



DAILY ENERGY COMPLEX COMMENTARY

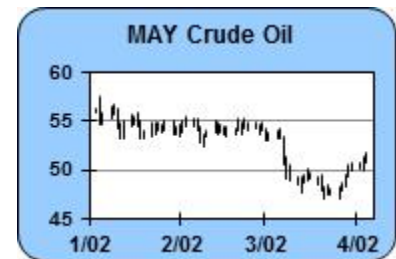
Thursday April 06, 2017

DAILY ENERGY COMPLEX COMMENTARY

04/06/17

The bull camp needs economic optimism today

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE +17, HEATING OIL +78, UNLEADED GAS +8**



CRUDE OIL MARKET FUNDAMENTALS: While the crude oil contract yesterday forged an impressive upside extension and it is trading higher this morning we still think the market might have reached an equilibrium price at the high yesterday. In fact the trade was expecting a clean sweep of declining inventory levels from the EIA and instead it was presented with a 1.5 million barrel build in crude stocks. Prices were also knocked back from the highs because of smaller than anticipated products stock draws. Crude prices were helped to the higher high yesterday because of the early favorable US economic data and they are being lifted this morning because of favorable Asian demand headlines. The bull camp might also point to an increase in trading volume as a possible sign that investors and hedge funds are rebuilding their long positioning. The question for crude oil prices going forward is whether the recent supply-side issues combined with generally upbeat demand expectations are enough to sustain prices above the psychologically important \$52 level? Crude stocks at 535.543 million barrels is the highest ever for this week. EIA crude stocks rose 1.5 million barrels and are 36.9 million barrels above year ago levels. Also, crude stocks stand 135.5 million barrels above the five year average. Crude oil imports for the week stood at 7.85 million barrels per day compared to 8.2 million barrels the previous week. The refinery operating rate was 90.80% up, 1.50% from last week compared to 91.40% last year and the five year average of 87.92%.

PRODUCT MARKET FUNDAMENTALS: Like crude oil, the gasoline market rallied to a new high for the move yesterday but failed to hold that pulse up move yesterday. The May gasoline contract at the high yesterday seemed to run into the underside of the December through February consolidation and that might point to a near term peak in gasoline pricing unless strength in crude oil prices returns later today. In fact with the weekly US implied gasoline demand figure coming in somewhat anemic and gasoline inventories not falling as much as was anticipated yesterday, there is some evidence that would support the argument of a temporary top. While it continues to be a little early for an upswing in weekly gasoline demand figures, seeing gasoline demand actually fall over the past four weeks has to be discouraging to the bull camp. EIA gasoline stocks fell 618,000 barrels and are 4.895 million barrels below last year and 14.227 million above the five year average. Average total gasoline demand for the past four weeks was down 0.55% compared to last year. Gasoline imports came in at 607,000 barrels per day compared to 521,000 barrels the previous week. EIA distillate stocks fell 536,000 barrels and stand at 10.61 million barrels below last year and 22.813 million above the five year average. Distillate imports came in at 131,000 barrels per day compared to 115,000 barrels the previous week. Average total distillate demand for the past four weeks was up 13.88% compared to last year. Heating oil stocks at 10.018 million barrels is the lowest for this week since 2015 EIA heating oil stocks fell 310,000 barrels and are 3.245 million barrels below last year and 6.409 million below the five year average.

| Weekly EIA Petroleum Report | | | | | In Million Barrels | | |
|-----------------------------|---------|---------------|---------------|----------------|--------------------|----------------------|----------|
| CRUDE OIL | | Stocks | | | Imports | Refinery Capacity(%) | |
| Week Of | Current | Weekly Change | Yearly Change | 5 Year Average | Current | Current | Year Ago |

| | | | | | | | |
|--------------------|----------------|----------------------|----------------------|-----------------------|----------------|----------------|-----------------|
| 3/31/2017 | 535.543 | 1.566 | 36.945 | 399.995 | 7.85 | 90.8 | 91.4 |
| DISTILLATES | Stocks | | | | Imports | Demand | |
| Week Of | Current | Weekly Change | Yearly Change | 5 Year Average | Current | Current | Year Ago |
| 3/31/2017 | 152.374 | -0.536 | -10.61 | 129.561 | 0.131 | 4.098 | 3.609 |
| GASOLINE | Stocks | | | | Imports | Demand | |
| Week Of | Current | Weekly Change | Yearly Change | 5 Year Average | Current | Current | Year Ago |
| 3/31/2017 | 239.103 | -0.618 | -4.895 | 224.876 | 0.607 | 9.245 | 9.224 |

