



DAILY ENERGY COMPLEX COMMENTARY

Tuesday January 10, 2017

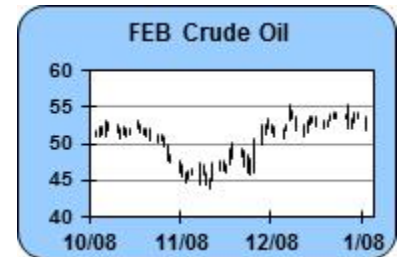
DAILY ENERGY COMPLEX COMMENTARY

01/10/17

The path of least resistance remains down

OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE +13, HEATING OIL +11, UNLEADED GAS +108

CRUDE OIL MARKET FUNDAMENTALS: The energy complex faced a wave of negative fundamental and technical information to start the new trading week and that bearish news flow seems to have continued overnight. In addition to moderating US temperatures, an early rally in the Dollar yesterday the energy complex has been put under added pressure by a series of technical failures on its charts. In fact the bull camp has to be discouraged that prices weren't supported more by talk of production cuts from Kuwait and Russia yesterday and the market also has to be discouraged by reports that Iraqi February exports through the Basra port has reached a record. Given the recent record spec and fund long positioning in both crude oil and heating oil, it is highly likely that long liquidation and stop loss selling will remain a threat in the coming trading sessions. In fact, an article suggesting that hedge funds could already be fully invested in energies is not something to discount going forward as that could rob the crude oil market of ongoing buying fuel. In looking forward seeing Russia only complying with 1/3rd of its production cut quota and seeing the heavy export flow from Iraq leaves the prospect of more lower-lows very likely. We wouldn't be surprised to see February crude oil fail to hold close-in consolidation support at the \$50.97 level especially with prices failing to derive any benefit from news yesterday of US/Iranian naval tensions. An issue that might cushion energy prices to start today is favorable international economic data but that same news didn't seem to provide equities with a risk-on vibe overnight!



PRODUCT MARKET FUNDAMENTALS: As suggested in prior coverage, the latest COT positioning report showed heating oil to have a record spec and fund long and that leaves the market vulnerable to ongoing stop loss selling in the event that more chart support levels are violated. As we have also suggested a lot lately, US Temperatures are now projected to become mild out to January 24th and spillover weakness from crude oil might pressure February RBOB market down to the next consolidation support line down at \$1.559. In fact, gasoline also failed to see much support from news of a small issue at the Colonial pipeline on Monday and that highlights the vulnerability of RBOB in the short term. Also the 50 day moving average in RBOB sits down at \$1.4987 and that is a long way down from current levels. As for heating oil, we seriously doubt that the February heating oil contract will avoid a slide to some of the lowest prices since the December 8th lows. Just to highlight how overbought the February heating oil contract might be, the 50 day moving average in heating oil sits all the way down at \$1.5951.

NATURAL GAS: Forecasts for mild temperatures out through January 23rd helped extend losses on Monday after last week's 11.7% decline. The National Weather Service 8-14 day forecasts has the eastern half of the country with above normal/much above normal temperatures from January 17th to 23rd. Temperatures are curtailing heating demand with fresh concerns that a potential supply glut could emerge again. In fact, prices for the nearby February contract are now trading at a discount to the April (spring) contract and the market was down over 5.5% yesterday and it broke below all the usual retracement support levels. A small gap remains from mid-November at \$3.066 to \$3.028 that most likely will be filled ahead unless the global economic outlook continues to improve and or crude oil prices show a marked reversal. Furthermore momentum studies are not overextended or oversold as of yet, and still indicate a move lower with the RSI reading of 37.1%. After Monday's poor technical action we do not rule out a complete 100% retracement of the entire move back down to \$2.766. Close in support

is seen at \$3.000.

TODAY'S MARKET IDEAS:

We remain bearish toward crude oil, heating oil and RBOB going forward. The markets are overbought, the weather outlook is bearish and the markets have already sustained noted chart damage. Therefore unless there is a sudden and noted surprise development from the production cut side of the equation, we think that energy prices are headed back to the lowest levels since December 8th.

