



DAILY ENERGY COMPLEX COMMENTARY

Monday April 10, 2017

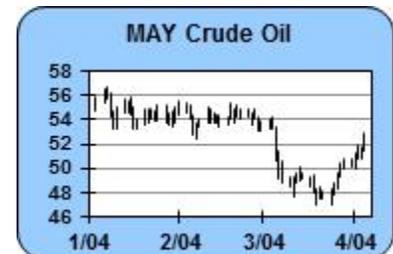
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04/10/17

Crude is supported by ongoing global geopolitical events

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE +40, HEATING OIL +116, UNLEADED GAS +52

CRUDE OIL MARKET FUNDAMENTALS: From a technical perspective, the crude oil market had to knock some bears back to the sidelines at the end of last week with the strong range up action last Friday. However, with prices getting closer to significant overhead consolidation resistance on the charts, the bull camp might need ongoing anxiety in the Middle East and/or more definitive talk of a production cut agreement extension to extend the gains straight away. On the other hand, news of a Syrian led attack over the weekend, fresh supply problems in Libya, news that the US was moving a task force toward North Korea, reports of a pipeline explosion in Yemen, incendiary comments from Russia and several bombings of Christian churches in Egypt would seem to more than countervail the technically overbought condition of crude oil from the March and early April run up. At least to start today the markets don't appear to be showing definitive action to the weekend news and the dollar is showing signs of strengthening further and therefore we are skeptical of a noted range up extension this week because of the rather anemic US non-farm payrolls. In the end, significantly higher trading volume on the range up move last Friday would seem to suggest that the near term trend is indeed pointing upward. The Commitments of Traders Futures and Options report as of April 4th for Crude Oil showed Non-Commercial and Non-reportable combined traders held a net long position of 457,334 contracts but that measure is probably understated given the added \$1 of gain forged after the report was compiled. Until the net spec and fund long in crude oil/options reaches back toward 601,000 contracts we can't argue against more gains. Tempering the bullish tilt in crude oil is evidence of the 12th straight week of expansion in US drilling rigs from last week and talk that Qatar was accused of sneaking out exports.



PRODUCT MARKET FUNDAMENTALS: The gasoline market looks to continue to draft support from strength in crude oil prices which in turn look to be lifted further because of a myriad of geopolitical developments that should leave anxiety toward supply in place. While the crude oil market managed last week's sharp range up on a definitive increase in trading volume, the gasoline market last Friday ranged up sharply on less than average volume and a slight rise in open interest. We would also note that the highs on Friday reached up into significant overhead resistance from the December through February consolidation. While the market saw a slight US refinery glitch at the end of last week and European gas markets saw a surge in export demand, the US is in the midst of a slight seasonal demand lull and some of the trade saw the latest jobs data from the US as undermining of lofty demand expectations for the coming summer. The Commitments of Traders Futures and Options report as of April 4th for Gasoline (RBOB) showed Non-Commercial and Non-reportable combined traders held a net long position of 61,436 contracts that positioning is generally liquidated. The Commitments of Traders Futures and Options report as of April 4th for Heating Oil showed Non-Commercial and Non-reportable combined traders held a net long position of 34,329 contracts.

NATURAL GAS: The bear camp will point to the fact that natural gas ended last week with the inability to make a fresh higher high for the move in the last two trading sessions of last week and there has been some fresh chart damage this morning and that might hint at a loss of bullish momentum. Furthermore the Baker Hughes natural gas drilling rig count reached 165 (a gain of 5 on the week) and it should also be noted that horizontal drilling rigs rose by 10 to stand at 695. Uptrend channel support in May natural gas today comes in down at \$3.1800 with a

critical pivot point at the 0.618 retracement of the December through February move coming in up at \$3.272. The Commitments of Traders Futures and Options report as of April 4th for Natural Gas Non-Commercial and Non-reportable combined traders held a net long position of only 15,466 contracts. This represents an increase of 12,569 contracts in the net long position held by these traders.

TODAY'S MARKET IDEAS:

At least at the start this week, the path of least resistance looks to be up unless the risk off condition is expanded by noted weakness in global equity markets. We do think crude oil prices will outperform gasoline prices as many of the geopolitical issues are of a direct impact nature to crude oil. While the June crude oil contract rallied above the 50% retracement level of the January through March correction, it was unable to hold that level of \$52.76 and that could leave that price as a critical pivot point today. It should be noted that June crude oil managed to rise back above its 50 day moving average of \$52.40 at the end of last week. With help from ongoing geopolitical issues in Syria, the June crude oil contract might have the potential to rise above \$54 this week.

