



DAILY ENERGY COMPLEX COMMENTARY Tuesday April 11, 2017

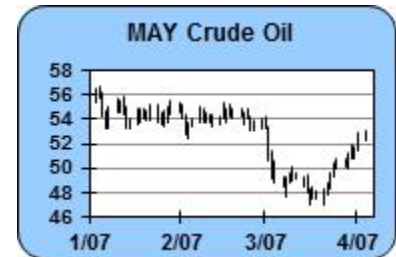
DAILY ENERGY COMPLEX COMMENTARY 04/11/17

Choppy action might indicate technical balancing is due

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE +3, HEATING OIL +44, UNLEADED GAS -14**

CRUDE OIL MARKET FUNDAMENTALS: The bull camp retained control of the crude oil market yesterday with a modest early higher high for the move and a very positive close and the markets might derive some minimal support from word overnight that Saudi oil output has fallen to the lowest level since January.

Weakness in the dollar, residual Middle East geopolitical concerns and a fresh supply glitch in Libya should provide a bullish underpin for prices. With the May crude oil contract at the end of last week spiking above its 50 day moving average and forging an upside extension yesterday, it would seem like the prospect of Middle East tensions is being embraced by the trade. Certainly renewed supply issues in Libya have provided lift to prices to start the week but we think crude oil will need persistent and tangible Middle East supply threats for the market to claw its way through an extremely thick overhead consolidation zone resistance from the January and February timeframe. An issue that could serve to hold back crude and other physical commodity markets is comments from the US Federal Reserve chairman yesterday that the Fed wants to be ahead of the curve and that it ultimately wants to raise Fed funds rate toward neutral. In short, we can't argue against some additional upside follow-through early today but late in the trading session today the market could be presented with a build in US crude oil inventories from a private source and that could along with a short-term overbought condition, thicken resistance around the \$53.90 level in the June contract.



PRODUCT MARKET FUNDAMENTALS: While the May gasoline contract was unable to make a higher high for the move yesterday, it spent nearly all the Monday trade in positive territory and it also managed a temporary print above the prior trading session's high which would seem to indicate residual bullish control. A minor refinery glitch probably provided some support yesterday but talk of weakening Chicago gasoline prices off a normal seasonal demand slide has tempered bullish sentiment. Furthermore with the March low to the recent high and the May gasoline contract forging an impressive 18 cent rally that has left short-term technical indicators like stochastics potentially signaling a sell. However residual upside action in crude oil and talk that Saudi output is falling could help to drag gasoline up toward significant consolidation resistance of \$1.7850.

NATURAL GAS: With market failing to hold its ground yesterday and the market unable to shake off pressure from warmer US weather this week we have to give the bear camp the edge today. In fact the latest 6-10 forecasts are calling for warmer than normal temperatures over much of the US with the lone exception being mild conditions in the Pacific Northwest. However the UK gas market is tossing around the idea of generally lower overall supply this morning. With the latest uptick in the Baker Hughes gas drilling rig count recently suggests that supply ahead will probably recover ahead. In the end mild US weather conditions will continue to weigh on natural gas and without global risk sentiment turning higher the bears look to prevail. Uptrend channel support in May natural gas today comes in just below the market at \$3.2090 level while resistance is at \$3.2900.

TODAY'S MARKET IDEAS:

While a few of the known geopolitical threats from last week are staying out of the headlines, those issues still remain in place and have yet to be solved. However, with a tangible reduction in supply from troubles in Libya, the

tighter Saudi output news overnight and short-term technical indicators in May crude oil not yet registering actual sell signals, we can't argue against more hard-fought gains to the next upside objective of \$53.65. Critical support in May crude oil comes at the 50 day moving average of \$51.97. On a temporary rally above \$54, we will become interested in buying some longer dated put options.

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) 04/11/2017: The major trend could be turning up with the close back above the 60-day moving average. 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. A positive setup occurred with the close over the 1st swing resistance. The next upside target is 53.72. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 53.50 and 53.72, while 1st support hits today at 52.68 and below there at 52.07.

HEATING OIL (MAY) 04/11/2017: Rising stochastics at overbought levels warrant some caution for bulls. The market's short-term trend is positive on the close above the 9-day moving average. Market positioning is positive with the close over the 1st swing resistance. The near-term upside target is at 166.34. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 165.81 and 166.34, while 1st support hits today at 163.79 and below there at 162.31.

RBOB GAS (MAY) 04/11/2017: 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. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside target is 177.22. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 176.79 and 177.22, while 1st support hits today at 175.17 and below there at 173.97.

NATURAL GAS (MAY) 04/11/2017: 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 close above the 9-day moving average suggests the short-term trend remains positive. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is 3.186. The next area of resistance is around 3.273 and 3.315, while 1st support hits today at 3.209 and below there at 3.186.

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	53.09	76.96	65.88	81.50	91.39	52.05	51.10	49.75	51.70	52.36
CLAM7	53.49	77.19	66.06	81.48	91.30	52.47	51.55	50.23	52.10	52.78
HOAK7	164.80	79.95	68.68	82.59	92.06	1.62	1.59	1.55	1.59	1.61
HOAM7	165.55	80.14	68.73	82.44	91.90	1.63	1.60	1.56	1.60	1.62
RBAK7	175.98	78.35	68.07	84.44	91.08	1.74	1.71	1.67	1.70	1.73
RBAM7	175.85	79.58	68.36	84.02	91.45	1.74	1.71	1.67	1.70	1.73
NGAK7	3.241	56.16	56.03	80.74	76.54	3.27	3.24	3.17	3.07	3.14
NGAM7	3.315	56.17	56.24	80.50	75.53	3.35	3.31	3.24	3.14	3.20

Calculations based on previous session. Data collected 04/10/2017

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	52.06	52.67	52.89	53.50	53.72
CLAM7	Crude Oil	52.45	53.07	53.29	53.91	54.13
HOAK7	Heating Oil	162.30	163.79	164.32	165.81	166.34
HOAM7	Heating Oil	162.89	164.48	165.03	166.62	167.17
RBAK7	RBOB Gas	173.96	175.16	175.59	176.79	177.22
RBAM7	RBOB Gas	173.71	174.99	175.42	176.70	177.13
NGAK7	Natural Gas	3.185	3.208	3.250	3.273	3.315
NGAM7	Natural Gas	3.259	3.282	3.324	3.347	3.389

Calculations based on previous session. Data collected 04/10/2017

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