



DAILY ENERGY COMPLEX COMMENTARY

Tuesday March 21, 2017

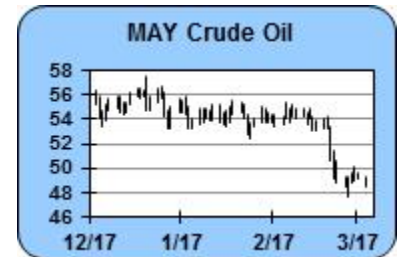
DAILY ENERGY COMPLEX COMMENTARY

03/21/17

The bear camp looks to have regained control

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE +37, HEATING OIL +147, UNLEADED GAS +139

CRUDE OIL MARKET FUNDAMENTALS: The bull camp in the crude oil market was probably saved yesterday by fresh hints of a possible extension of the producer cut agreement as there would seem to be a slight broadening of support and Press coverage for such an idea. However, with indications Monday that the extension talks may not take place until the May OPEC meeting, that means that hope for continued restricted supply in the future is delayed enough to leave the oil market vulnerable. Another issue that might limit the upside in crude oil in the near term is the fact that some OPEC producers want non-OPEC members to agree to the cuts in order to extend the operation. Another issue that might provide some fresh buying interest in the crude oil market is the latest lower low for the move in the dollar index. Crude oil prices might also find some fundamental support from favorable US economic data points yesterday and indications from the US Fed that there might only be two additional interest rate hikes this year. While there has been some surprise refinery glitches this week, the disruptions are not significant nor do they offset the negative influence of a price prediction cut by J.P. Morgan for 2017 and 2018 energy prices. As we indicated in the prior trading session, the bull camp is in desperate need of a return to risk on psychology in equities, ongoing declines in the dollar and signs of positive forward economic progression.



PRODUCT MARKET FUNDAMENTALS: With the May RBOB contract showing a solid rejection of a sub \$1.60 trade yesterday and the market subsequently taking out the prior five sessions' high, a technical reversal appears to be in motion. There have been some refinery glitches and hopes of increased product exports, but a measure of upcoming gains might be the result of the oversold condition from the last 2 1/2 months washout. In order to turn up even more technical trends today might require a trade back above a downtrend channel resistance line at \$1.6638. Like the RBOB market, the heating oil market has also found what appears to be some fair value around the \$1.50 level but it was unable to forge a distinct upside breakout in the prior trading session.

NATURAL GAS: April natural gas surged more 3.5% on the day on a long term price forecast by analysts from a major Wall Street firm looking for natural gas prices rising to \$4.000 by the end of 2017 on demand growth and slow natural gas production. They also see LNG exports via pipeline to Mexico and industrial consumption adding 3 bcf per day of gas demand in 2017. The cold snap in the Northeast will give way by March 25th bringing warmer than normal temperatures throughout the US. The market anticipates a bullish storage report this week as trade analysts are estimating that stockpiles could have fallen 148 bcf last week versus a five year average of a 21 bcf draw. Monday's strong performance puts the market up against some critical levels: last week's high of \$3.089, the 50 day moving average at \$3.076 and the 200 day moving average at \$3.087. A trade above these levels could point to a test of the 50% retracement level of the entire December to February break at \$3.147. An extension of the recovery could challenge the 61.8% level at \$3.266, but after the increase in managed money net length to 109,127 contracts last week, the market is positioned to sell rallies. Support remains at \$2.888 on any near-term pullbacks.

TODAY'S MARKET IDEAS:

While the crude oil market yesterday certainly rejected noted weakness, we are hesitant to turn bullish as is the case for the RBOB market. In fact, the inability to hold above a prior critical low of \$48.78 could quickly rekindle the liquidation track. With the latest commitments of traders report showing a massive net spec and fund long remains in place we have to leave our bias pointing downward in crude oil.

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 (MAY) 03/21/2017: 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 swing indicator gave a moderately negative reading with the close below the 1st support number. The next upside target is 49.80. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 49.35 and 49.80, while 1st support hits today at 48.45 and below there at 48.01.

HEATING OIL (MAY) 03/21/2017: Daily stochastics are showing positive momentum from oversold levels, which should reinforce a move higher if near term resistance is taken out. The market's close above the 9-day moving average suggests the short-term trend remains positive. The upside daily closing price reversal gives the market a bullish tilt. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside objective is at 155.20. The next area of resistance is around 153.77 and 155.20, while 1st support hits today at 150.43 and below there at 148.53.

RBOB GAS (MAY) 03/21/2017: The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The market's short-term trend is positive on the close above the 9-day moving average. The daily closing price reversal up is a positive indicator that could support higher prices. The market has a slightly positive tilt with the close over the swing pivot. The next upside target is 166.14. The next area of resistance is around 164.48 and 166.14, while 1st support hits today at 160.44 and below there at 158.07.

NATURAL GAS (MAY) 03/21/2017: The major trend could be turning up with the close back above the 40-day moving average. The crossover up in the daily stochastics is a bullish signal. Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. A positive signal for trend short-term was given on a close over the 9-bar moving average. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The next upside objective is 3.254. The next area of resistance is around 3.211 and 3.254, while 1st support hits today at 3.045 and below there at 2.923.

DAILY TECHNICAL STATISTICS

CLOSE 9 DAY 14 DAY 14 DAY 14 DAY 4 DAY 9 DAY 18 DAY 45 DAY 60 DAY

		RSI	RSI	SLOW STOCH D	SLOW STOCH K	M AVG	M AVG	M AVG	M AVG	M AVG
ENERGY COMPLEX										
CLAK7	48.90	27.40	30.59	16.84	17.92	49.21	49.31	51.68	53.19	53.73
CLAM7	49.41	27.93	30.89	16.88	18.09	49.65	49.75	52.05	53.59	54.15
HOAK7	152.10	33.26	34.46	12.67	14.88	1.52	1.52	1.58	1.63	1.65
HOAM7	152.91	32.46	33.85	12.37	14.41	1.52	1.53	1.59	1.64	1.66
RBAK7	162.46	33.66	33.84	13.83	16.92	1.61	1.62	1.67	1.74	1.77
RBAM7	162.84	31.43	32.58	13.14	15.66	1.62	1.63	1.68	1.75	1.77
NGAK7	3.128	58.88	54.23	68.01	70.88	3.03	3.03	2.96	3.12	3.18
NGAM7	3.193	59.14	54.40	66.37	68.22	3.09	3.10	3.04	3.18	3.23

Calculations based on previous session. Data collected 03/20/2017

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	48.00	48.45	48.90	49.35	49.80
CLAM7	Crude Oil	48.52	48.97	49.39	49.84	50.26
HOAK7	Heating Oil	148.52	150.43	151.86	153.77	155.20
HOAM7	Heating Oil	149.39	151.28	152.64	154.53	155.89
RBAK7	RBOB Gas	158.06	160.44	162.10	164.48	166.14
RBAM7	RBOB Gas	158.60	160.87	162.52	164.80	166.44
NGAK7	Natural Gas	2.922	3.045	3.088	3.211	3.254
NGAM7	Natural Gas	2.999	3.115	3.155	3.271	3.311

Calculations based on previous session. Data collected 03/20/2017

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