



DAILY ENERGY COMPLEX COMMENTARY

Wednesday April 05, 2017

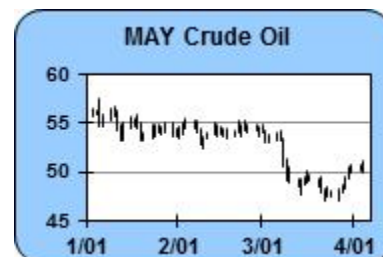
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04/05/17

Improved economic sentiment/tightening inventories are bullish

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE +47, HEATING OIL +154, UNLEADED GAS +73

CRUDE OIL MARKET FUNDAMENTALS: With a wide two-sided trade in crude oil yesterday and a fresh upside extension breakout action on the charts this morning, the hopes of the bull camp appear to have been fully revived. Apparently some analysts and traders think that US EIA crude oil inventories were likely to contract this week because of improving demand, while other analysts are projecting a return to \$60 oil pricing in the event of an extension of the producer cut agreement. While expectations called for a minimal decline in US crude oil inventories later today news of a 1.8 million barrel decline in stocks from the API has stoked expectations of tightening stocks from the EIA. The mere avoidance of a build in crude stocks in the face of months of rising rig operating counts would seem to confirm some measure of improved demand and with that news combined with some North Sea supply problems a return to levels above \$52.90 looks likely. Another issue that might lend some ongoing support to crude oil pricing is evidence that US crude oil exports in February reached up 1.1 million barrels per day, especially with a large portion of the increasing export supply apparently going to Asia. Furthermore with the energy markets seeing a noted increase in both crude and natural gas exports the importance of forward progression in the global economy on oil prices should not be underestimated. Unfortunately for the bull camp, news that Libyan production from a troubled oil field has returned to 200,000 barrels per day is probably serving to hold back gains on the charts. It is possible that renewed chatter regarding tax reform and infrastructure spending in the US could help to improve macroeconomic psychology which in turn could facilitate even more optimistic energy demand projections. In our opinion, the bull camp will be happy with even a modest decline in US crude oil stocks today from the Energy Information Agency.



PRODUCT MARKET FUNDAMENTALS: While we are suspicious of significant gains in crude oil ahead, we think gasoline is likely to outperform the rest of the energy complex. In addition to classic cyclical demand gains, it also seems as if refiners have worked hard to avoid building excess supply through the typical spring demand lull. Therefore, the initial ramping up of summer gasoline supply might not elicit as much bearish anxiety as feared and the relatively lower supply levels could make minimal supply-side glitches in the coming months more important. The trade generally expected EIA product stocks to decline minimally today but seeing the API lower heating oil stocks by 2.09 million and gasoline stocks by 2.55 million barrels simply fans the bull case. In fact with last week's gasoline stocks declining by a surprisingly large 3.7 million barrels there is a strong case that gasoline stocks will enter the summer driving season in a supportive condition. It should be noted that gasoline prices this morning have taken out a three month old downtrend channel resistance line in the May gasoline contract, and that could suggest more near term gains in prices.

Weekly EIA Petroleum Estimates - Week Ending 3/31/2017 - In Million Barrels				
	High Estimate	Low Estimate	Stocks Last Week	Stocks Change Last Week
Crude Oil	-0.2	-0.6	534	534
Distillates	-0.8	-1.2	152.9	152.9
Gasoline	-1.2	-1.6	239.7	239.7

NATURAL GAS: May natural gas surged over 5% yesterday to trade at price levels not seen since early February. News of lower US January gas production combined with speculation that exports could start to erode the supply glut quickly puts the bull camp back in control. In fact Cheniere Energy prepares to start operations of its third Louisiana LNG production unit and there are many other export terminals rushing to begin operations and that should have the bear camp rocked back on their heels. Furthermore traders believe shipments to Mexico and overseas buyers could leave stockpiles of US natural gas below normal. May natural gas ended Tuesday's trade with a very bullish outside day higher close. Natural gas futures held a long term trend line at \$3.144 yesterday and extended higher to close at \$3.293, which was the highest settlement since January 30th. The market also settled above the 61.8% retracement level of \$3.271 which is taken from the entire December 28th high of \$3.601 and the February 28th low of \$2.739. A second close above \$3.271 could indicate a retest of the old high.