NATURAL GAS: Natural gas traded up to the highest level since January 30th in early trading yesterday, but saw profit taking from speculative longs as today's inventory report could see an injection into stockpiles. The average estimate for today's report is looking for an 8 bcf increase compared to the five year average of a 13 bcf decline in stocks. Inventories total 2,049 bcf as of March 24th which is 14% above the five year average. While, May natural gas put in a new high for the move at \$3.347 yesterday and that should have the bear camp sitting back on its heels a bit, the odds of more profit taking from trend followers is high as the managed money length is at 149,557 contracts as of March 28th, which is just shy of the record 172,670 contracts on January 3rd 2017.

TODAY'S MARKET IDEAS:

While the crude oil market retains an impressively bullish chart formation, the low to high rally of \$4.00 per barrel over the last several weeks and any ongoing inability to climb above the \$52 level could point to a temporary top in prices. In fact, we would suggest the bull camp needs a quick return to talk of a production cut extension, a return to broad-based "risk on" psychology and further confirmation of strong Asian demand to make more higher highs for the move.

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) 04/06/2017: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's short-term trend is positive on the close above the 9-day moving average. The daily closing price reversal down puts the market on the defensive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside objective is 52.23. The next area of resistance is around 51.44 and 52.23, while 1st support hits today at 50.30 and below there at 49.95.

HEATING OIL (MAY) 04/06/2017: 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 market has a slightly positive tilt with the close over the swing pivot. The next upside target is 163.20. The next area of resistance is

around 161.21 and 163.20, while 1st support hits today at 158.25 and below there at 157.28.

RBOB GAS (MAY) 04/06/2017: 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 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 near-term upside target is at 174.91. The next area of resistance is around 172.75 and 174.91, while 1st support hits today at 169.43 and below there at 168.26.

NATURAL GAS (MAY) 04/06/2017: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's short-term trend is positive on the close above the 9-day moving average. The daily closing price reversal down puts the market on the defensive. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside objective is at 3.378. The next area of resistance is around 3.316 and 3.378, while 1st support hits today at 3.224 and below there at 3.193.

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 | 50.87 | 60.99 | 53.24 | 64.03 | 77.23 | 50.69 | 49.63 | 49.15 | 51.86 | 52.46 |
| CLAM7 | 51.33 | 64.40 | 55.32 | 64.97 | 79.49 | 51.22 | 50.15 | 49.66 | 52.27 | 52.89 |
| HOAK7 | 159.73 | 69.43 | 59.34 | 66.15 | 79.37 | 1.58 | 1.55 | 1.53 | 1.59 | 1.61 |
| HOAM7 | 160.31 | 71.12 | 60.59 | 66.32 | 81.12 | 1.59 | 1.56 | 1.54 | 1.60 | 1.62 |
| RBAK7 | 171.09 | 66.79 | 58.85 | 72.43 | 82.50 | 1.71 | 1.67 | 1.64 | 1.70 | 1.73 |
| RBAM7 | 170.92 | 70.26 | 60.15 | 70.89 | 83.32 | 1.70 | 1.67 | 1.64 | 1.71 | 1.73 |
| NGAK7 | 3.270 | 63.24 | 59.95 | 81.49 | 82.38 | 3.22 | 3.20 | 3.13 | 3.07 | 3.14 |
| NGAM7 | 3.347 | 64.38 | 60.85 | 81.97 | 82.74 | 3.29 | 3.27 | 3.20 | 3.14 | 3.20 |

Calculations based on previous session. Data collected 04/05/2017

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 | 49.95 | 50.30 | 51.09 | 51.44 | 52.23 |
| CLAM7 | Crude Oil | 50.41 | 50.76 | 51.54 | 51.89 | 52.67 |
| HOAK7 | Heating Oil | 157.28 | 158.25 | 160.24 | 161.21 | 163.20 |
| HOAM7 | Heating Oil | 158.00 | 158.88 | 160.86 | 161.74 | 163.72 |
| RBAK7 | RBOB Gas | 168.25 | 169.42 | 171.58 | 172.75 | 174.91 |
| RBAM7 | RBOB Gas | 168.34 | 169.42 | 171.34 | 172.42 | 174.34 |
| NGAK7 | Natural Gas | 3.192 | 3.223 | 3.285 | 3.316 | 3.378 |
| NGAM7 | Natural Gas | 3.270 | 3.301 | 3.361 | 3.392 | 3.452 |

Calculations based on previous session. Data collected 04/05/2017

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