



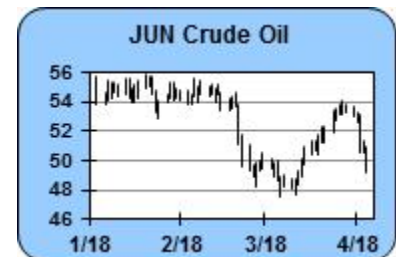
DAILY ENERGY COMPLEX COMMENTARY Monday April 24, 2017

DAILY ENERGY COMPLEX COMMENTARY 04/24/17

Only modest early strength this week in spite of "risk on" mood

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE +40, HEATING OIL +118, UNLEADED GAS +49**

CRUDE OIL MARKET FUNDAMENTALS: Crude oil prices are seeing moderate gains early today and are clearly benefiting from improved risk sentiment. However, they remain inside of last Friday's wide-sweeping range with June crude oil unable to hold its ground above the key \$50.00 level. With an extremely negative reaction in crude oil prices at the end of last week, it is clear that traders are once again fearful of excess supply and threats against demand. Given the magnitude of the chart damage and the price action early this week, the bear camp has to be fairly confident. From the supply front, the bear camp is no longer concerned about a near term extension of production cuts. There haven't been any changes to the timing set for the cuts, which is basically at the end of May. The trade is mostly expecting a six-month extension. In other words, unless upcoming price declines are so severe that they are forced to act more quickly, the producers don't appear to be poised to act. Russia has now indicated they will discuss an extension with OPEC leadership on May 24th, and that is relatively far off into the future. The weekly US rig operating count data showed total rigs at 857, a gain of 10. Oil-drilling rigs rose by 5 to 688, and that adds minimally to the bearish supply side argument. The mostly bearish supply-side case is tempered by news that the Trump Administration has denied Exxon its waiver request to finish a project in Russia. Another development from the weekend that might serve to tamp down geopolitical/oil supply risk for Saudi Arabia is the resumption of civil servant and military stipends that were eliminated during the fiscal crisis brought about by ultra-low oil prices. The Commitments of Traders Futures and Options report as of April 18th for Crude Oil showed Non-Commercial and Non-reportable traders combined holding a net long position of 498,655 contracts, but that reading is significantly overstated given the massive slide in prices after the report was compiled.



PRODUCT MARKET FUNDAMENTALS: The product markets have seen a lackluster reaction to this week's "risk on" mood, as both heating oil and RBOB remain in tight range near the bottom end of their April down-moves. With a high to low slide last week of roughly 10 cents, one would think that the RBOB market had balanced its technical condition, but unfortunately there doesn't appear to be much in the way of solid chart support just under the current market. With the Commitments of Traders Futures and Options report as of April 18th for Gasoline (RBOB) showing Non-Commercial and Non-reportable traders combined still holding a net long position of 65,087 contracts early last week, it is difficult to suggest that the market is sold out. However, the June RBOB contract did fall an additional 7 cents after the COT report was measured, so the spec and fund net long in gasoline is probably overstated. On a positive demand note, China saw their gasoline imports jump by 51% over year ago levels in March, but diesel imports fell 49% from a year ago. The Commitments of Traders Futures and Options report as for Heating Oil showed Non-Commercial and Non-reportable traders combined holding a net long position of 50,813 contracts.

NATURAL GAS: Natural gas prices are finding mild support early this week, but at least they are holding above last Friday's low and their 50-day and 200-day moving averages. Like the crude oil market, natural gas prices came under significant pressure at the end of last week that severely damaged the charts. While we suspect that the washout in prices are mostly about bearish US weather, it is also possible that disappointing US economic news as of late is tamping down cyclical demand hopes. It is also likely that another 5-rig increase in natural gas

rigs operating in the US (to total of 167) is adding into the negative view in the market. Fortunately for the bulls, the market was presented with news over the weekend that Chinese LNG imports in the month of March jumped 17.6% versus year ago levels. The Commitments of Traders Futures and Options report as of April 18th showed Non-Commercial and Non-reportable traders combined holding a net long position of 37,403 contracts. Some measures of the spec long have reached their highest levels in three years, and the failure on the charts last week could set the stage for a long liquidation wave this week. June natural gas failed at the \$3.20 level at the end of last week, the long positioning is burdensome and both supply and demand fundamentals favor the bear camp. Near term downside targeting in June natural gas to start the trading week is \$3.141

TODAY'S MARKET IDEAS:

While prices fell sharply last week, we aren't convinced that the market has found solid support yet, as the trade appears to have lost its sensitivity to production-cut extension talk. Seeing a 14th straight increase in the US rig operating count, a residually large spec and net fund long in crude oil and generally sedate global economic sentiment, the bear camp seems to have control. With a failure at \$50.00 last week and an inability to rebound solidly above that level this week, we can't rule out a slide in June crude oil down to \$48.90. It could take two closes back above \$50.00 just to solidify sentiment enough to call for a low.

