



DAILY ENERGY COMPLEX COMMENTARY

Thursday August 10, 2017

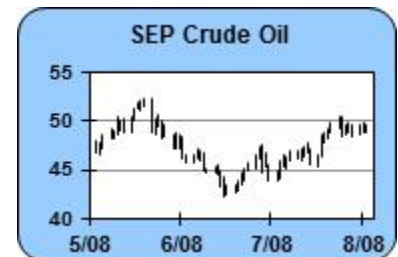
DAILY ENERGY COMPLEX COMMENTARY

08/10/17

Favorable technical action and talk of Asian demand to lift

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE +35, HEATING OIL +119, UNLEADED GAS +181

CRUDE OIL MARKET FUNDAMENTALS: Apparently the crude oil market continues to benefit from the larger than expected headline decline in EIA crude stocks inventory data yesterday as prices have forged a fresh five day high and perhaps more importantly they have regained the \$50 level again. With the market seemingly poised to breakout up from a recent consolidation pattern and the market seeing firm Middle East cash crude price action (off talk of strong Asian demand) the edge early today goes to the bull camp. Adding into the early bullish bias today is a forecast from OPEC projecting its 2018 demand to rise by 220,000 barrels per day. However the bull camp should not be expected to have a free hand today, because of the specific threats released by North Korea overnight. On the other hand the bull camp does have a fundamental underpin from the large decline in crude stocks this week as they now sit 30 million barrels below early June levels and 17.1 million barrels below year ago levels. Other supportive factors this week are strong refinery activity, strong implied gasoline demand readings and a slight increase in tropical wave activity. Those buying crude oil above the \$50 level should consider the potential for a negative demand impact in the face of further escalation of the North Korean situation. While a paper from a Reuter's analysts suggesting that the breakeven price for shale was "around" \$50 a barrel



might not market action today that type of analysis clearly suggest that prices below \$50 per barrel for the most part of the last 5 1/2 months could be too cheap. EIA crude stocks fell 6.451 million barrels and are 17.532 million barrels below year ago levels. Also, crude stocks stand 90.963 million barrels above the five year average. Crude oil imports for the week stood at 7.762 million barrels per day compared to 8.253 million barrels the previous week. The refinery operating rate was 96.30% up, 0.90% from last week compared to 92.20% last year and the five year average of 92.38%.

PRODUCT MARKET FUNDAMENTALS: While gasoline has shown relative weakness compared to crude oil this week, the definitive reversal on the charts overnight and with the RBOB market climbing back above its 100 day moving average, the bias in gasoline prices shifts back to the upside. However, with the weekly EIA inventory report showing a surprise large build in gasoline stocks yesterday that should mean gasoline prices will remain relatively less powerful on the upside than crude oil pricing. While implied gasoline demand readings were strong that potentially supportive news is counter veiled by the fact that the refineries in the US are running at very high levels and crude supply is very available. Another potentially supportive news item that will probably hold little sway in the market early today is the revelation that European gasoline stocks are currently 4% under year ago levels but this week's ARA gasoline stocks reading will be released later today and the market might expect a mid-afternoon reaction to that data. Going forward the gasoline market is likely to be tightly correlated with crude oil again and the \$1.65 level is likely to be a key bull/bear line. EIA gasoline stocks rose 3.424 million barrels and are 4.28 million barrels below last year and 13.167 million above the five year average. Average total gasoline demand for the past four weeks was down 0.13% compared to last year but it stilled weighed in high levels. Gasoline imports came in at 1.108 million barrels per day compared to 549,000 barrels the previous week. EIA distillate stocks fell 1.729 million barrels and stand at 3.511 million barrels below last year and 12.844 million above the five year average. Distillate imports came in at 41,000 barrels per day compared to 108,000 barrels the previous week. Average total distillate demand for the past four weeks was up 13.35% compared to last year.

Heating oil stocks at 9.242 million barrels is the lowest for this week since 2016 EIA heating oil stocks fell 703,000 barrels and are 2.109 million barrels below last year and 7.708 million below the five year average.

Weekly EIA Petroleum Report						In Million Barrels	
CRUDE OIL		Stocks			Imports	Refinery Capacity(%)	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
8/4/2017	475.437	-6.451	-17.532	384.474	7.762	96.3	92.2
DISTILLATES		Stocks			Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
8/4/2017	147.685	-1.729	-3.511	134.841	0.041	4.51	3.937
GASOLINE		Stocks			Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
8/4/2017	231.103	3.424	-4.28	217.936	1.108	9.797	9.769

NATURAL GAS: September natural gas surged higher to close at 2.880 up over 2.0% on the day Wednesday and has extended that push this morning in a fashion that speaks of more gains. The oversold market has apparently found support from a National Oceanic and Atmospheric Association conference call with reporters that increased the odds the Atlantic hurricane season could see an above average 14 to 19 named storms now that it is almost certain a Pacific El Nino will not arrive. An average hurricane season produces 12 storms between June 1st and November 30th and so far this year the basin has produced six systems. There should be support tied to a warmer outlook in the Northeast for the August 19th to 24th timeframe. With momentum studies now all turning up the market could now look to challenge levels above the 50 day moving average at 2.959. The market has not closed above the 50 day moving average since May 23rd, a close above will put the bull camp back in control. Natural gas stockpiles are estimated to have increased by 30 to 36 bcf last week compared to the five year average of a 54 bcf increase. Natural gas inventories totaled 3.01 tcf as of July 28th.

