



DAILY ENERGY COMPLEX COMMENTARY

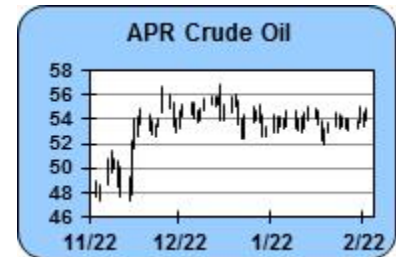
Friday February 24, 2017

DAILY ENERGY COMPLEX COMMENTARY

02/24/17

Slightly vulnerable status due to a developing risk-off vibe

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
CRUDE -38, HEATING OIL -129, UNLEADED GAS -80



CRUDE OIL MARKET FUNDAMENTALS: The crude oil market yesterday showed another wide trading range but prices enter the session today off balance and modestly off this week's highs. While weekly crude oil stocks showed only a minimal build, (after a series of very large builds) inventory levels continue to hang over the market. We are little surprised that prices haven't shown some bullish reaction to reports that some selling out tanker storage is being seen in Asia as that insinuates demand in the area is high enough to begin to eat into an oversupplied waterborne market. In fact that market also saw evidence that the Saudis managed to regain the mantle of largest cash supplier source to China last month. Other issues that should continue to provide support to energy prices are developing weakness in the dollar and residual talk of investment money flowing toward energies. Limiting crude is news that US crude oil stocks stood at 518.683 million barrels as that is the highest ever for this week. EIA crude stocks rose 564,000 barrels, they are 42.358 million barrels above year ago levels and they have now risen for 7 straight weeks. Also, crude stocks stand 143.55 million barrels above the five year average. Crude oil imports for the week stood at 7.286 million barrels per day compared to 8.491 million barrels the previous week.

PRODUCT MARKET FUNDAMENTALS: On one hand, the RBOB market managed an impressive range up action in the prior trading session but the market was unable to sustain that upward pulse. However, seeing a somewhat positive sentiment shift toward crude oil earlier this week, seeing both gasoline and distillate stocks fall yesterday and seeing Amsterdam Rotterdam and Antwerp (ARA) gasoline stocks decline by 4.3% on the week should provide the gasoline market with a layer of underlying fundamental support. While US implied gasoline demand readings improved from the prior week, they are below two week ago figures and more than likely still within a generally slack seasonal demand period. In fact, weekly US gasoline demand has been running about 5% below year ago levels as the gasoline market in general hasn't been willing to embrace a possible improvement in demand from a cyclical perspective. Downtrend channel resistance in the April gasoline today is seen up at \$1.7807 with little in the way of significant consolidation support seen until \$1.7186. The refinery operating rate was 84.30% down, 1.10% from last week compared to 87.30% last year and the five year average of 86.28%. EIA gasoline stocks fell 2.628 million barrels and are 22 thousand barrels below last year and 19.336 million above the five year average. Average total gasoline demand for the past four weeks was down 5.22% compared to last year. Gasoline imports came in at 367,000 barrels per day compared to 604,000 barrels the previous week. Distillate stocks at 165.133 million barrels are at a record high for this week. The previous record was in 2016. EIA distillate stocks fell 4.924 million barrels and stand at 4.418 million barrels above last year and 32.313 million above the five year average. Distillate imports came in at 129,000 barrels per day compared to 216,000 barrels the previous week. Average total distillate demand for the past four weeks was up 14.36% compared to last year. EIA heating oil stocks rose 36,000 barrels and are 2.628 million barrels below last year and 6.050 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
2/17/2017	518.683	0.564	42.358	375.133	7.286	84.3	87.3
DISTILLATES	Stocks				Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
2/17/2017	165.133	-4.924	4.418	132.82	0.129	4.292	3.704
GASOLINE	Stocks				Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
2/17/2017	256.435	-2.628	-0.022	237.099	0.367	8.663	9.576

NATURAL GAS: The weekly natural gas storage report showed a draw of 89 bcf compared to analyst estimates of an 82 bcf draw. Total storage stands at 2,356 bcf or 7.1% above the 5 year average. Over the last four weeks, natural gas storage has declined 442 bcf. The market is down 6.7% on the week and down 29% so far this year due to record warmth that has decimated demand and has inventories drawing down anemically at a time of the year when we usually see big withdrawals. The National Weather Service 8 to 14 day forecast for March 3rd-9th has normal to below normal temperatures for the extreme North and Northwest section of the US which is far too little and too late for the bull camp. However, April natural gas had its second positive close in the last ten days and momentum indicators are starting to turn up from extreme oversold levels but we think a temporary corrective bounce is all the market has in it for now. There is a gap above the market from \$2.913 to \$2.946 as well as a 38.2% retracement up at \$2.875 and the 50% retracement level is at \$2.947 and those levels could be potential targets.

