



DAILY ENERGY COMPLEX COMMENTARY

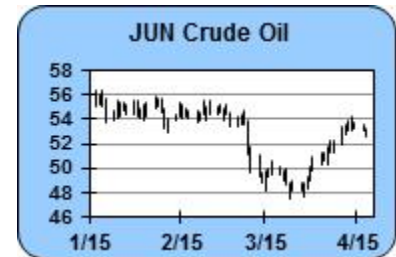
Wednesday April 19, 2017

DAILY ENERGY COMPLEX COMMENTARY

04/19/17

A temporary bounce not an full end to the recent slide

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE +16, HEATING OIL +47, UNLEADED GAS -25



CRUDE OIL MARKET FUNDAMENTALS: In addition to a broad-based bearish commodity environment this week, the energy trade continues to toss around fears of unchecked US shale output gains ahead and that might leave the recent downward bias in prices in place. However, OPEC heavyweights overnight are out talking up an extension of the production cut agreement under the guise of restoring market stability. In other words OPEC and Non-OPEC producers want to stabilize prices above \$50.00. Bearish outside market developments for oil this week are seen in sharp declines in base metals, fears of softening Chinese auto sales and ongoing economic concerns from geopolitical flashpoints. In fact, oil patch shares were under noted pressure yesterday and that combined with weaker European cash crude pricing, expanding Angolan crude oil export projections for June and a sharp rise in Chinese March gasoline output presents a fairly conclusive bearish set up. A major private survey forecast yesterday suggested US crude oil stocks on the week fell by 840,000 barrels while Cushing, Oklahoma crude oil stocks were down 672,000 barrels and that should help prices temporarily hold up. With crude oil prices short-term oversold into the low yesterday and mostly favorable Chinese crude oil import news overnight a modest bounce in prices might be ahead. However the geopolitical landscape needs to remain calm and the decline in crude oil inventories by a private service yesterday must be reconfirmed by EIA numbers later this morning.

PRODUCT MARKET FUNDAMENTALS: It wasn't surprising to see June gasoline range down sharply yesterday in the wake of a broad-based risk off environment but this morning economic fears have temporarily moderated. Furthermore the nearby gasoline contract did manage to respect a potentially supportive psychological level of \$1.70. On the other hand the market should remain in a bearish environment off news of rising Chinese gasoline output, rising Japanese gasoline stocks and weakness in West Coast US cash prices. In fact, a major private survey showed a surprise build in US gasoline stocks of 1.4 million barrels yesterday afternoon and that could keep up the pressure on RBOB prices later this week. The bull camp might be hopeful from a technical perspective as the declines off last week's highs were forged on declining volume totals and that might signal a lack of bearish resolve but we still find it difficult to expect anything more than a bounce. In order to turn the tide around in gasoline might require two straight "closes" above the 50 day moving average of \$1.7080 in the June contract.

Weekly EIA Petroleum Estimates - Week Ending 4/14/2017 - In Million Barrels

| | High Estimate | Low Estimate | Stocks Last Week | Stocks Change Last Week |
|-------------|---------------|--------------|------------------|-------------------------|
| Crude Oil | -1.3 | -1.7 | 533.4 | -2.2 |
| Distillates | -0.8 | -1.2 | 150.2 | -2.2 |
| Gasoline | -1.7 | -2.1 | 236.1 | -3 |

NATURAL GAS: The US natural gas market is now in storage injection mode with the beginning of the spring "shoulder season". Early estimates for Thursday's EIA inventory report have natural gas stockpiles rising by 40 to 50 bcf last week versus the five year average of a 35 bcf gain. The 8-14 day forecast is a mixed bag, with warmer temperatures in the eastern half of the US and below normal temperatures in the northwest US through May 2nd. While May natural gas traded down and tested the 200 day moving average at \$3.107 on Tuesday and was able to bounce off this level open interest has shifted toward the June contract. Still, with the overall consolidating lower trade since the April 5th high at \$3.347, the market has not seen enough long liquidation to warrant a retest of those highs. Momentum studies are still in negative mode and point lower. Half way between the February 22nd low of \$2.737 and the April 5th high of \$3.347 is at \$3.042, while the 61.8% Fibonacci retracement is at \$2.970 as both levels seem like they could be in play.

