

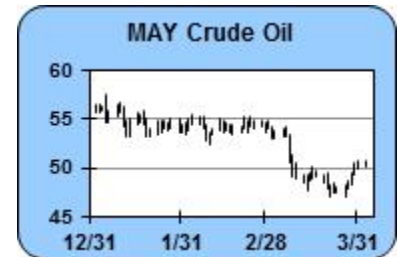


DAILY ENERGY COMPLEX COMMENTARY Tuesday April 04, 2017

DAILY ENERGY COMPLEX COMMENTARY 04/04/17

We think the path of least resistance is pointing down

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE +22, HEATING OIL +53, UNLEADED GAS +23**



CRUDE OIL MARKET FUNDAMENTALS: The crude oil market was content to trade in negative territory yesterday with weakness more than likely the result of news of a restart of production in Libya that was halted last week. One might also suggest that recent strength in the dollar and a noted breakdown in equities this week are presenting crude oil with thicker overhead resistance. There have also been rumors circulating that hedge funds were balancing/banking profits on what had been aggressive long plays in crude oil, and that is understandable given the prior two weeks rally of nearly \$4 per barrel. In fact we would suggest that both supply and demand fundamentals have not changed enough to justify extending the gains of the last two weeks even if there is a rising prospect of an extension of the production cut agreement. In addition to news that North Sea production is poised to reach a 3 month high next month the energy complex would also seem to be facing moderating global demand forecasts. We also think that the trade will anticipate fresh bearish inventory data from both private and government sources later today and early on Wednesday. Another issue that should contribute to ongoing weakness in crude oil is reports of lower crude oil imports into Northwest Europe and Russia. However, some of the lower European import disappointment is countervailed by an increase in energy imports in the Mediterranean.

PRODUCT MARKET FUNDAMENTALS: A development that should lend support to the gasoline market is talk that East Coast refiners have put themselves in a relatively tight summer gasoline inventory position by liquidating winter gasoline supply earlier this year. Therefore the gasoline market has probably alleviated a portion of the bearish argument that sent prices last month down to \$1.60. While some of the gains in the gasoline market early last week were done on rising volume, the gains at the end of the week were met with falling volume and that might suggest nearby gasoline has found an equilibrium price just below \$1.70. With talk of relatively tight summer gasoline inventory levels being seen ahead of the summer driving window that could make upcoming gasoline inventory readings even more critical.

NATURAL GAS: Natural gas prices were seemingly knocked into a moderate downside breakout move yesterday in the wake of news of a restart of development at what many think is the world's largest gas field in Qatar. The vast offshore gas field, called the North Field, accounts for nearly all of Qatar's gas production and about 60% of its export revenue. This should increase production of the North Field by about 10%, adding about 400,000 barrels of oil equivalent per day to Qatar's output. Natural gas futures were up 15% in March and with Friday's COT data showing managed money trend follower's increasing their net length by 12,767 contracts to 149,557, profit taking to start out the new month was noted. Yesterday's low of \$3.125 rests right on trend line support at \$3.128 in the May contract. A close below this trend line could open up further long liquidation. Also, the slow stochastics crossed over from overbought levels on Friday, indicating a loss in momentum. May natural gas support is at \$3.057 followed by \$2.996.

TODAY'S MARKET IDEAS:

While we can't rule out an extension of last week's rally, we just don't see fresh fundamentals to extend on the

upside. Certainly news that oil producers were moving to extend the production cut agreement would elicit some gains, but we have to think that a \$4 rally in nearby crude oil prices already factors in a good portion of that potentiality. We also think that May crude oil prices at \$50 are fairly valued for the current supply and demand combination. However, if there is more talk of hedge funds balancing long crude positions, that could push prices back into the range forged in the second half of March. Pushed into the market we would be a seller of rallies looking for prices to drift back below \$49. We do think that gasoline prices will hold up better than crude oil and heating oil prices.

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) 04/04/2017: 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. It is a slightly negative indicator that the close was under the swing pivot. The near-term upside target is at 51.06. The next area of resistance is around 50.58 and 51.06, while 1st support hits today at 49.88 and below there at 49.65.

HEATING OIL (MAY) 04/04/2017: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market could take on a defensive posture with the daily closing price reversal down. The market's close below the pivot swing number is a mildly negative setup. The next upside objective is 159.52. The next area of resistance is around 157.65 and 159.52, while 1st support hits today at 154.99 and below there at 154.19.

RBOB GAS (MAY) 04/04/2017: The market back below the 40-day moving average suggests the longer-term trend could be turning down. 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. The downside closing price reversal on the daily chart is somewhat negative. The market's close below the pivot swing number is a mildly negative setup. The near-term upside target is at 172.39. The next area of resistance is around 170.72 and 172.39, while 1st support hits today at 168.16 and below there at 167.26.

NATURAL GAS (MAY) 04/04/2017: Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. The market's short-term trend is negative as the close remains below the 9-day moving average. The market setup is somewhat negative with the close under the 1st swing support. The next downside objective is 3.049. Bearish daily studies indicate selling minor rallies this session. The next area of resistance is around 3.200 and 3.276, while 1st support hits today at 3.086 and below there at 3.049.

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	50.23	55.98	49.09	48.05	66.90	50.17	48.94	48.98	51.99	52.60
CLAM7	50.70	56.41	49.32	48.30	67.30	50.64	49.46	49.47	52.39	53.04
HOAK7	156.32	59.11	51.44	50.50	68.01	1.56	1.53	1.52	1.60	1.62
HOAM7	157.07	59.27	51.33	49.72	67.61	1.57	1.54	1.53	1.61	1.62
RBAK7	169.44	66.10	56.57	59.71	76.21	1.69	1.65	1.63	1.71	1.73
RBAM7	169.05	64.65	54.92	56.24	73.57	1.68	1.65	1.64	1.71	1.73
NGAK7	3.143	53.46	53.31	80.48	76.40	3.19	3.16	3.11	3.07	3.13
NGAM7	3.222	52.46	52.85	80.41	75.45	3.25	3.23	3.17	3.14	3.19

Calculations based on previous session. Data collected 04/03/2017

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	49.64	49.87	50.35	50.58	51.06
CLAM7	Crude Oil	50.14	50.36	50.82	51.04	51.50
HOAK7	Heating Oil	154.18	154.98	156.85	157.65	159.52
HOAM7	Heating Oil	155.04	155.82	157.54	158.32	160.04
RBAK7	RBOB Gas	167.25	168.15	169.82	170.72	172.39
RBAM7	RBOB Gas	167.07	167.91	169.34	170.18	171.61
NGAK7	Natural Gas	3.048	3.086	3.162	3.200	3.276
NGAM7	Natural Gas	3.138	3.173	3.236	3.271	3.334

Calculations based on previous session. Data collected 04/03/2017

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