



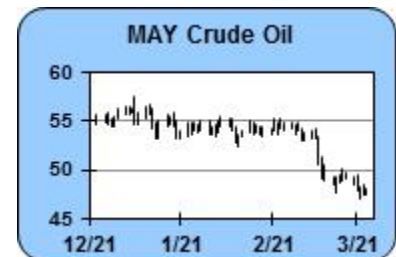
DAILY ENERGY COMPLEX COMMENTARY Monday March 27, 2017

DAILY ENERGY COMPLEX COMMENTARY 03/27/17

Crude oil and products remain on the defensive this morning

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE -38, HEATING OIL -19, UNLEADED GAS -41**

CRUDE OIL MARKET FUNDAMENTALS: The energy complex enters the trading week vulnerable and seemingly poised to extend on the downside. We suspect that part of the declines last week were the result of deteriorating macroeconomic psychology, but we would also suggest a lack of supportive dialogue from OPEC and non-OPEC producers on extending the production cut agreement lets the bear camp be aggressive. With a pattern of US crude oil inventories extending and the pattern of declines in gasoline inventories mostly discounted, we can't rule out a lower low for the move this week. In fact, a noted energy analyst last week suggested that increasing US drillers efforts probably have the capacity to more than offset the impact of the producer reduction agreement. We would also add that without more robust global economic progress, the trade could keep the oversupply mentality in place and that could result in last week's low of \$47.01 in May crude oil being taken out on the downside. Adding into the negative track in prices is the fact that Baker Hughes reported the number of active US rigs drilling for oil increased by 21 last week, with that figure reaching up to the highest level since the third quarter of 2015.



Unfortunately for the bull camp, the Commitments of Traders Futures and Options report as of March 21st for Crude Oil showed Non-Commercial and Non-reportable combined traders still held a hefty net long position of 493,690 contracts. While last week's figures represent a decrease of 26,772 contracts in the net long position, we aren't ready to call for a low off technical signals. The Commitments of Traders Futures and Options report as of March 21st for Crude Oil showed Non-Commercial traders were net long 474,989 contracts, a decrease of 25,170 contracts.

PRODUCT MARKET FUNDAMENTALS: With the May RBOB contract finishing another week with respect for the \$1.60 level on its charts and the net spec and fund long positioning falling to nearly balanced levels, RBOB might be able to stand up against further losses in the crude oil market. Limiting the market to start this week is news of key refinery restarts and somewhat moderate overhead consolidation resistance around the \$1.6290 level. For the RBOB market to forge an upside breakout against current fundamentals probably requires a definitive shift back towards global risk on psychology, or some form of supply-side threat. We do think that the risk to fresh shorts is on the rise, but we suspect this week's range will be defined as \$1.6475 and \$1.5824. The Commitments of Traders Futures and Options report as of March 21st for Gasoline (RBOB) showed Non-Commercial and Non-reportable combined traders held a net long position of 54,972 contracts. The Commitments of Traders Futures and Options report as of March 21st for Heating Oil showed Non-Commercial and Non-reportable combined traders held a net long position of 28,976 contracts.

NATURAL GAS: Natural gas prices have started the new trading week with a gap-higher opening and a new 1 1/2 month high. The bull camp has to be very confident given the strong finish at the end of last week and the ability to claw its way back above the 50 day moving average. In fact, when one considers the action in natural gas over the last 2 weeks has taken place in the face of bearish weather patterns and deterioration in global economic sentiment, it would appear as if the November and February lows were some form of major low in prices. Some traders will suggest that \$2.80 to \$2.90 pricing is below the cost of production for some producing

areas, and that argument might hold water when one considers that this week's US natural gas rig count declined by two. In other words, natural gas exploration is clearly lagging behind the petroleum market.

The Commitments of Traders Futures and Options report as of March 21st for Natural Gas showed Non-Commercial and Non-reportable combined traders held a net long position of 7,653 contracts. The 50 day moving average in May natural gas today comes in at \$3.1180 while support has moved up to \$3.0550. As indicated in this week's COT positioning reports, the net long and natural gas remains minimal at 7,653 contracts and that could allow natural gas prices to claw their way back above \$3.25 this week. However, the bull camp will need some help from positive economic conditions and perhaps expectations of another late-season draw in inventories. However, a failure to hold above \$3.0790 could alter what continues to be a bullish track in prices. On the other hand, an uptrend channel support line from the February and March lows should provide longer-term support today at \$3.0470.

