



DAILY ENERGY COMPLEX COMMENTARY

Monday March 20, 2017

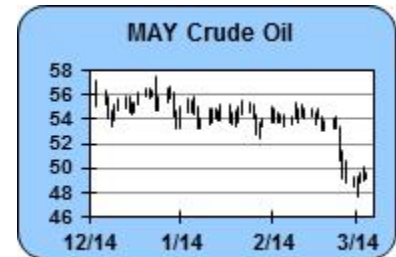
DAILY ENERGY COMPLEX COMMENTARY

03/20/17

The bear camp looks to have regained control

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE -58, HEATING OIL -110, UNLEADED GAS -87

CRUDE OIL MARKET FUNDAMENTALS: Crude oil prices were not only unable to hold onto early strength last Friday, they are showing signs of noted weakness and fresh chart damage this morning. Comments by the Saudi Oil Minister that the output cuts agreed to by a group of major producing nations may be extended past June has not provided support to the market, and with that suggestion offered several times over the last two weeks the markets appear to need further confirmation from producers other than Saudi Arabia to provide definitive support for the marketplace. In fact, abundant US and Asian supplies continue to weigh on energy prices, especially with the string of higher rig counts and a general pattern of building US crude oil stocks the main arguments of the bear camp are significant. We must also note that the pattern of higher highs and higher lows from last week was mostly forged on declining open interest and volume figures and that might indicate a lack of bullish resolve. While the energy complex might draft some support from the prospect of further weakening in the dollar and it is also possible that news of an 11% gain in Chinese home prices for the month of February will provide some fresh demand hope the markets don't seem to be in a position to embrace positives. In fact, news that Iranian shipments to Europe are definitively on the rise and that another Iranian oil field is poised to restart production that could make the \$50 level in May crude oil a temporary overvalued zone. While the most recent commitments of traders report for crude oil showed a net spec and fund long of 520,000 contracts the most recent report did show a massive decrease in that long position of 64,720 contracts crude oil positioning remains overbought. The Commitments of Traders Futures and Options report as of March 14th for Crude Oil showed Non-Commercial and Non-reportable combined traders held a net long position of 520,462 contracts. This represents a decrease of 64,720 contracts in the net long position held by these traders.



PRODUCT MARKET FUNDAMENTALS: In our opinion, the product markets are relatively more oversold into the March lows than the crude oil market. In fact the commitments of traders report for gasoline showed a net long of only 59,000 contracts and that reading is down significantly from the 2017 peak. We would also note that the market has found some semblance of value with a consolidation pattern mostly above the \$1.60 level. In a similar fashion, May heating while has also found consolidation low support and value just above the \$1.50 level. However the heating oil market remains relatively more vulnerable to long liquidation than gasoline. We also suspect that the gasoline market will begin to see a steady improvement in weekly implied gasoline demand figures but the question is whether stocks will continue to build in the inventory report and keep prices pinned down to the aforementioned value zones. In short, the product markets need a weaker dollar, higher equities and positive leadership from crude oil to climb up and away from their March lows. The Commitments of Traders Futures and Options report as of March 14th for Gasoline (RBOB) showed Non-Commercial and Non-reportable combined traders held a net long position of 58,907 contracts. The Commitments of Traders Futures and Options report as of March 14th for Heating Oil showed Non-Commercial and Non-reportable combined traders held a net long position of 37,895 contracts. This represents a decrease of 12,077 contracts in the net long position held by these traders.

NATURAL GAS: Natural gas prices were able to shake off early pressure to record a modest gain on Friday. Apparently expectations that US natural gas exports will increase going forward helped to underpin the market

late last week, and that is not an insignificant development. Unfortunately, the Commitments of Traders Futures and Options report as of March 14th for Natural Gas showed Non-Commercial and Non-reportable combined traders held a net short position of only 12,561 contracts which represents a decrease of 14,794 contracts in the net short position held by those traders. While there will be some pockets of lingering cold weather, temperatures are on the rise seasonally and the weather will probably play a decreasing role in the daily price action of natural gas. However, the behavior of the weekly natural gas inventory/storage levels will continue to be important for several more weeks. The market might see some support from news of another outage in Norway that was unplanned but that outage was scheduled to end yesterday. Like the regular energy complex, the natural gas market needs a return to risk on, weaker dollar action and more talk of US exports to result in the \$2.88 level becoming a solid consolidation support zone. As indicated already, the \$2.888 level is initial support as that was a quasi-double low point last week. Technical traders will suggest that the market filled the gap with the last two weeks action and that the market will have a critical pivot point at the \$2.913 level basis the April natural gas contract this week. Uptrend channel support is also seen right on that \$2.888 level which makes that zone even more important.

TODAY'S MARKET IDEAS:

Unfortunately, the chart condition in May crude oil leans bearish in the wake of a lack of volume and open interest confirmation on last week's rally and that has left the bull case suspect to start the new trading week. One might also suggest that the \$50 level represents some form of significant initial resistance to the market. Therefore, the bull camp is in bad need of a definitive return of risk on, noted weakness in the dollar and most importantly, fresh and specific hints of an extension of the production cut agreement. While we remain skeptical of the bull case, the sharp March price slide in crude oil has probably got the attention of the original production cut agreement participants. Therefore, the market might be pressured to start this week unless there is headline support for the bull camp.

