

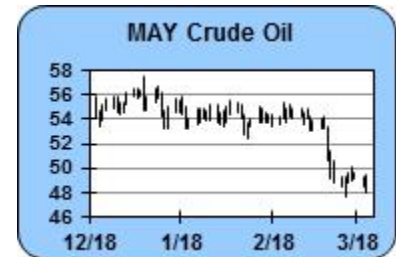


## DAILY ENERGY COMPLEX COMMENTARY Wednesday March 22, 2017

### DAILY ENERGY COMPLEX COMMENTARY 03/22/17

**More down as supply builds return and demand is suspect**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):  
CRUDE -70, HEATING OIL -193, UNLEADED GAS -100**



**CRUDE OIL MARKET FUNDAMENTALS:** With a breakdown below the March low overnight and a residually large spec and fund positioning, it isn't surprising to see May crude oil range down sharply again. It is likely that significant declines in US equities evoked a portion of the current selling wave in a number of industrial commodities like crude oil, gasoline, and heating oil this week as the outlook for energy demand is indirectly tied to investor/economic sentiment. In fact with the stock market seemingly rushing to extract the Trump Premium that has also prompted markets like energies to remove reflation pricing put in place over the last 4 months. Another issue that likely applied fresh pressure to crude oil prices over the last 24 hours is a prediction from Goldman that an oversupply situation was likely to develop in the next two years as a result of ongoing US shale oil development. Just to add to the definitively bearish fundamental track in oil this week, Libya said yesterday they intend to raise its oil production at its Sahara field by 70,000 barrels per day and the market is also once again expecting to see a build in this week's oil inventory readings. However, with the most recent commitments of traders report for crude oil showing the net spec and fund long to be 520,000 contracts, we think the market remains vulnerable to ongoing long liquidation even though the March slide in prices is already a lofty \$7.00. With cash prices in Dubai breaking down overnight the weakness in oil prices is not restricted to North America. As suggested already the energy complex is once again expecting a moderate increase in weekly crude oil inventory readings despite the fact that inventories declined slightly last week. Expectations for the build in crude stocks this week range from +1 million to +3 million barrels.

**PRODUCT MARKET FUNDAMENTALS:** Expectations for this week's inventory reports in the product markets are contrary to the expectations for crude oil inventories. In other words, the trade expects to see a build in crude stocks but declines in both distillates and gasoline inventories. In fact, the trade anticipates a rather large decline in gasoline stocks and for some that might signal the beginning of a slow recovery in gasoline demand. According to weekly implied gasoline demand figures from the Energy Information Agency, the seasonal upswing in implied gasoline demand should already be underway. In our opinion, the gasoline market is in better technical condition than the crude oil market following the significant declines in gas prices over the last 3 1/2 months. It is somewhat impressive to see RBOB prices hold the 1.60 level in the face of the Biofuels news yesterday and it is even more impressive to see RBOB prices hold together in the face of a major downside press in crude oil prices.

#### Weekly EIA Petroleum Estimates - Week Ending 3/17/2017 - In Million Barrels

	High Estimate	Low Estimate	Stocks Last Week	Stocks Change Last Week
Crude Oil	3	2.6	528.2	-0.2
Distillates	-1.2	-1.6	157.3	-4.2
Gasoline	-1.8	-2.2	246.3	-3.1

**NATURAL GAS:** April natural gas traded to a six week high of \$3.113 yesterday but is falling back away from that level in the early going today. After last week's cold air blast in the Northeast, some analysts are now estimating this Thursday's draw could be as much as 159 bcf compared to the five year average of only a 21 bcf drawdown. The market continues to find underlying support from yesterday's B of A projection of \$4.000 natural gas by the end of 2017 due to rapidly expanding demand. We also think that natural gas is benefiting from long crude oil short natural gas spread unwinding. April natural gas had no problem taking out the most recent high at \$3.089 and settled at \$3.093, the highest settlement since February 10th. Some headwinds could be in store with technical resistance against the 100 day moving average at \$3.133 and the 50% retracement level at \$3.147. Still, a trade above these levels would be a significant development for the bull camp. Support is seen at \$2.933 followed by \$2.888.

