tuesday showed a surprising draw. If that does occur with today's EIA number, it would be nearly 4 million barrels below trade expectations. This would still result in the second highest EIA crude oil stocks total since 1982, but it could be seen as a step in the right direction for reducing burdensome supply levels.



**PRODUCT MARKET FUNDAMENTALS:** RBOB and heating oil are posting sizable gains this morning, having lifted well-clear of yesterday's low for the move. With the market already expecting lower gasoline and distillate stocks in this week's EIA report, both of the product markets may become major beneficiaries of Tuesday afternoon's private survey results. RBOB was the outperformer of the energy complex on Tuesday, as it rebounded back into positive territory and finished an outside-day session with a modest gain and a reversal from a 3 1/2 month low. Coming off last week's surprisingly large draw, Tuesday's private survey saw gasoline stocks decline by a larger than expected amount. Heating oil prices remained on the defensive due to a warmer shift in upcoming weather forecasts, but they too saw a much larger than expected draw in distillate stocks from the private survey.

#### Weekly EIA Petroleum Estimates - Week Ending 3/10/2017 - In Million Barrels

	High Estimate	Low Estimate	Stocks Last Week	Stocks Change Last Week
Crude Oil	3.4	3	528.4	8.2
Distillates	-1.3	-1.7	161.5	-2.7
Gasoline	-1.8	-2.2	249.3	-6.6

**NATURAL GAS:** While natural gas prices have stayed within a tight range so far this morning, they appear to have found their footing after yesterday's downdraft. April natural gas was down more than 3% on Tuesday, as sellers resurfaced. The recovery bounce has unveiled solid resistance levels. With the North American heating

season going into its final weeks, the current cold and snowy weather seen over the Midwest, Atlantic Seaboard and New England may end up being the last major cold-weather event of the winter. The EIA gas storage number on Thursday could show a draw of 52 bcf as of March 10th versus a five year average drawdown of 85 bcf. The slow stochastics for April natural gas could be close to crossing over and confirming a sell signal. The market should test the 50% Fibonacci retracement of \$2.865 and possibly the 61.8% at \$2.812 in the near term. Tuesday's action was all one way, so follow through weakness is still possible if risk sentiment turns negative.

#### **TODAY'S MARKET IDEAS:**

Both crude oil and RBOB still have sizable net spec long positions that could make it difficult to sustain a recovery move, particularly if risk sentiment is diminished later today by the FOMC meeting results and the Dutch election results. Even so, a draw in EIA crude oil stocks would be the first in 10 weeks and would provide a small measure of help towards relieving market concerns about oversupply both at home and abroad. Near-term support for May crude oil is at \$48.02, but to reverse the downside bias, it probably requires a trade and close back above \$49.52.

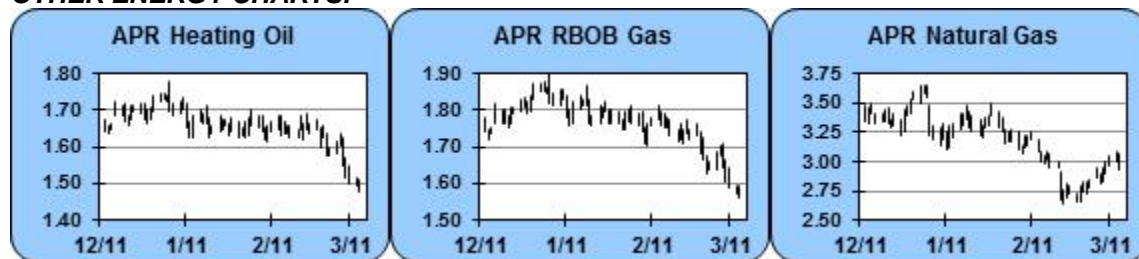
#### **NEW RECOMMENDATIONS:**

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) 03/15/2017:** 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 daily closing price reversal down is a negative indicator for prices. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside target is now at 46.23. Selling may soon dry up since the RSI is under 20 indicating the market is extremely oversold. The next area of resistance is around 48.77 and 49.63, while 1st support hits today at 47.07 and below there at 46.23.

**HEATING OIL (APR) 03/15/2017:** Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. 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 under the swing pivot. The next downside target is now at 146.51. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 151.29 and 152.63, while 1st support hits today at 148.24 and below there at 146.51.

**RBOB GAS (APR) 03/15/2017:** Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. A negative signal for trend short-term was given on a close under the 9-bar moving average. The upside closing price reversal on the daily chart is somewhat bullish. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside target is now at 155.29. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 160.38 and 161.32, while 1st support hits today at 157.37 and below there at 155.29.

**NATURAL GAS (APR) 03/15/2017:** Momentum studies are trending higher but have entered overbought levels. The market's short-term trend is positive on the close above the 9-day moving average. The market setup is

somewhat negative with the close under the 1st swing support. The next upside objective is 3.107. The next area of resistance is around 3.015 and 3.107, while 1st support hits today at 2.879 and below there at 2.835.

## 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
<b>ENERGY COMPLEX</b>										
CLAJ7	47.92	16.01	24.04	14.54	9.34	48.52	50.74	52.36	53.14	53.58
CLAK7	48.54	16.13	24.07	15.05	9.68	49.09	51.26	52.80	53.66	54.12
HOAJ7	149.77	21.46	28.02	11.76	7.72	1.51	1.55	1.60	1.63	1.65
HOAK7	150.49	19.92	26.76	11.24	6.44	1.51	1.56	1.61	1.64	1.66
RBAJ7	158.88	24.81	29.21	14.38	10.77	1.60	1.63	1.68	1.74	1.76
RBAK7	160.74	22.58	27.80	13.51	9.98	1.62	1.66	1.71	1.76	1.78
NGAJ7	2.947	52.09	48.89	64.37	73.30	2.99	2.91	2.85	3.08	3.16
NGAK7	3.006	50.30	48.07	64.75	72.68	3.06	3.00	2.94	3.13	3.20

Calculations based on previous session. Data collected 03/14/2017

Data sources can & do produce bad ticks. Verify before use.

## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>ENERGY COMPLEX</b>						
CLAJ7	Crude Oil	46.23	47.07	47.93	48.77	49.63
CLAK7	Crude Oil	46.88	47.71	48.53	49.36	50.18
HOAJ7	Heating Oil	146.51	148.23	149.57	151.29	152.63
HOAK7	Heating Oil	147.22	148.94	150.30	152.03	153.38
RBAJ7	RBOB Gas	155.29	157.36	158.31	160.38	161.32
RBAK7	RBOB Gas	157.17	159.19	160.26	162.28	163.35
NGAJ7	Natural Gas	2.835	2.879	2.971	3.015	3.107
NGAK7	Natural Gas	2.894	2.939	3.028	3.073	3.162

Calculations based on previous session. Data collected 03/14/2017

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