NEW RECOMMENDATIONS:

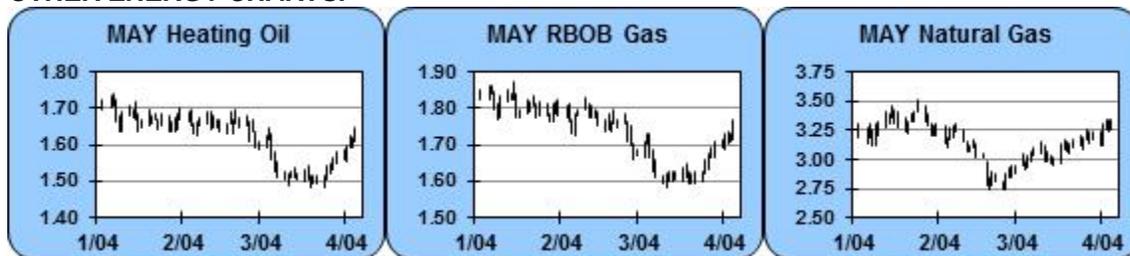
None.

PREVIOUS RECOMMENDATIONS:

None.

| Commitment of Traders - Futures and Options - 3/28/2017 - 4/4/2017 | | | | | | |
|--|----------------|-------------------|--------------|-------------------|----------------|-------------------|
| | Non-Commercial | | Commercial | | Non-Reportable | |
| | Net Position | Weekly Net Change | Net Position | Weekly Net Change | Net Position | Weekly Net Change |
| Energies | | | | | | |
| Crude Oil | 462,560 | +4,552 | -457,333 | +15,606 | -5,226 | -20,157 |
| Heating Oil | 27,027 | +1,092 | -34,328 | -3,557 | 7,302 | +2,466 |
| Natural Gas | -17,543 | +5,320 | -15,467 | -12,569 | 33,009 | +7,249 |
| Gas (RBOB) | 56,341 | +6,147 | -61,437 | -11,064 | 5,095 | +4,916 |

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) 04/10/2017: 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. A positive setup occurred with the close over the 1st swing resistance. The near-term upside target is at 53.67. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 52.95 and 53.67, while 1st support hits today at 51.51 and below there at 50.78.

HEATING OIL (MAY) 04/10/2017: Rising stochastics at overbought levels warrant some caution for bulls. The close above the 9-day moving average is a positive short-term indicator for trend. With the close over the 1st swing resistance number, the market is in a moderately positive position. The near-term upside objective is at 166.36. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 164.62 and 166.36, while 1st support hits today at 160.90 and below there at 158.93.

RBOB GAS (MAY) 04/10/2017: 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 market setup is supportive for early gains with the close over the 1st swing resistance. The near-term upside target is at 179.16. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 176.67 and 179.16, while 1st support hits today at 171.61 and below there at 169.05.

NATURAL GAS (MAY) 04/10/2017: 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 market could take on a defensive posture with the daily closing price reversal down. The market setup is somewhat negative with the close under the 1st swing support. The next downside objective is 3.192. The next area of resistance is around 3.300 and 3.363, while 1st support hits today at 3.215 and below there at 3.192.

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 | 52.23 | 72.12 | 61.56 | 76.53 | 86.39 | 51.53 | 50.58 | 49.54 | 51.74 | 52.39 |
| CLAM7 | 52.62 | 72.15 | 61.55 | 76.52 | 86.09 | 51.97 | 51.04 | 50.02 | 52.14 | 52.82 |
| HOAK7 | 162.76 | 76.28 | 65.23 | 77.79 | 87.30 | 1.61 | 1.58 | 1.54 | 1.59 | 1.61 |
| HOAM7 | 163.32 | 76.50 | 65.28 | 77.71 | 87.49 | 1.62 | 1.58 | 1.55 | 1.60 | 1.62 |
| RBAK7 | 174.14 | 74.96 | 65.02 | 80.76 | 86.88 | 1.73 | 1.70 | 1.66 | 1.70 | 1.73 |
| RBAM7 | 173.84 | 76.90 | 65.85 | 80.31 | 88.01 | 1.73 | 1.70 | 1.66 | 1.71 | 1.73 |
| NGAK7 | 3.258 | 58.21 | 57.30 | 82.75 | 81.84 | 3.29 | 3.23 | 3.16 | 3.07 | 3.14 |
| NGAM7 | 3.330 | 58.96 | 57.98 | 82.98 | 81.70 | 3.36 | 3.30 | 3.23 | 3.14 | 3.20 |

Calculations based on previous session. Data collected 04/07/2017

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 | 50.77 | 51.50 | 52.22 | 52.95 | 53.67 |
| CLAM7 | Crude Oil | 51.19 | 51.90 | 52.62 | 53.33 | 54.05 |
| HOAK7 | Heating Oil | 158.92 | 160.90 | 162.64 | 164.62 | 166.36 |
| HOAM7 | Heating Oil | 159.62 | 161.50 | 163.26 | 165.14 | 166.90 |
| RBAK7 | RBOB Gas | 169.04 | 171.61 | 174.10 | 176.67 | 179.16 |
| RBAM7 | RBOB Gas | 169.09 | 171.48 | 173.80 | 176.19 | 178.51 |
| NGAK7 | Natural Gas | 3.191 | 3.215 | 3.277 | 3.300 | 3.363 |
| NGAM7 | Natural Gas | 3.262 | 3.286 | 3.349 | 3.373 | 3.436 |

Calculations based on previous session. Data collected 04/07/2017

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