**TODAY'S MARKET IDEAS:**

With this week's failure below last week's consolidation zone, the bull camp looks to be in full retreat. Fortunately for the bull camp, the trade is already anticipating a moderate build in weekly crude oil stocks as that could temper additional downside action in the event another build is seen. We also suspect that crude oil prices are under added pressure because of bearish long-term price forecast from Goldman, as their influence in the energy space historically has been very significant. While energy prices over the past 6 to 8 months have been supported by expectations of improving demand, the sharp slide in equity prices this week has probably tempered energy demand projections. Critical support in May crude oil is now seen at \$47.13, and it could take a rise back above \$48.30 just to begin to call for an end to the washout.

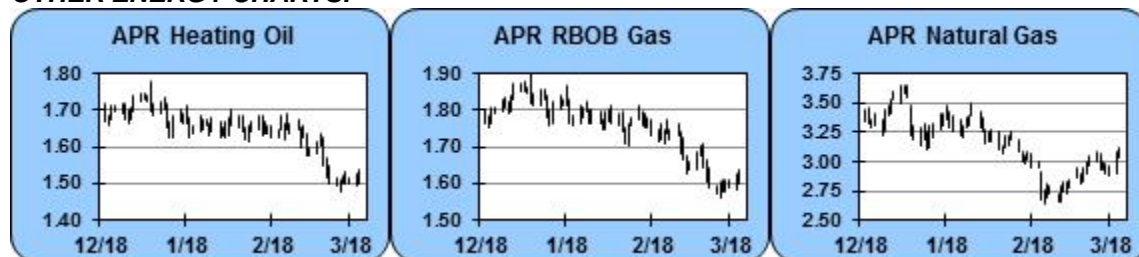
**NEW RECOMMENDATIONS:**

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) 03/22/2017:** The daily stochastics gave a bearish indicator with a crossover down. 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 outside day down is a negative signal. The close below the 1st swing support could weigh on the market. The next downside target is 47.00. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 48.98 and 49.97, while 1st support hits today at 47.50 and below there at 47.00.

**HEATING OIL (MAY) 03/22/2017:** The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The close below the 9-day moving average is a negative short-term indicator for trend. The daily closing price reversal down is a negative indicator for prices. The market tilt is slightly negative with the close under the pivot. The next upside objective is 155.55. The next area of resistance is around 152.96 and 155.55, while 1st support hits today at 149.10 and below there at 147.83.

**RBOB GAS (MAY) 03/22/2017:** Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. The market's short-term trend is positive on the close above the 9-day

moving average. The downside closing price reversal on the daily chart is somewhat negative. It is a slightly negative indicator that the close was under the swing pivot. The next upside objective is 165.88. The next area of resistance is around 163.37 and 165.88, while 1st support hits today at 159.73 and below there at 158.59.

NATURAL GAS (MAY) 03/22/2017: 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. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside target is at 3.211. The next area of resistance is around 3.179 and 3.211, while 1st support hits today at 3.103 and below there at 3.058.

## 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>										
CLAK7	48.24	23.81	28.06	16.17	14.79	48.93	49.03	51.32	53.04	53.62
CLAM7	48.81	24.28	28.35	16.35	15.29	49.40	49.48	51.71	53.45	54.05
HOAK7	151.03	30.50	32.76	13.44	14.97	1.51	1.51	1.57	1.62	1.64
HOAM7	151.74	29.91	32.27	13.10	14.55	1.52	1.52	1.58	1.63	1.65
RBAK7	161.55	30.97	32.30	15.38	18.48	1.62	1.62	1.66	1.74	1.76
RBAM7	161.87	29.30	31.32	14.44	17.03	1.62	1.62	1.67	1.74	1.76
NGAK7	3.141	62.26	56.64	71.13	77.38	3.05	3.05	2.98	3.11	3.17
NGAM7	3.206	62.68	56.91	69.26	75.03	3.12	3.12	3.05	3.17	3.23

Calculations based on previous session. Data collected 03/21/2017

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>						
CLAK7	Crude Oil	46.99	47.49	48.48	48.98	49.97
CLAM7	Crude Oil	47.63	48.09	49.05	49.52	50.47
HOAK7	Heating Oil	147.82	149.10	151.69	152.96	155.55
HOAM7	Heating Oil	148.68	149.87	152.41	153.60	156.14
RBAK7	RBOB Gas	158.58	159.72	162.23	163.37	165.88
RBAM7	RBOB Gas	158.95	160.05	162.60	163.69	166.24
NGAK7	Natural Gas	3.057	3.102	3.134	3.179	3.211
NGAM7	Natural Gas	3.128	3.170	3.199	3.241	3.270

Calculations based on previous session. Data collected 03/21/2017

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