NEW RECOMMENDATIONS:

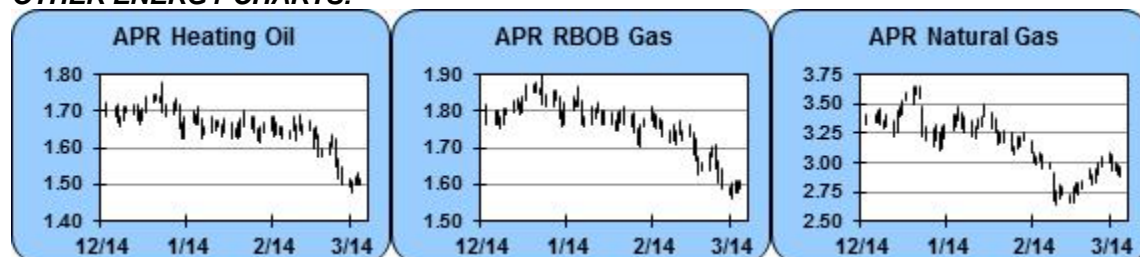
None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 3/7/2017 - 3/14/2017						
	Non-Commercial		Commercial	Non-Reportable		
	Net Position	Weekly Net Change		Net Position	Weekly Net Change	
Energies						
Crude Oil	500,159	-55,758	-520,463	+64,718	20,303	-8,962
Heating Oil	31,578	-6,579	-37,895	+12,078	6,317	-5,498
Natural Gas	-36,467	+19,650	12,560	-14,796	23,906	-4,856
Gas (RBOB)	55,235	-3,862	-58,907	+2,893	3,672	+969

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 (MAY) 03/20/2017: The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The market's close below the 9-day moving average is an indication the short-term

trend remains negative. It is a slightly negative indicator that the close was lower than the pivot swing number. The next upside target is 49.94. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 49.56 and 49.94, while 1st support hits today at 48.96 and below there at 48.73.

HEATING OIL (MAY) 03/20/2017: Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. The close below the 9-day moving average is a negative short-term indicator for trend. The upside closing price reversal on the daily chart is somewhat bullish. It is a slightly negative indicator that the close was lower than the pivot swing number. The next upside target is 153.31. The next area of resistance is around 152.49 and 153.31, while 1st support hits today at 150.72 and below there at 149.75.

RBOB GAS (MAY) 03/20/2017: The daily stochastics gave a bullish indicator with a crossover up. Daily stochastics are showing positive momentum from oversold levels, which should reinforce a move higher if near term resistance is taken out. The close below the 9-day moving average is a negative short-term indicator for trend. The market tilt is slightly negative with the close under the pivot. The next upside target is 163.39. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 162.10 and 163.39, while 1st support hits today at 160.00 and below there at 159.18.

NATURAL GAS (MAY) 03/20/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. A negative signal for trend short-term was given on a close under the 9-bar moving average. The daily closing price reversal up on the daily chart is somewhat positive. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside target is 2.918. The next area of resistance is around 3.036 and 3.061, while 1st support hits today at 2.964 and below there at 2.918.

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										
CLAK7	49.26	29.18	31.85	16.21	18.32	49.06	49.83	51.96	53.33	53.84
CLAM7	49.68	29.77	32.11	16.27	18.26	49.49	50.26	52.32	53.74	54.26
HOAK7	151.61	30.18	32.68	11.56	12.75	1.51	1.53	1.58	1.63	1.65
HOAM7	152.32	29.76	32.30	11.38	12.49	1.52	1.54	1.59	1.64	1.66
RBAK7	161.05	27.66	30.52	12.28	13.34	1.61	1.63	1.68	1.75	1.77
RBAM7	161.64	26.29	29.75	11.88	12.71	1.62	1.64	1.69	1.75	1.77
NGAK7	3.000	49.82	48.14	66.46	65.63	3.00	3.01	2.94	3.12	3.18
NGAM7	3.070	49.91	48.26	65.45	64.01	3.07	3.09	3.02	3.18	3.23

Calculations based on previous session. Data collected 03/17/2017

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						
CLAK7	Crude Oil	48.72	48.95	49.33	49.56	49.94
CLAM7	Crude Oil	49.13	49.37	49.73	49.97	50.34
HOAK7	Heating Oil	149.74	150.71	151.52	152.49	153.31
HOAM7	Heating Oil	150.40	151.39	152.25	153.24	154.10
RBAK7	RBOB Gas	159.17	159.99	161.28	162.10	163.39
RBAM7	RBOB Gas	159.88	160.65	161.86	162.63	163.84
NGAK7	Natural Gas	2.917	2.964	2.989	3.036	3.061
NGAM7	Natural Gas	2.992	3.037	3.058	3.103	3.124

Calculations based on previous session. Data collected 03/17/2017

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