



## DAILY ENERGY COMPLEX COMMENTARY

Monday April 03, 2017

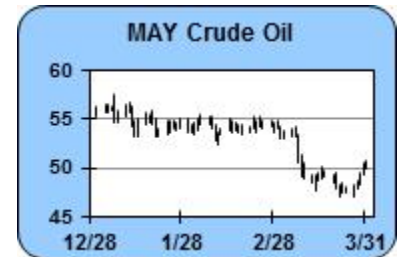
### DAILY ENERGY COMPLEX COMMENTARY

04/03/17

**The bias is up but the rate of gain should slow**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**CRUDE +2, HEATING OIL +20, UNLEADED GAS +21**

**CRUDE OIL MARKET FUNDAMENTALS:** Crude oil prices shook off early pressure last Friday and climbed up to a new 3-week high before finishing Friday with a moderate gain. In fact, an impressive gain last week and a quasi-upside breakout to the highest level since March 9th should have the bear camp back on their heels to start this week. Prospects for lower supply from a coalition of producers continues to provide underlying support to prices as there appears to be a growing consensus to extend the Oil Producers Agreement, Libyan production was disrupted and recent US inventory data has moderated extreme US oversupply fears temporarily. While OPEC leadership this morning is suggesting that Iraq intends to fully comply with its production cut promises that is probably a limited benefit to prices. The Libyan production problems were seemingly isolated to Western Sahara production areas and appear to be resolved this morning. A key issue limiting crude oil prices in the near term is the fact that US drillers extended their string of weekly rigs operating for the 11th straight week and that should leave the fear of ongoing builds in US crude oil inventories in place. The US rig count has now reached up to the highest level since the early part of 2011. In short, going forward the crude oil market will probably be faced with a resumption of builds in US weekly oil inventory readings, slightly adverse currency action and a lack of optimism toward the US economy (as a result of Washington infighting). The Commitments of Traders Futures and Options report as of March 28th for Crude Oil showed Non-Commercial and Non-reportable combined traders held a net long position of 472,939 contracts which is down moderately from the record levels earlier in the year but the latest reading is probably understating the net spec long.



**PRODUCT MARKET FUNDAMENTALS:** Both heating oil and RBOB remain well supported fundamentally as sizable draws in the latest weekly EIA stocks report continue to underpin prices and prices early today sit just under last week's highs. We would also suggest that heating oil and gasoline will continue to be supported by favorable classic technical chart action but the RBOB market has reached a potentially critical pivot point on the charts around \$1.70 and the market was also confronted with news at the end of last week that January US gasoline demand fell by nearly 2% according to the EIA. In another negative fundamental development, the EIA also indicated that US gasoline exports declined by 117,000 barrels in January from December. It goes without saying that further additional gains in the product markets need ongoing strength in crude oil and perhaps some improvement in the US macroeconomic view. The Commitments of Traders Futures and Options report as of March 28th for Gasoline (RBOB) showed Non-Commercial and Non-reportable combined traders held a net long position of 50,373 contracts which from a recent history perspective is a moderately liquidated condition. However, the latest Commitments of Trader's data probably understates the net long when it is adjusted for the gains last week. The Commitments of Traders Futures and Options report as of March 28th for Heating Oil showed Non-Commercial and Non-reportable combined traders held a net long position of 30,771 contracts. The net spec long in heating oil is relatively more overbought than gasoline and that could make it difficult for heating oil to get to and sustain above the \$1.60 level.

**NATURAL GAS:** Natural gas prices were unable to sustain early gains last Friday and fell back towards unchanged levels as forecasts for warmer weather over much of the US ahead will diminish heating demand and

it could deflate bullish sentiment somewhat. A fresh bearish issue for the natural gas market comes from news that US drilling rigs jumped by 5 last week to stand at 160. As in other industrial commodities, natural gas is fighting a less than stellar pattern of improving demand. We would also note that natural gas has returned to a level on the charts around \$3.20 which has been some form of a key pivot point for the last six months. The Commitments of Traders Futures and Options report as of March 28th for Natural Gas showed Non-Commercial and Non-reportable combined traders held a net long position of only 2,897 contracts which is a benign or balanced technical condition. However given a 10 year period where the natural gas market held a considerable net spec and fund short (which denotes a negative overall global macroeconomic viewpoint), we would suggest that a moderate portion of the February through present rally is justified by a return to more normal demand conditions. Fortunately for the bull camp, nearby natural gas prices have managed to sustain above their 50 day moving average and they also remain well above their uptrend channel support of \$3.12. However with natural gas entering a seasonal demand lull and the threat of cold-weather moderating significantly, we think prices have reached a value zone. Closer in critical pivot point support in May natural gas is seen today at \$3.161 and it could take a rise above \$3.237 to signal additional upside price gains.

