



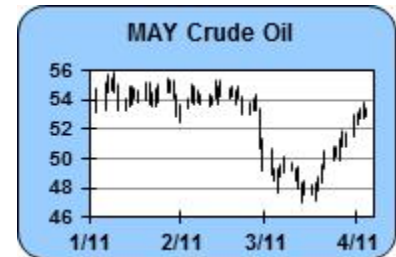
DAILY ENERGY COMPLEX COMMENTARY Monday April 17, 2017

DAILY ENERGY COMPLEX COMMENTARY 04/17/17

Control shifts back to the bear camp this week

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE -50, HEATING OIL -126, UNLEADED GAS -171**

CRUDE OIL MARKET FUNDAMENTALS: While Chinese energy demand remains at record levels news over the weekend of a sharp increase in Chinese March crude throughput counter veiled some of the supportive vibe from the demand front. However with a series of bearish supply-side developments in place the fresh downside breakout and four day low leaves the bear camp in control to start today. News that US drillers expanded activity for the 13th week in a row (in news at the end of last week) should point to the fact that OPEC and non-OPEC oil producers will have to do increasing more reductions to offset rising US supply. In our opinion the resolve of OPEC producers to reduce output consistently and to comply with output restraint is "always" in question. In addition to a series of stories last week touting the aggressive production from the Texas region the energy markets are also presented with news that investment is pouring into shale areas at an aggressive pace. In conclusion fresh chart damage, negative demand conditions outside of China and a generally overbought spec and fund long positioning puts the bear camp in control to start the trading week. The Commitments of Traders Futures and Options report as of April 11th for Crude Oil showed Non-Commercial and Non-reportable combined traders held a net long position of 462,889 contracts. However, this only represents an increase of 5,555 contracts in the net long position held by the specs last week.



PRODUCT MARKET FUNDAMENTALS: Like the crude oil market the gasoline market has damaged its charts again overnight and would appear to be headed down toward the next even number level of \$1.70. It goes without saying that spillover negatives from the crude oil market and a distinct pattern of slackening US economic data points leaves both supply and demand in the Bear's camp. In an indirect negative near record Chinese refinery activity probably offsets some of the potential export demand windfall off the robust Chinese economic data overnight. The next critical close in support point for June unleaded is seen at \$1.7141. The Commitments of Traders Futures and Options report as of April 11th for Gasoline (RBOB) Non-Commercial and Non-reportable combined traders held a net long position of 62,085 contracts. The Commitments of Traders Futures and Options report as of April 11th for Heating Oil showed Non-Commercial and Non-reportable combined traders held a net long position of 43,243 contracts. This represents an increase of 8,914 contracts in the net long position held by these traders.

NATURAL GAS: The 10 day forecasts for the upper Midwest is for temperatures generally above heating levels and the charts in the natural gas contract are showing some signs of weakness to start the new trading week. Uptrend channel support in the June natural gas contract to start this week is seen at \$3.2370 with another critical pivot point seen down at \$3.2280. While there might be one more supportive weekly inventory data point later this week we think the bull camp has seen the benefit of a slightly tighter than expected inventory situation over the last month. Rising open interest on the recent slide off the April highs could be an indication of increased short side interest in the wake of the February through April rally of 21%. The Commitments of Traders Futures and Options report as of April 11th for Natural Gas showed Non-Commercial and Non-reportable combined traders held a net long position of 30,317 contracts. This represents an increase of 14,851 contracts in the net long position held by these traders.

TODAY'S MARKET IDEAS:

Clearly the path of least resistance has shifted downward over the last 2 1/2 trading sessions. In summary, both supply and demand have shifted in favor of the bear camp and it would appear from the charts that the April high was an interim top of consequence. In fact a number of geopolitical issues are expected to continue to undermine demand hopes while US economic data is expected to further dent demand expectations in the US. A normal retracement of the March and April rally projects the June crude oil market down to \$51.63 but closer in support could be seen at \$52.67.

NEW RECOMMENDATIONS:

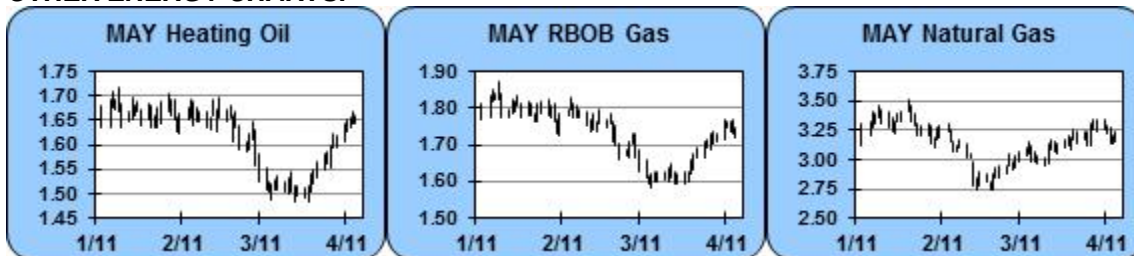
None.

