



## DAILY ENERGY COMPLEX COMMENTARY

Thursday March 23, 2017

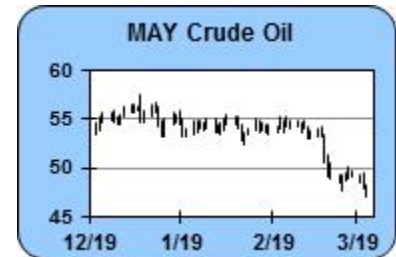
### DAILY ENERGY COMPLEX COMMENTARY

03/23/17

#### Fundamentals favor the bears but techs are oversold

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**CRUDE +30, HEATING OIL +75, UNLEADED GAS +7**

**CRUDE OIL MARKET FUNDAMENTALS:** The latest weekly crude oil storage results came in larger than expected, larger than the API readings earlier in the week and at another "highest level" since records began in 1982. While distillates and gasoline produced larger than forecast inventory draws that news probably isn't enough to turn the bearish tide around in the energy complex. In fact given news that Libyan oil production is set to increase to 700,000 barrels per day (after the end of fighting at the port), suspect macro-economic sentiment in the wake of a terrorist attack in London and in the face of uncertainty from a critical US legislative decision ahead both supply and demand news leans bearish. In fact with evidence of soaring US crude oil imports in this week's EIA report there are both bearish supply and demand themes operating in the trade. However, the bull camp might point to the capacity to reject the brunt of the washout Wednesday (that temporarily took out the \$48.00 level) as a possible sign of an exhaustion spike low! On the other hand, the trade also saw changes in US oil industry regulations from the Trump Administration as bearish to prices as those moves increase the prospect of higher US output. There is also talk that US oil companies are poised to aggressively expand investment in Gulf drilling leases and that is a longer term bearish supply development. Crude stocks at 533 million barrels is the highest ever for this week. EIA crude stocks rose 4.954 million barrels and are 31.593 million barrels above year ago levels. Also, crude stocks stand 138.961 million barrels above the five year average. Crude oil imports for the week stood at 8.307 million barrels per day compared to 7.405 million barrels the previous week. The refinery operating rate was 87.40% up, 2.30% from last week compared to 88.40% last year and the five year average of 86.72%.



**PRODUCT MARKET FUNDAMENTALS:** While the May gasoline contract temporarily fell below the \$1.60 level yesterday it did reject that probe to close above that key psychological price level for the 8th straight session! While ongoing weakness in crude oil and a deteriorating macroeconomic environment could leave pressure on gasoline and heating oil going forward both markets appear to have found some value on their charts. In fact with both gasoline and distillate stocks falling in their weekly inventory reports and falling more than expectations there is added fundamental credence for a low around this week's lows. However the presence of a risk off mentality, an extension of terror fears and a generally negative view toward industrial/physical commodities leaves the bull camp vulnerable. Critical support in May unleaded gasoline is seen at \$1.5973 with similar support seen in April heating oil at \$1.4996. EIA gasoline stocks fell 2.811 million barrels and are 1.606 million barrels below last year and 15.415 million above the five year average. Average total gasoline demand for the past four weeks was down 2.89% compared to last year. Gasoline imports came in at 325,000 barrels per day compared to 572,000 barrels the previous week. EIA distillate stocks fell 1.910 million barrels and stand at 6.867 million barrels below last year and 25.067 million above the five year average. Distillate imports came in at 127,000 barrels per day compared to 79,000 barrels the previous week. Average total distillate demand for the past four weeks was up 14.06% compared to last year. Heating oil stocks at 11.682 million barrels is the lowest for this week since 2015 EIA heating oil stocks rose 90,000 barrels and are 3.095 million barrels below last year and 5.888 million below the five year average.

Weekly EIA Petroleum Report					In Million Barrels		
<b>CRUDE OIL</b>	<b>Stocks</b>				<b>Imports</b>	<b>Refinery Capacity(%)</b>	
<b>Week Of</b>	<b>Current</b>	<b>Weekly Change</b>	<b>Yearly Change</b>	<b>5 Year Average</b>	<b>Current</b>	<b>Current</b>	<b>Year Ago</b>
3/17/2017	533.11	4.954	31.593	394.149	8.307	87.4	88.4
<b>DISTILLATES</b>	<b>Stocks</b>				<b>Imports</b>	<b>Demand</b>	
<b>Week Of</b>	<b>Current</b>	<b>Weekly Change</b>	<b>Yearly Change</b>	<b>5 Year Average</b>	<b>Current</b>	<b>Current</b>	<b>Year Ago</b>
3/17/2017	155.393	-1.91	-6.867	130.326	0.127	4.012	3.373
<b>GASOLINE</b>	<b>Stocks</b>				<b>Imports</b>	<b>Demand</b>	
<b>Week Of</b>	<b>Current</b>	<b>Weekly Change</b>	<b>Yearly Change</b>	<b>5 Year Average</b>	<b>Current</b>	<b>Current</b>	<b>Year Ago</b>
3/17/2017	243.468	-2.811	-1.606	228.053	0.325	9.2	9.503