TODAY'S MARKET IDEAS:

It is impressive that April crude oil has spent a large portion of this week's trade in the upper quarter of the last two months range. However, some of the gains off this week's low were probably a relief rally that US crude stocks did not continue to soar. In other words, large portion of the positive price action might've been technical short covering and that might be borne out by declining open interest and volume statistics this week. It might seem strange to suggest the energy complex is getting short covering in the aftermath of the latest record spec and fund long in the commitments of traders positioning report, but the biggest volume trade day of this week was on the peak and reversal move on Tuesday. Downtrend channel resistance and consolidation high resistance in April crude oil to start today is at \$54.94 and a logical bottom of the range forecast for today is seen at \$53.20.

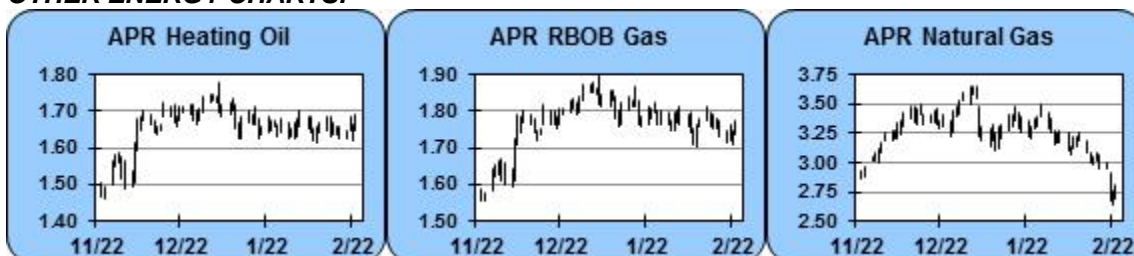
NEW RECOMMENDATIONS:

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 (APR) 02/24/2017: The cross over and close above the 60-day moving average indicates the longer-

term trend has turned up. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The intermediate trend could be turning up with the close back above the 18-day moving average. A positive setup occurred with the close over the 1st swing resistance. The near-term upside target is at 55.45. The next area of resistance is around 54.90 and 55.45, while 1st support hits today at 53.84 and below there at 53.32.

HEATING OIL (APR) 02/24/2017: A bullish signal was given with an upside crossover of the daily stochastics. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. A positive setup occurred with the close over the 1st swing resistance. The near-term upside objective is at 170.97. The next area of resistance is around 168.53 and 170.97, while 1st support hits today at 164.13 and below there at 162.18.

RBOB GAS (APR) 02/24/2017: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The close below the 9-day moving average is a negative short-term indicator for trend. The market has a slightly positive tilt with the close over the swing pivot. The next downside objective is now at 171.11. The next area of resistance is around 176.48 and 178.95, while 1st support hits today at 172.56 and below there at 171.11.

NATURAL GAS (APR) 02/24/2017: The crossover up in the daily stochastics is a bullish signal. 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 negative signal for trend short-term was given on a close under the 9-bar moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside target is 2.873. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 2.812 and 2.873, while 1st support hits today at 2.692 and below there at 2.632.

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										
CLAJ7	54.37	56.46	54.01	62.73	67.67	54.02	53.88	53.75	54.08	53.86
CLAK7	54.67	55.34	53.03	58.43	63.69	54.33	54.24	54.18	54.64	54.40
HOAJ7	166.33	55.59	52.76	41.18	46.63	1.65	1.65	1.65	1.67	1.67
HOAK7	167.06	55.05	52.50	42.09	47.02	1.66	1.66	1.66	1.68	1.67
RBAJ7	174.52	45.36	45.90	39.88	36.52	1.74	1.75	1.76	1.79	1.78
RBAK7	176.84	47.51	47.44	41.22	38.62	1.76	1.77	1.78	1.81	1.80
NGAJ7	2.752	26.33	30.78	9.67	11.13	2.77	2.92	3.05	3.24	3.26
NGAK7	2.826	25.60	30.99	10.34	9.84	2.85	2.99	3.12	3.26	3.28

Calculations based on previous session. Data collected 02/23/2017

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						
CLAJ7	Crude Oil	53.31	53.83	54.38	54.90	55.45
CLAK7	Crude Oil	53.64	54.14	54.69	55.19	55.74
HOAJ7	Heating Oil	162.17	164.13	166.57	168.53	170.97
HOAK7	Heating Oil	163.25	165.03	167.30	169.08	171.35
RBAJ7	RBOB Gas	171.11	172.56	175.03	176.48	178.95
RBAK7	RBOB Gas	173.77	175.09	177.27	178.59	180.77
NGAJ7	Natural Gas	2.631	2.691	2.752	2.812	2.873
NGAK7	Natural Gas	2.713	2.766	2.832	2.885	2.951

Calculations based on previous session. Data collected 02/23/2017

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