TODAY'S MARKET IDEAS:

With the fundamentals and technicals pointing downward in crude oil, it is difficult to deny further declines ahead but a temporary corrective bounce might be seen today off the return of production cut extension talk. A critical pivot point for June crude oil today might be seen at the 50 day moving average down at \$52.19 but to turn sentiment fully around in crude oil might require a rally back above \$53.35. In conclusion, the bull camp needs a sustained measure of economic optimism and evidence that EIA US crude inventories have avoided rebuilding again in weekly EIA inventory readings. Bounce potential in the June Crude oil contract might be limited to \$53.11 unless risk-on comes back in a definitive manner.

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 (JUN) 04/19/2017: Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. The market's short-term trend is positive on the close above the 9-day moving average. The market tilt is slightly negative with the close under the pivot. The next downside target is 52.23. The next area of resistance is around 53.44 and 53.75, while 1st support hits today at 52.68 and below there at 52.23.

HEATING OIL (MAY) 04/19/2017: 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 short-term trend is negative as the close remains below the 9-day moving average. The market's close below the pivot swing number is a mildly negative setup. The next downside target is now at 160.07. The next area of resistance is around 163.98 and 165.19, while 1st support hits today at 161.42 and below there at 160.07.

RBOB GAS (MAY) 04/19/2017: Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. The market's close below the 9-day moving average is an indication the short-term trend remains negative. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is 168.00. The next area of resistance is around 172.83 and 174.11, while 1st support hits today

at 169.77 and below there at 168.00.

NATURAL GAS (MAY) 04/19/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market's close below the 9-day moving average is an indication the short-term trend remains negative. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is now at 3.081. The next area of resistance is around 3.184 and 3.217, while 1st support hits today at 3.116 and below there at 3.081.

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 | | | | | | | | | | |
| CLAM7 | 53.06 | 64.26 | 59.90 | 88.23 | 86.12 | 53.32 | 52.99 | 51.39 | 52.00 | 52.67 |
| CLAN7 | 53.39 | 61.07 | 58.21 | 88.04 | 85.25 | 53.61 | 53.30 | 51.72 | 52.30 | 52.98 |
| HOAK7 | 162.69 | 62.05 | 59.66 | 87.42 | 83.66 | 1.64 | 1.63 | 1.59 | 1.59 | 1.61 |
| HOAM7 | 163.51 | 59.93 | 58.48 | 87.43 | 83.35 | 1.65 | 1.64 | 1.59 | 1.60 | 1.62 |
| RBAK7 | 171.30 | 51.58 | 52.95 | 80.82 | 73.31 | 1.73 | 1.74 | 1.70 | 1.70 | 1.72 |
| RBAM7 | 171.86 | 52.79 | 53.66 | 82.53 | 75.66 | 1.73 | 1.74 | 1.70 | 1.70 | 1.72 |
| NGAK7 | 3.150 | 46.15 | 49.24 | 50.93 | 37.07 | 3.18 | 3.22 | 3.20 | 3.07 | 3.12 |
| NGAM7 | 3.240 | 47.29 | 50.14 | 51.79 | 38.84 | 3.26 | 3.30 | 3.27 | 3.14 | 3.19 |

Calculations based on previous session. Data collected 04/18/2017

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 | | | | | | |
| CLAM7 | Crude Oil | 52.23 | 52.68 | 52.99 | 53.44 | 53.75 |
| CLAN7 | Crude Oil | 52.57 | 53.01 | 53.33 | 53.77 | 54.09 |
| HOAK7 | Heating Oil | 160.07 | 161.42 | 162.63 | 163.98 | 165.19 |
| HOAM7 | Heating Oil | 161.00 | 162.28 | 163.46 | 164.74 | 165.92 |
| RBAK7 | RBOB Gas | 167.99 | 169.77 | 171.05 | 172.83 | 174.11 |
| RBAM7 | RBOB Gas | 168.72 | 170.38 | 171.68 | 173.33 | 174.64 |
| NGAK7 | Natural Gas | 3.081 | 3.116 | 3.149 | 3.184 | 3.217 |
| NGAM7 | Natural Gas | 3.176 | 3.209 | 3.238 | 3.271 | 3.300 |

Calculations based on previous session. Data collected 04/18/2017

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