**NATURAL GAS:** April natural gas declined more than 2.0% yesterday as the market saw some profit taking prior to today's EIA inventory number. Analysts are looking for a withdrawal of 149 bcf versus the five year average of a 21 bcf decline and that large draw is probably already factored in at the highs earlier this week. In other words the run up earlier this week was probably engineered off anticipation of a large draw and with weather forecasts calling for warmer temperatures for the balance of the month and into early April for the eastern two thirds of the country it could be difficult for April natural gas to hold the \$3.00 level. April natural gas has also seen some profit taking from the longs as the market has run into some moving average resistance levels. For the second day in a row, the 100 day moving average at \$3.133 has held and the market could not close above the 200 day moving average at \$3.089. The slow stochastics and RSI readings also look to rolling over which could be indicating a loss of momentum. A pullback to support levels at \$2.933 followed by \$2.877 is possible.

**TODAY'S MARKET IDEAS:**

With the 2017 high to low break in May crude oil now exceeding \$10 a barrel and the market exhibiting a possible blow off exhaustion move on the downside in the prior trading session it is possible that the trade has found some value around the \$48 mark. However the recent commitments of traders positioning report still held over 1/2 million net spec and fund long contracts in crude oil and therefore it is difficult to call for a firm low especially with many supply headlines this week distinctly favoring the bear camp and the prospect of a risk-off mentality flowing from global equities. In order to turn the tide around in May crude oil might require a rally back above \$48.85 today.

**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) 03/23/2017: 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 46.60. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 48.80 and 49.21, while 1st support hits today at 47.50 and below there at 46.60.

HEATING OIL (MAY) 03/23/2017: 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 153.44. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 152.16 and 153.44, while 1st support hits today at 148.93 and below there at 146.97.

RBOB GAS (MAY) 03/23/2017: Daily momentum studies are on the rise from low levels and should accelerate a move higher on a push through the 1st swing resistance. 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 near-term upside target is at 164.03. The next area of resistance is around 162.69 and 164.03, while 1st support hits today at 159.71 and below there at 158.08.

NATURAL GAS (MAY) 03/23/2017: The major trend has turned down with the cross over back below the 40-day moving average. Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The close above the 9-day moving average is a positive short-term indicator for trend. The swing indicator gave a moderately negative reading with the close below the 1st support number. The near-term upside target is at 3.181. The next area of resistance is around 3.117 and 3.181, while 1st support hits today at 3.030 and below there at 3.006.

## 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	48.15	23.34	27.72	15.81	15.09	48.65	48.84	50.97	52.90	53.51
CLAM7	48.67	23.50	27.80	16.02	15.34	49.17	49.30	51.38	53.30	53.94
HOAK7	150.55	28.94	31.78	13.76	14.40	1.51	1.51	1.56	1.62	1.64
HOAM7	151.36	28.42	31.34	13.42	14.08	1.52	1.52	1.57	1.63	1.65
RBAK7	161.20	30.05	31.78	16.73	19.25	1.62	1.61	1.66	1.73	1.76
RBAM7	161.72	28.21	30.68	15.38	17.27	1.62	1.62	1.66	1.74	1.76
NGAK7	3.074	54.07	51.92	72.90	75.57	3.08	3.06	2.99	3.10	3.17
NGAM7	3.143	54.54	52.26	71.00	73.65	3.15	3.12	3.07	3.17	3.22

Calculations based on previous session. Data collected 03/22/2017

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	46.59	47.49	47.90	48.80	49.21
CLAM7	Crude Oil	47.17	48.03	48.44	49.30	49.70
HOAK7	Heating Oil	146.97	148.92	150.21	152.16	153.44
HOAM7	Heating Oil	147.83	149.76	151.02	152.95	154.21
RBAK7	RBOB Gas	158.07	159.71	161.05	162.69	164.03
RBAM7	RBOB Gas	158.43	160.13	161.59	163.30	164.75
NGAK7	Natural Gas	3.005	3.029	3.093	3.117	3.181
NGAM7	Natural Gas	3.083	3.103	3.162	3.182	3.240

Calculations based on previous session. Data collected 03/22/2017

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