TODAY'S MARKET IDEAS:

As long as there continues to be a modest improvement in economic psychology, ongoing discussions of a production cut extension, evidence of expanding US exports and positive US inventory results, it could be difficult to discount a rally in June crude oil back up to \$52.90. As indicated in last week's coverage, the \$52.50 level would appear to be some form of major pivot point/value zone as the market has fluctuated around both sides of that pivot point for nearly 8 months. We would suggest strong value support in May crude oil is now seen at \$51.19 and there is little in the way of resistance seen until the \$52.36 level.

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) 04/05/2017: The upside crossover of the 9 and 18 bar moving average is a positive signal. 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. The outside day up is somewhat positive. There could be more upside follow through since the market closed above the 2nd swing resistance. The near-term upside objective is at 52.09. The next area of resistance is around 51.74 and 52.09, while 1st support hits today at 50.46 and below there at 49.53.

HEATING OIL (MAY) 04/05/2017: The cross over and close above the 40-day moving average is an indication the longer-term trend has turned positive. Momentum studies are trending higher but have entered overbought levels. A positive signal for trend short-term was given on a close over the 9-bar moving average. The outside day up and close above the previous day's high is a positive signal. The market setup is supportive for early gains with the close over the 1st swing resistance. The near-term upside objective is at 163.03. The next area of resistance is around 161.64 and 163.03, while 1st support hits today at 157.06 and below there at 153.88.

RBOB GAS (MAY) 04/05/2017: The major trend could be turning up with the close back above 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 outside day up and close above the previous day's high is a positive signal. There could be more upside follow through since the market closed above the 2nd swing resistance. The next upside objective is 175.42. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 174.40 and 175.42, while 1st support hits today at 170.38 and below there at 167.37.

NATURAL GAS (MAY) 04/05/2017: The major trend could be turning up with the close back above the 60-day moving average. A bullish signal was given with an upside crossover of the daily stochastics. 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 outside day up and close above the previous day's high is a positive signal. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The next upside objective is 3.432. The next area of resistance is around 3.384 and 3.432, while 1st support hits today at 3.204 and below there at 3.073.

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	51.10	63.71	54.84	57.89	77.47	50.57	49.29	49.06	51.93	52.52
CLAM7	51.55	63.65	54.74	57.93	77.20	51.02	49.78	49.54	52.33	52.95
HOAK7	159.35	68.42	58.52	59.67	77.97	1.57	1.54	1.53	1.60	1.61
HOAM7	160.06	68.34	58.27	58.93	77.33	1.58	1.55	1.53	1.60	1.62
RBAK7	172.39	73.00	62.40	67.89	84.37	1.70	1.66	1.64	1.71	1.73
RBAM7	171.95	72.40	61.28	64.91	82.26	1.70	1.66	1.64	1.71	1.73
NGAK7	3.294	66.30	61.80	81.08	83.38	3.20	3.18	3.12	3.07	3.13
NGAM7	3.366	67.40	62.67	81.62	84.03	3.27	3.25	3.19	3.14	3.19

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

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	49.53	50.46	50.81	51.74	52.09
CLAM7	Crude Oil	49.99	50.91	51.27	52.19	52.55
HOAK7	Heating Oil	153.87	157.06	158.45	161.64	163.03
HOAM7	Heating Oil	154.60	157.77	159.16	162.34	163.72
RBAK7	RBOB Gas	167.36	170.37	171.39	174.40	175.42
RBAM7	RBOB Gas	166.90	169.92	170.97	173.98	175.03
NGAK7	Natural Gas	3.072	3.204	3.252	3.384	3.432
NGAM7	Natural Gas	3.151	3.279	3.325	3.453	3.499

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

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