TODAY'S MARKET IDEAS:

While crude oil should be underpinned as a result of a larger than expected weekly decline in crude stocks and also because of the growing year-over-year deficit it will not be immune to broad-based physical commodity liquidation pressures signaled by large declines in global equities. Critical support is seen at the 100 day moving average of \$48.61 and a much more significant support level is seen at \$48.37. The bulls control because of internal crude oil fundamentals but we do not think crude can stand up to significant escalation of political tensions that cause global stocks to smash lower.

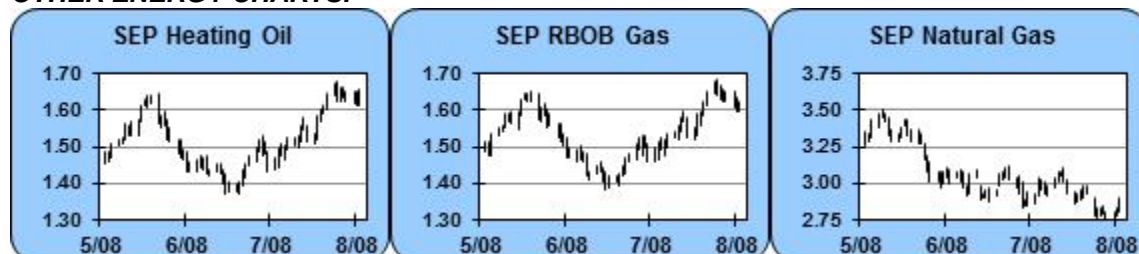
NEW RECOMMENDATIONS:

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 (SEP) 08/10/2017: 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. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is now at 48.69. The next area of resistance is around 49.97 and 50.18, while 1st support hits today at 49.23 and below there at 48.69.

HEATING OIL (SEP) 08/10/2017: Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. The close above the 9-day moving average is a positive short-term indicator for trend. A positive signal was given by the outside day up. Market positioning is positive with the close over the 1st swing resistance. The next downside target is 160.16. The next area of resistance is around 167.45 and 168.57, while 1st support hits today at 163.25 and below there at 160.16.

RBOB GAS (SEP) 08/10/2017: 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 mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is now at 158.86. The next area of resistance is around 163.53 and 164.27, while 1st support hits today at 160.83 and below there at 158.86.

NATURAL GAS (SEP) 08/10/2017: A bullish signal was given with an upside crossover of the daily stochastics. Daily momentum studies are on the rise from low levels and should accelerate a move higher on a push through the 1st swing resistance. A positive signal for trend short-term was given on a close over the 9-bar moving average. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The near-term upside target is at 2.963. The next area of resistance is around 2.928 and 2.963, while 1st support hits today at 2.830 and below there at 2.766.

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										
CLAU7	49.60	62.09	60.42	81.27	80.53	49.44	49.49	48.35	46.46	47.31
CLAV7	49.75	62.34	60.56	82.24	81.71	49.60	49.63	48.50	46.65	47.48
HOAU7	165.35	66.01	65.19	83.55	82.11	1.64	1.65	1.60	1.51	1.52
HOAV7	165.57	65.77	64.92	84.32	82.83	1.65	1.65	1.60	1.52	1.53
RBAU7	162.18	56.63	58.82	74.96	68.49	1.63	1.64	1.60	1.52	1.54
RBAV7	153.00	61.40	62.37	84.14	80.12	1.54	1.54	1.50	1.42	1.43
NGAU7	2.879	50.58	47.26	19.38	24.12	2.82	2.83	2.90	2.95	3.02
NGAV7	2.916	51.15	47.66	19.36	23.72	2.86	2.87	2.94	2.98	3.05

Calculations based on previous session. Data collected 08/09/2017

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						
CLAU7	Crude Oil	48.68	49.22	49.43	49.97	50.18
CLAV7	Crude Oil	48.84	49.37	49.59	50.12	50.34
HOAU7	Heating Oil	160.15	163.24	164.36	167.45	168.57
HOAV7	Heating Oil	160.69	163.59	164.65	167.55	168.61
RBAU7	RBOB Gas	158.85	160.82	161.56	163.53	164.27
RBAV7	RBOB Gas	150.04	151.78	152.47	154.21	154.90
NGAU7	Natural Gas	2.765	2.829	2.864	2.928	2.963
NGAV7	Natural Gas	2.802	2.867	2.900	2.965	2.998

Calculations based on previous session. Data collected 08/09/2017

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