



## DAILY ENERGY COMPLEX COMMENTARY

Thursday April 20, 2017

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04/20/17

#### A temporary lull in bearish energy mentality

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**CRUDE +46, HEATING OIL +110, UNLEADED GAS +159**

**CRUDE OIL MARKET FUNDAMENTALS:** While news of an actual date for the OPEC and non-OPEC oil producers meeting was unable to support crude oil prices for the producers yesterday the market seems to have benefited from Saudi and Kuwait suggestions overnight that an extension would be seen. In addition to a significantly short-term oversold technical condition energy prices this morning should get a lift from a modest improvement in sentiment and news that Chinese demand in March has resulted in the strongest sales from storage in Singapore in 11 months. In fact trade estimates now are suggesting record shipments to Asia are expected this month. While US crude stocks in the weekly EIA report declined, overall stock levels in the US are still at record levels and are 25 million barrels above year ago levels, and therefore it is difficult to discount the negative US supply card. Another issue that might have added to the downside pressure yesterday was a request from Exxon for a waiver of Russian sanctions to complete a project started back in 2012 as that might indicate a loosening of supply restrictions from that region. It also seemed as if a rising gasoline stocks added to the general liquidation wave in energy prices. We still think that sub-\$50 pricing will spark quick action from the producers but without a return to risk-on or a supply quirk somewhere, the bear camp could retain control. Crude stocks at 532 million barrels is the highest ever for this week. EIA crude stocks fell 1.03 million barrels and are 25.0 million barrels above year ago levels. Also, crude stocks stand 125.0 million barrels above the five year average. Crude oil imports for the week stood at 7.81 million barrels per day compared to 7.8 million barrels the previous week. The refinery operating rate was 92.90% up, 1.90% from last week compared to 89.40% last year and the five year average of 87.96%. In retrospect, it is possible that a layer of funds have exited their reflation positions because of the headwinds facing the global economy.



**PRODUCT MARKET FUNDAMENTALS:** With EIA gasoline stocks posting a rise, crude oil prices ranging down sharply and US gasoline cracks weakening, the sharp slide in RBOB yesterday wasn't surprising and it is possible that RBOB prices directly ahead will have to be dragged higher by crude oil and favorable economic vibes. In fact the June RBOB contract streaked below its 50 day moving average yesterday and at the same time it pierced the \$1.70 level which clearly leaves a negative chart threat in place. The bearish track in prices is given added credence by the news yesterday that US gasoline demand remains below year ago levels while blend stocks increased. However, a modest bounce might be seen today to correct the compacted oversold condition and also because of a minimal and potential temporary improvement in sentiment. EIA gasoline stocks rose 1.5 million barrels and are 1.9 million barrels below last year and 16.6 million above the five year average. Average total gasoline demand for the past four weeks was down 0.74% compared to last year. Gasoline imports came in at 843,000 barrels per day compared to 488,000 barrels the previous week. EIA distillate stocks fell 1.955 million barrels and stand at 11.6 million barrels below last year and 19.6 million above the five year average. Distillate imports came in at 167,000 barrels per day compared to 118,000 barrels the previous week. Average total distillate demand for the past four weeks was up 9.91% compared to last year. Heating oil stocks at 9.631 million barrels is the lowest for this week since 2015 EIA heating oil stocks fell 707,000 barrels and are 3.278 million barrels below last year and 6.2 million below the five year average.

Weekly EIA Petroleum Report					In Million Barrels		
<b>CRUDE OIL</b>	<b>Stocks</b>				<b>Imports</b>	<b>Refinery Capacity(%)</b>	
<b>Week Of</b>	<b>Current</b>	<b>Weekly Change</b>	<b>Yearly Change</b>	<b>5 Year Average</b>	<b>Current</b>	<b>Current</b>	<b>Year Ago</b>
4/14/2017	532.343	-1.034	25.031	407.277	7.81	92.9	89.4
<b>DISTILLATES</b>	<b>Stocks</b>				<b>Imports</b>	<b>Demand</b>	
<b>Week Of</b>	<b>Current</b>	<b>Weekly Change</b>	<b>Yearly Change</b>	<b>5 Year Average</b>	<b>Current</b>	<b>Current</b>	<b>Year Ago</b>
4/14/2017	148.266	-1.955	-11.669	128.597	0.167	4.177	4.276
<b>GASOLINE</b>	<b>Stocks</b>				<b>Imports</b>	<b>Demand</b>	
<b>Week Of</b>	<b>Current</b>	<b>Weekly Change</b>	<b>Yearly Change</b>	<b>5 Year Average</b>	<b>Current</b>	<b>Current</b>	<b>Year Ago</b>
4/14/2017	237.672	1.542	-1.979	220.986	0.843	9.223	9.444

