



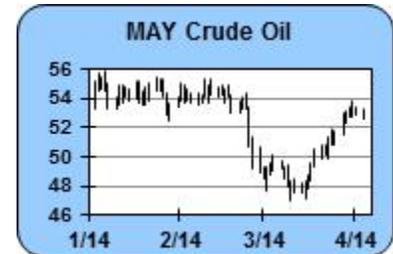
## DAILY ENERGY COMPLEX COMMENTARY Tuesday April 18, 2017

### DAILY ENERGY COMPLEX COMMENTARY 04/18/17

**The bears have regained control again**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):  
CRUDE -41, HEATING OIL -103, UNLEADED GAS -151**

**CRUDE OIL MARKET FUNDAMENTALS:** In addition to weakness in cash Middle East crude oil grades to start this week, the June WTI crude oil futures forged a four day low yesterday in a move that looked to be the result of an overbought status into last week's highs. However, the theme facing the energy complex this week could be whether or not non-US producers can curtail production fast enough to offset what might become perpetual increases in US output. With another increase in the US rig operating count at the end of last week and news that the EIA pegged shale production to rise to 5.19 million barrels per day the bear camp has gained an upper hand. In fact the energy complex this week was presented with reports of very heavy investment flow into North American shale instruments and that could escalate the rate of production gains in the US ahead. While weakness in the US dollar might support crude oil prices, there is news that OPEC will consider an output reduction extension and the UAE oil Minister talked about higher global oil demand overnight, the bull camp will still need help from US data and US inventory readings directly ahead to prevent a downside breakout on the charts. In fact from a shorter-term perspective crude oil might be pressured by sagging global economic sentiment and by technically orientated pressure. However, traders should note that recent inventory action has not shown a persistent rise in US inventories as was feared and the trade does expect to see another decline in this week's US crude oil inventory data.



**PRODUCT MARKET FUNDAMENTALS:** As opposed to crude oil, the gasoline market surprisingly has a fairly leveled Commitments of Traders Report spec and fund net long reading, and that could cushion it against upcoming corrective action in the energy complex. In fact we would suggest that the spec and fund net long in gasoline is probably overstated into the lows this week, and that could also limit the long liquidation threat. While the market continues to see a slack demand window directly ahead for gasoline, this week's gasoline inventory data is likely to set the magnitude of any coming dips. Initial downside targeting in June unleaded gas is seen at \$1.7026 but another decline in private inventory data could help the June RBOB contract remain within striking distance of its 50 day moving average of \$1.7080.

**NATURAL GAS:** With May natural gas trading down through and settled below the 100 day moving average at 3.201 on Monday and fresh damage on the charts again this morning we have to leave control with the bear camp. In fact with large managed money length at 176,502 contracts, the market could be ripe for a long liquidation spell. While the long term potential of increased export demand is a positive feature, the short term path of least resistance should be lower especially with US natural gas production from the seven largest shale regions projected to increase to a record 50.1 bcf per day in May. That would be up about 0.5 bcf per day from April and the seventh monthly increase in a row. Retracement support is at 3.067 followed by 3.00.

#### **TODAY'S MARKET IDEAS:**

The path of least resistance in the crude oil market looks to have shifted down. In addition to the overbought position that has built over the last four weeks, the market looks to encounter another week of suspect economic psychology off a full slate of geopolitical issues. For the bull camp to regain control, it probably requires comments

from OPEC leadership that an extension in the production cut agreement will be seen in next month's meeting or the bulls will need a sharp slide in the dollar. Initial support in June crude oil is seen at \$52.00 and then again down at \$51.67.