NEW RECOMMENDATIONS:

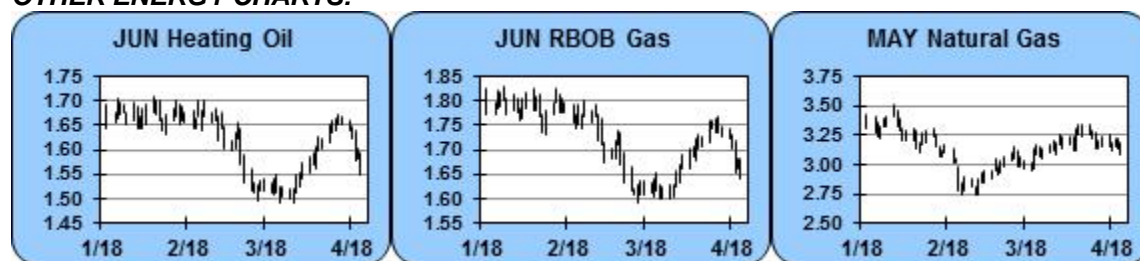
None.

PREVIOUS RECOMMENDATIONS:

None.

| Commitment of Traders - Futures and Options - 4/11/2017 - 4/18/2017 | | | | | | |
|---|----------------|-------------------|--------------|-------------------|--------------|----------------|
| | Non-Commercial | | Net Position | Commercial | | Non-Reportable |
| | Net Position | Weekly Net Change | | Weekly Net Change | Net Position | |
| Energies | | | | | | |
| Crude Oil | 497,267 | +20,071 | -498,656 | -35,767 | 1,388 | +15,695 |
| Heating Oil | 33,604 | +1,797 | -50,813 | -7,570 | 17,209 | +5,773 |
| Natural Gas | 3,604 | +6,523 | -37,403 | -7,085 | 33,799 | +563 |
| Gas (RBOB) | 56,491 | +1,003 | -65,087 | -3,003 | 8,596 | +1,999 |

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) 04/24/2017: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. A negative signal for trend short-term was given on a close under the 9-bar moving average. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside objective is now at 48.09. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 50.42 and 51.54, while 1st support hits today at 48.70 and below there at 48.09.

HEATING OIL (MAY) 04/24/2017: The close below the 40-day moving average is an indication the longer-term trend has turned down. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close below the 9-day moving average is a negative short-term indicator for

trend. The close below the 2nd swing support number puts the market on the defensive. The next downside target is 151.43. The next area of resistance is around 157.34 and 160.18, while 1st support hits today at 152.96 and below there at 151.43.

RBOB GAS (MAY) 04/24/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. A negative signal for trend short-term was given on a close under the 9-bar moving average. A negative signal was given by the outside day down. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next downside objective is 160.84. The next area of resistance is around 166.37 and 169.43, while 1st support hits today at 162.07 and below there at 160.84.

NATURAL GAS (MAY) 04/24/2017: The close below the 60-day moving average is an indication the longer-term trend has turned down. Momentum studies are declining, but have fallen to oversold levels. The close below the 9-day moving average is a negative short-term indicator for trend. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside objective is now at 3.015. The next area of resistance is around 3.152 and 3.220, while 1st support hits today at 3.050 and below there at 3.015.

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 | 49.56 | 29.31 | 36.38 | 60.39 | 37.43 | 50.99 | 52.39 | 51.71 | 51.73 | 52.45 |
| CLAN7 | 49.90 | 29.12 | 36.23 | 60.65 | 37.65 | 51.34 | 52.73 | 52.06 | 52.04 | 52.76 |
| HOAK7 | 155.15 | 31.88 | 39.48 | 62.56 | 41.70 | 1.58 | 1.62 | 1.60 | 1.58 | 1.60 |
| HOAM7 | 155.76 | 31.92 | 39.45 | 63.05 | 42.27 | 1.59 | 1.63 | 1.61 | 1.59 | 1.61 |
| RBAK7 | 164.22 | 31.57 | 37.99 | 51.64 | 30.04 | 1.67 | 1.71 | 1.71 | 1.69 | 1.71 |
| RBAM7 | 164.21 | 30.68 | 37.37 | 53.13 | 31.12 | 1.67 | 1.71 | 1.71 | 1.69 | 1.72 |
| NGAK7 | 3.101 | 41.12 | 45.74 | 34.03 | 21.81 | 3.15 | 3.17 | 3.20 | 3.07 | 3.11 |
| NGAM7 | 3.195 | 42.13 | 46.61 | 36.35 | 24.25 | 3.24 | 3.26 | 3.28 | 3.15 | 3.18 |

Calculations based on previous session. Data collected 04/21/2017

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 | 48.08 | 48.69 | 49.81 | 50.42 | 51.54 |
| CLAN7 | Crude Oil | 48.40 | 49.02 | 50.15 | 50.77 | 51.90 |
| HOAK7 | Heating Oil | 151.42 | 152.96 | 155.80 | 157.34 | 160.18 |
| HOAM7 | Heating Oil | 151.99 | 153.53 | 156.45 | 157.99 | 160.91 |
| RBAK7 | RBOB Gas | 160.83 | 162.07 | 165.13 | 166.37 | 169.43 |
| RBAM7 | RBOB Gas | 160.85 | 162.04 | 165.18 | 166.37 | 169.51 |
| NGAK7 | Natural Gas | 3.014 | 3.049 | 3.117 | 3.152 | 3.220 |
| NGAM7 | Natural Gas | 3.107 | 3.143 | 3.210 | 3.246 | 3.312 |

Calculations based on previous session. Data collected 04/21/2017

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