PREVIOUS RECOMMENDATIONS:

None.

| Commitment of Traders - Futures and Options - 4/4/2017 - 4/11/2017 | | | | | | |
|--|----------------|-------------------|--------------|-------------------|--------------|-------------------|
| | Non-Commercial | | | Commercial | | Non-Reportable |
| | Net Position | Weekly Net Change | Net Position | Weekly Net Change | Net Position | Weekly Net Change |
| Energies | | | | | | |
| Crude Oil | 477,196 | +14,636 | -462,889 | -5,556 | -14,307 | -9,081 |
| Heating Oil | 31,807 | +4,780 | -43,243 | -8,915 | 11,436 | +4,134 |
| Natural Gas | -2,919 | +14,624 | -30,318 | -14,851 | 33,236 | +227 |
| Gas (RBOB) | 55,488 | -853 | -62,084 | -647 | 6,597 | +1,502 |

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) 04/17/2017: 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The near-term upside objective is at 53.69. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 53.42 and 53.69, while 1st support hits today at 52.86 and below there at 52.56.

HEATING OIL (MAY) 04/17/2017: Momentum studies are trending higher but have entered overbought levels. The close above the 9-day moving average is a positive short-term indicator for trend. It is a slightly negative indicator that the close was lower than the pivot swing number. The near-term upside objective is at 166.45. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 165.65 and 166.45, while 1st support hits today at 164.23 and below there at 163.61.

RBOB GAS (MAY) 04/17/2017: A crossover down in the daily stochastics is a bearish signal. 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. The market's close below the pivot swing number is a mildly negative setup. The next downside target is now at 171.13. The next area of resistance is around 174.68 and 175.74, while 1st support hits today at 172.38 and below there at 171.13.

NATURAL GAS (MAY) 04/17/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The intermediate trend could be turning up with the close back above the 18-day moving average. The market setup is supportive for early gains with the close over the 1st swing resistance. The next downside objective is 3.120. The next area of resistance is around 3.279 and 3.308, while 1st support hits today at 3.185 and below there at 3.120.

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 | 53.14 | 73.60 | 64.75 | 89.28 | 91.96 | 53.18 | 52.12 | 50.42 | 51.67 | 52.30 |
| CLAM7 | 53.57 | 74.12 | 65.12 | 89.34 | 92.17 | 53.59 | 52.55 | 50.90 | 52.07 | 52.72 |
| HOAK7 | 164.94 | 78.52 | 68.29 | 89.81 | 92.38 | 1.65 | 1.62 | 1.57 | 1.59 | 1.61 |
| HOAM7 | 165.72 | 78.96 | 68.57 | 89.85 | 92.51 | 1.66 | 1.63 | 1.58 | 1.60 | 1.62 |
| RBAK7 | 173.53 | 63.51 | 59.93 | 87.11 | 85.85 | 1.75 | 1.73 | 1.69 | 1.70 | 1.72 |
| RBAM7 | 173.85 | 66.31 | 61.39 | 87.96 | 87.40 | 1.75 | 1.73 | 1.69 | 1.70 | 1.73 |
| NGAK7 | 3.232 | 54.93 | 54.88 | 63.84 | 55.20 | 3.20 | 3.23 | 3.20 | 3.07 | 3.13 |
| NGAM7 | 3.310 | 55.50 | 55.42 | 63.47 | 54.77 | 3.28 | 3.31 | 3.27 | 3.14 | 3.19 |

Calculations based on previous session. Data collected 04/13/2017

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 | 52.55 | 52.85 | 53.12 | 53.42 | 53.69 |
| CLAM7 | Crude Oil | 52.98 | 53.29 | 53.54 | 53.85 | 54.10 |
| HOAK7 | Heating Oil | 163.61 | 164.23 | 165.03 | 165.65 | 166.45 |
| HOAM7 | Heating Oil | 164.42 | 165.03 | 165.80 | 166.41 | 167.18 |
| RBAK7 | RBOB Gas | 171.12 | 172.37 | 173.43 | 174.68 | 175.74 |
| RBAM7 | RBOB Gas | 171.64 | 172.79 | 173.76 | 174.91 | 175.88 |
| NGAK7 | Natural Gas | 3.120 | 3.185 | 3.214 | 3.279 | 3.308 |
| NGAM7 | Natural Gas | 3.199 | 3.263 | 3.292 | 3.356 | 3.385 |

Calculations based on previous session. Data collected 04/13/2017

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