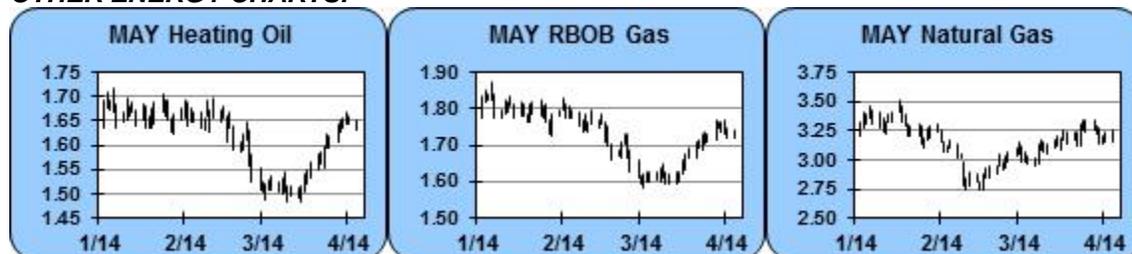
**NEW RECOMMENDATIONS:**

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) 04/18/2017: The daily stochastics have crossed over down which is a bearish indication. 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 close above the 9-day moving average is a positive short-term indicator for trend. The market setup is somewhat negative with the close under the 1st swing support. The next downside objective is 52.12. The next area of resistance is around 53.01 and 53.44, while 1st support hits today at 52.35 and below there at 52.12.

HEATING OIL (MAY) 04/18/2017: The daily stochastics gave a bearish indicator with a crossover down. Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. The close above the 9-day moving average is a positive short-term indicator for trend. The market setup is somewhat negative with the close under the 1st swing support. The next downside target is 161.85. The next area of resistance is around 164.36 and 165.66, while 1st support hits today at 162.46 and below there at 161.85.

RBOB GAS (MAY) 04/18/2017: The close below the 60-day moving average is an indication the longer-term trend has turned down. Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. A negative signal for trend short-term was given on a close under the 9-bar moving average. The close below the 1st swing support could weigh on the market. The next downside objective is now at 170.13. Bearish daily studies indicate selling minor rallies this session. The next area of resistance is around 173.27 and 174.89, while 1st support hits today at 170.89 and below there at 170.13.

NATURAL GAS (MAY) 04/18/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The daily closing price reversal down is a negative indicator for prices. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside objective is 3.093. The next area of resistance is around 3.206 and 3.272, while 1st support hits today at 3.116 and below there at 3.093.

**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
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**ENERGY COMPLEX**

CLAK7	52.68	64.84	60.15	89.19	88.85	53.09	52.40	50.67	51.65	52.29
CLAM7	53.15	65.83	60.77	89.36	89.30	53.52	52.82	51.14	52.05	52.71
HOAK7	163.41	66.79	62.26	89.37	88.48	1.65	1.63	1.58	1.59	1.61
HOAM7	164.35	67.21	62.52	89.48	88.69	1.65	1.64	1.59	1.60	1.62
RBAK7	172.08	55.48	55.30	84.66	79.82	1.74	1.74	1.69	1.70	1.72
RBAM7	172.73	58.22	56.86	85.97	81.98	1.74	1.74	1.69	1.70	1.72
NGAK7	3.161	47.31	49.99	57.78	46.07	3.18	3.23	3.20	3.07	3.12
NGAM7	3.250	48.87	51.16	58.23	47.75	3.26	3.31	3.27	3.14	3.19

Calculations based on previous session. Data collected 04/17/2017

Data sources can & do produce bad ticks. Verify before use.

**DAILY SWING STATISTICS**

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>ENERGY COMPLEX</b>						
CLAK7	Crude Oil	52.12	52.35	52.78	53.01	53.44
CLAM7	Crude Oil	52.62	52.84	53.23	53.45	53.84
HOAK7	Heating Oil	161.84	162.45	163.75	164.36	165.66
HOAM7	Heating Oil	162.83	163.44	164.64	165.25	166.45
RBAK7	RBOB Gas	170.13	170.89	172.51	173.27	174.89
RBAM7	RBOB Gas	170.69	171.56	173.02	173.89	175.35
NGAK7	Natural Gas	3.092	3.116	3.182	3.206	3.272
NGAM7	Natural Gas	3.189	3.211	3.267	3.289	3.345

Calculations based on previous session. Data collected 04/17/2017

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