TODAY'S MARKET IDEAS:

While there has been a May 31st date set for discussions on a possible extension of the producer cut agreement, we think that date is too far in the future to provide a cushion to crude oil prices. Granted, the crude oil market has become oversold with the high to low decline in March of \$7.84 but a net spec and fund long positioning of 493,690 contracts is still within 100,000 contracts of the all-time record. In our opinion, the crude oil market won't be close to being balanced until the net spec and fund long is below 420,000 contracts. Downtrend channel resistance today is seen at \$48.62 and we can't rule out a retest of last week's low of \$47.01. Near-term resistance for May RBOB is at \$1.6375 while near-term resistance for March heating oil is at \$1.5240.

NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 3/14/2017 - 3/21/2017						
	Non-Commercial		Net Position	Commercial		Non-Reportable
	Net Position	Weekly Net Change		Weekly Net Change	Net Position	
Energies						
Crude Oil	474,989	-25,170	-493,689	+26,774	18,701	-1,602
Heating Oil	25,406	-6,172	-28,976	+8,919	3,570	-2,747
Natural Gas	-16,221	+20,246	-7,653	-20,213	23,874	-32
Gas (RBOB)	52,996	-2,239	-54,973	+3,934	1,976	-1,696

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) 03/27/2017: 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. The upside daily closing price reversal gives the market a bullish tilt. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside objective is 47.38. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 48.37 and 48.53, while 1st support hits

today at 47.79 and below there at 47.38.

HEATING OIL (MAY) 03/27/2017: The daily stochastics have crossed over up which is a bullish indication. Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. The market's close above the 9-day moving average suggests the short-term trend remains positive. The upside closing price reversal on the daily chart is somewhat bullish. A positive setup occurred with the close over the 1st swing resistance. The next upside target is 152.33. Consider buying pull-backs since daily studies are bullish. The next area of resistance is around 151.89 and 152.33, while 1st support hits today at 150.14 and below there at 148.82.

RBOB GAS (MAY) 03/27/2017: 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 market's close above the 9-day moving average suggests the short-term trend remains positive. The market setup is supportive for early gains with the close over the 1st swing resistance. The next upside objective is 164.33. Short-term indicators suggest buying dips today. The next area of resistance is around 163.59 and 164.33, while 1st support hits today at 160.67 and below there at 158.50.

NATURAL GAS (MAY) 03/27/2017: The major trend could be turning up with the close back above the 60-day moving average. 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. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside objective is at 3.209. The next area of resistance is around 3.189 and 3.209, while 1st support hits today at 3.123 and below there at 3.076.

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	48.08	27.91	29.94	14.28	13.46	48.02	48.58	50.24	52.65	53.25
CLAM7	48.62	26.13	28.91	14.33	13.09	48.54	49.06	50.68	53.05	53.68
HOAK7	151.02	35.55	35.28	13.57	13.97	1.51	1.51	1.54	1.61	1.63
HOAM7	151.76	34.82	34.70	13.21	13.54	1.51	1.52	1.55	1.62	1.64
RBAK7	162.13	39.68	37.05	17.97	20.12	1.61	1.61	1.64	1.73	1.75
RBAM7	162.49	34.16	33.68	15.72	16.46	1.62	1.62	1.65	1.73	1.75
NGAK7	3.156	60.77	56.52	77.64	83.49	3.13	3.07	3.03	3.09	3.16
NGAM7	3.230	61.69	57.18	76.85	83.74	3.20	3.14	3.10	3.16	3.21

Calculations based on previous session. Data collected 03/24/2017

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	47.37	47.78	47.95	48.37	48.53
CLAM7	Crude Oil	47.93	48.34	48.49	48.90	49.05
HOAK7	Heating Oil	148.82	150.14	150.58	151.89	152.33
HOAM7	Heating Oil	149.63	150.91	151.33	152.60	153.03
RBAK7	RBOB Gas	158.49	160.67	161.41	163.59	164.33
RBAM7	RBOB Gas	159.17	161.16	161.83	163.82	164.49
NGAK7	Natural Gas	3.075	3.122	3.142	3.189	3.209
NGAM7	Natural Gas	3.149	3.196	3.216	3.263	3.283

Calculations based on previous session. Data collected 03/24/2017

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