

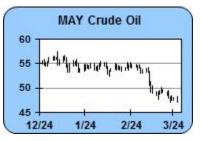
### DAILY ENERGY COMPLEX COMMENTARY Tuesday March 28, 2017

# DAILY ENERGY COMPLEX COMMENTARY 03/28/17

Crude oil complex finding moderate strength, natural gas under pressure

### OVERNIGHT CHANGES THROUGH 6:05 AM (CT): CRUDE +38, HEATING OIL +74, UNLEADED GAS +93

**CRUDE OIL MARKET FUNDAMENTALS:** Crude oil prices are posting moderate gains this morning and are over \$1.00 above their "double bottom lows" from yesterday and last Wednesday. While improvement in risk sentiment has helped crude oil prices to find their footing, they have yet to overcome



burdensome US supply levels. While there were some comments by member nations of the Oil Producers Agreement to extend their output cuts past the June expiration, other nations such as Russia expressed doubts that the current agreement would remain in place. Given the difficulty (and time) it took those nations to put together an agreement, it may not be until late May or early June before we know if output cuts will be extended. Keep in mind that several OPEC members are exempt from participating in output cuts, including Libya where production will increase by 200,000 barrels per day by the end of next month. US crude oil output is expected to grow as the latest Baker Hughes rig count reflected a tenth straight weekly increase which in turn should keep US supply close to historically high levels. Early indications are for crude oil stocks to have a moderate build that would result in another new all-time record high.

**PRODUCT MARKET FUNDAMENTALS:** Both product markets have been able to post moderate gains this morning but remain near the bottom end of their recent downmoves. However, May RBOB was able to bounce off of the \$1.60 level which provides evidence that this area should provide decent near-term support. There are reports that retail gasoline prices have fallen below their January 1st levels for the first time in years, which speak both to ample supply level as well as lukewarm demand over the past few months. Heating oil climbed back into positive territory late in the day to post a modest gain for yesterday's outside day session. Although this set the stage for upside follow-through today, keep in mind that the end of the North American heating season is forecast to be followed by warmer than normal temperature through to the middle of April.

**NATURAL GAS:** May natural gas is finding mild pressure early today after starting out this week by a gap-higher opening and reaching a new six week high, but could not hold onto those early gains and settled near the lows yesterday. Widespread ridging over the entire US should keep cold air up over the ridge and into Canada for the first ten days of April. Demand for heating should retreat significantly in the first week of April. Gas inventories totaled 2,092 bcf as of March 17th, 15% above the five year average. The market gapped above the 100 day moving average at \$3.158, but then closed below that level. The 50% retracement level of the entire first quarter move comes in at \$3.170, and the market tested this level on Monday and closed below it as well. Technically, the market experienced a bit of a failure, and stochastics are a bit overbought. The bull camp will need another late season draw on inventories which looks as though will not happen. A test down to \$3.028 to \$2.972 is possible over the next few days.

### TODAY'S MARKET IDEAS:

May crude has successfully retested the \$47.00 level twice in the past 4 sessions, but has so far been unable to sustain an extended recovery move. While there have been positive vibes from oil-producing nations over extending their output, keep in mind that crude oil prices have taken a sizable plunge from the \$52 to \$57 barrel

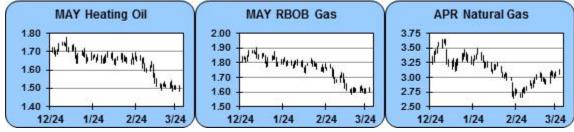
that they held for 3 1/2 months after the agreement was signed. With US supply unlikely to see a significant decline until well into the summer driving season, crude oil will have a difficult time extending any recovery move. Downtrend channel resistance for May crude oil is seen at \$48.51 with near-term support at \$47.01.

#### **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) 03/28/2017: Momentum studies are declining, but have fallen to oversold levels. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The downside closing price reversal on the daily chart is somewhat negative. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is now at 46.53. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 48.38 and 48.93, while 1st support hits today at 47.18 and below there at 46.53.

HEATING OIL (MAY) 03/28/2017: A bullish signal was given with an upside crossover of the daily stochastics. Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. A negative signal for trend short-term was given on a close under the 9-bar moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside target is at 153.51. The next area of resistance is around 152.31 and 153.51, while 1st support hits today at 149.09 and below there at 147.07.

RBOB GAS (MAY) 03/28/2017: Daily momentum studies are on the rise from low levels and should accelerate a move higher on a push through the 1st swing resistance. A positive signal for trend short-term was given on a close over the 9-bar moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside target is 164.86. The next area of resistance is around 164.16 and 164.86, while 1st support hits today at 161.36 and below there at 159.26.

NATURAL GAS (MAY) 03/28/2017: Rising stochastics at overbought levels warrant some caution for bulls. A positive signal for trend short-term was given on a close over the 9-bar moving average. The daily closing price reversal down is a negative indicator for prices. The market's close below the pivot swing number is a mildly negative setup. The next upside objective is 3.231. The next area of resistance is around 3.171 and 3.231, while 1st support hits today at 3.087 and below there at 3.064.

### DAILY TECHNICAL STATISTICS

			14 DAY	14 DAY					
	9 DAY	14 DAY	SLOW	SLOW	4 DAY	9 DAY	18 DAY	45 DAY	60 DAY
CLOSE	RSI	RSI	STOCH D	STOCH K	M AVG	M AVG	M AVG	M AVG	M AVG
ENERGY COMPLEX									

CLAK7	47.78	24.82	28.06	13.63	12.65	47.87	48.51	49.88	52.49	53.10
CLAM7	48.33	24.90	28.12	13.80	12.76	48.42	49.01	50.33	52.90	53.54
HOAK7	150.70	33.91	34.29	13.38	13.84	1.50	1.51	1.54	1.61	1.63
HOAM7	151.43	34.41	34.38	13.11	13.72	1.51	1.52	1.54	1.62	1.64
RBAK7	162.76	42.86	38.87	19.18	22.44	1.61	1.61	1.63	1.72	1.75
RBAM7	162.90	40.10	37.05	16.94	19.39	1.62	1.62	1.64	1.73	1.75
NGAK7	3.129	57.77	54.76	78.23	79.66	3.12	3.08	3.04	3.09	3.15
NGAM7	3.204	58.82	55.54	78.09	80.57	3.20	3.15	3.11	3.16	3.20
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Calculations based on previous session. Data collected 03/27/2017

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 CO</b>	MPLEX								
CLAK7	Crude Oil	46.53	47.18	47.73	48.38	48.93			
CLAM7	Crude Oil	47.09	47.73	48.27	48.91	49.45			
HOAK7	Heating Oil	147.07	149.09	150.29	152.31	153.51			
HOAM7	Heating Oil	148.04	149.95	151.00	152.91	153.96			
RBAK7	RBOB Gas	159.26	161.35	162.06	164.16	164.86			
RBAM7	RBOB Gas	159.61	161.56	162.28	164.23	164.95			
NGAK7	Natural Gas	3.063	3.086	3.147	3.171	3.231			
NGAM7	Natural Gas	3.142	3.164	3.219	3.242	3.297			
Calculations based on previous session. Data collected 03/27/2017									

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