**NATURAL GAS:** Natural gas held together in light of the hard down sessions in crude oil and gasoline on Wednesday. In fact, May natural gas settled at \$3.185, up 1.35% on the day. The natural gas inventory report today has analyst's estimates looking for a gain of 40 to 50 bcf versus the five year average of a 35 bcf gain. The market continues to see stronger export demand from Mexico as deliveries continue into Cheniere's Sabine Pass terminal. Also, news yesterday that China will lower the VAT import tax from 13% to 11% on natural gas supported prices. May natural gas traded back above the 100 day moving average at \$3.203 but could not close above that level. Support could also have come from long crude oil/short natural gas spread unwinding. A consolidating lower trade still seems likely with a downtrend line coming in at \$3.206 for today's session. A close above the trend line could excite the bull camp. The first level of support is at \$3.114, followed by \$3.042.

#### TODAY'S MARKET IDEAS:

It goes without saying that the technical breakdown in the prior trading session will be difficult to fully erase. In fact one might also suggest that classic supply-side fundamentals generally lean in favor of the bear camp with the exception of the second straight week of declining US crude oil inventories, production cut extension talk and strong Asian demand news overnight. It is possible that the aggressive slide yesterday was weak handed long funds that have bailed out and with better sentiment this morning some form of bounce is possible.

#### 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) 04/20/2017:** The major trend has turned down with the cross over back below the 60-day moving average. Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market back below the 18-day moving average suggests the intermediate-term trend could be

turning down. The market is in a bearish position with the close below the 2nd swing support number. The next downside objective is now at 48.82. The next area of resistance is around 52.25 and 53.95, while 1st support hits today at 49.69 and below there at 48.82.

HEATING OIL (MAY) 04/20/2017: The market back below the 60-day moving average suggests the longer-term trend could be turning down. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The close below the 2nd swing support number puts the market on the defensive. The next downside target is now at 153.04. The next area of resistance is around 161.51 and 165.43, while 1st support hits today at 155.31 and below there at 153.04.

RBOB GAS (MAY) 04/20/2017: The close under the 40-day moving average indicates the longer-term trend could be turning down. 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 market is in a bearish position with the close below the 2nd swing support number. The next downside target is 160.88. The next area of resistance is around 169.21 and 173.33, while 1st support hits today at 162.99 and below there at 160.88.

NATURAL GAS (MAY) 04/20/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The close below the 9-day moving average is a negative short-term indicator for trend. Market positioning is positive with the close over the 1st swing resistance. The next downside target is 3.108. The next area of resistance is around 3.232 and 3.267, while 1st support hits today at 3.153 and below there at 3.108.

## 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
<b>ENERGY COMPLEX</b>										
CLAM7	50.97	38.98	43.90	81.60	69.14	52.63	52.90	51.53	51.92	52.60
CLAN7	51.33	39.00	43.95	81.85	69.48	52.98	53.23	51.87	52.23	52.92
HOAK7	158.41	41.77	46.87	81.22	69.54	1.62	1.63	1.59	1.59	1.61
HOAM7	159.20	40.92	46.22	81.48	69.57	1.63	1.64	1.60	1.60	1.61
RBAK7	166.10	33.64	40.50	72.12	55.00	1.71	1.73	1.70	1.69	1.72
RBAM7	166.46	33.68	40.41	74.06	57.13	1.71	1.73	1.70	1.70	1.72
NGAK7	3.193	51.33	52.22	45.69	35.64	3.18	3.21	3.20	3.07	3.12
NGAM7	3.278	52.20	53.02	47.07	37.61	3.27	3.29	3.28	3.14	3.19

Calculations based on previous session. Data collected 04/19/2017

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>						
CLAM7	Crude Oil	48.81	49.68	51.38	52.25	53.95
CLAN7	Crude Oil	49.18	50.05	51.73	52.60	54.28
HOAK7	Heating Oil	153.03	155.31	159.23	161.51	165.43
HOAM7	Heating Oil	153.76	156.06	160.04	162.34	166.32
RBAK7	RBOB Gas	160.87	162.98	167.10	169.21	173.33
RBAM7	RBOB Gas	161.15	163.27	167.52	169.64	173.89
NGAK7	Natural Gas	3.108	3.152	3.187	3.232	3.267
NGAM7	Natural Gas	3.196	3.238	3.275	3.317	3.354

Calculations based on previous session. Data collected 04/19/2017

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