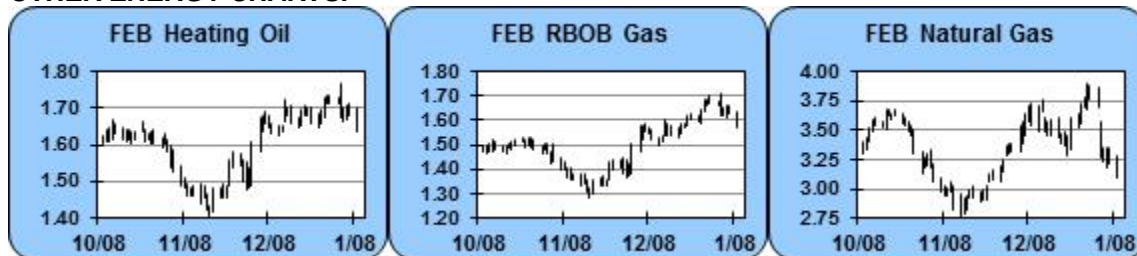
NEW RECOMMENDATIONS:

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 (FEB) 01/10/2017: A bearish signal was triggered on a crossover down in the daily stochastics. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The close under the 18-day moving average indicates the intermediate-term trend could be turning 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 target is 50.34. The next area of resistance is around 52.87 and 54.35, while 1st support hits today at 50.87 and below there at 50.34.

HEATING OIL (FEB) 01/10/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The intermediate trend has turned down with the cross over back below the 18-day moving average. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside target is now at 158.36. The next area of resistance is around 167.18 and 172.21, while 1st support hits today at 160.26 and below there at 158.36.

RBOB GAS (FEB) 01/10/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside objective is 151.84. The next area of resistance is around 160.41 and 165.24, while 1st support hits today at 153.71 and below there at 151.84.

NATURAL GAS (FEB) 01/10/2017: The downside crossover (9 below 18) of the moving averages suggests a developing short-term downtrend. Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's short-term trend is negative as the close remains below the 9-day moving average. The close below the 2nd swing support number puts the market on the defensive. The next downside target is now at 2.976. The next area of resistance is around 3.207 and 3.329, while 1st support hits today at 3.031 and below there at 2.976.

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										
CLAG7	51.87	41.89	47.76	52.11	41.99	53.22	53.41	53.14	50.37	50.44
CLAH7	52.77	41.63	47.78	51.76	41.14	54.14	54.33	54.05	51.22	51.21
HOAG7	163.72	38.00	45.64	49.10	32.82	1.68	1.70	1.69	1.60	1.60
HOAH7	165.06	38.18	45.99	50.80	34.07	1.70	1.71	1.70	1.61	1.61
RBAG7	157.06	38.60	47.63	63.28	45.90	1.62	1.64	1.62	1.50	1.50
RBAH7	159.68	39.62	48.65	64.35	47.32	1.64	1.66	1.64	1.53	1.52
NGAG7	3.119	30.59	37.40	31.48	15.73	3.24	3.50	3.50	3.33	3.35
NGAH7	3.128	31.38	37.91	32.57	16.79	3.23	3.47	3.47	3.31	3.32

Calculations based on previous session. Data collected 01/09/2017

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						
CLAG7	Crude Oil	50.33	50.86	52.34	52.87	54.35
CLAH7	Crude Oil	51.25	51.77	53.25	53.77	55.25
HOAG7	Heating Oil	158.35	160.25	165.28	167.18	172.21
HOAH7	Heating Oil	159.84	161.69	166.57	168.42	173.30
RBAG7	RBOB Gas	151.83	153.70	158.54	160.41	165.24
RBAH7	RBOB Gas	154.80	156.53	161.09	162.82	167.38
NGAG7	Natural Gas	2.975	3.030	3.152	3.207	3.329
NGAH7	Natural Gas	2.989	3.041	3.162	3.214	3.335

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