**TODAY'S MARKET IDEAS:**

While hope for an extension of the production cut agreement is justification for the recovery off last week's low, we aren't convinced that crude oil has significant upside capacity without evidence of an extension of the production restraint agreement and or some fresh supply side disruption. In fact, we are concerned about a resumption of an inflow of supply into US storage ahead and we also think the overall demand prospects are improving at a slower pace than might be needed to offset rising US production trends. On the other hand, it is possible that June crude oil will be able to fight its way back to the \$52.00 level if favor global economic data is compounded by fresh new all-time highs in the Mini-Nasdaq today. Move critical support in June crude oil up to the \$50.56 level and move critical support in June gasoline to the \$1.6632 level.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

	Non-Commercial		Commercial		Non-Reportable	
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
<b>Energies</b>						
Crude Oil	458,008	-16,981	-472,939	+20,750	14,931	-3,770
Heating Oil	25,935	+529	-30,771	-1,795	4,836	+1,266
Natural Gas	-22,863	-6,642	-2,898	+4,755	25,760	+1,886
Gas (RBOB)	50,194	-2,802	-50,373	+4,600	179	-1,797

**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) 04/03/2017: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market's short-term trend is positive on the close above the 9-day

moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside objective is at 51.44. The next area of resistance is around 51.18 and 51.44, while 1st support hits today at 50.28 and below there at 49.64.

HEATING OIL (MAY) 04/03/2017: A positive indicator was given with the upside crossover of the 9 and 18 bar moving average. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. 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 160.31. The next area of resistance is around 159.25 and 160.31, while 1st support hits today at 155.95 and below there at 153.70.

RBOB GAS (MAY) 04/03/2017: The market now above the 40-day moving average suggests the longer-term trend has turned up. Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. A positive signal for trend short-term was given on a close over the 9-bar moving average. With the close over the 1st swing resistance number, the market is in a moderately positive position. The near-term upside objective is at 174.01. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 172.67 and 174.01, while 1st support hits today at 168.31 and below there at 165.30.

NATURAL GAS (MAY) 04/03/2017: The daily stochastics gave a bearish indicator with a crossover down. Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. The close above the 9-day moving average is a positive short-term indicator for trend. 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 downside objective is 3.118. The next area of resistance is around 3.229 and 3.275, while 1st support hits today at 3.151 and below there at 3.118.

## 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	50.73	61.92	52.53	39.03	60.81	49.74	48.74	49.03	52.08	52.71
CLAM7	51.19	61.30	51.92	38.83	59.91	50.19	49.25	49.50	52.48	53.14
HOAK7	157.60	65.53	54.70	41.74	63.43	1.55	1.53	1.52	1.60	1.62
HOAM7	158.23	65.25	54.35	40.78	62.34	1.56	1.53	1.53	1.61	1.63
RBAK7	170.49	70.96	59.08	51.46	72.60	1.67	1.64	1.63	1.71	1.73
RBAM7	169.91	68.95	57.10	47.58	68.80	1.67	1.64	1.64	1.71	1.74
NGAK7	3.190	60.33	57.17	82.52	82.51	3.20	3.16	3.10	3.08	3.13
NGAM7	3.254	60.00	57.16	82.89	82.40	3.27	3.23	3.17	3.14	3.19

Calculations based on previous session. Data collected 03/31/2017

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	49.64	50.28	50.54	51.18	51.44
CLAM7	Crude Oil	50.05	50.71	50.99	51.66	51.93
HOAK7	Heating Oil	153.69	155.94	157.00	159.25	160.31
HOAM7	Heating Oil	154.34	156.57	157.65	159.88	160.96
RBAK7	RBOB Gas	165.29	168.31	169.65	172.67	174.01
RBAM7	RBOB Gas	165.07	167.88	169.13	171.94	173.19
NGAK7	Natural Gas	3.117	3.150	3.196	3.229	3.275
NGAM7	Natural Gas	3.186	3.217	3.260	3.291	3.334

Calculations based on previous session. Data collected 03/31/2017

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