

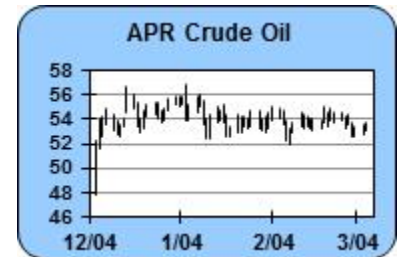


DAILY ENERGY COMPLEX COMMENTARY Wednesday March 08, 2017

DAILY ENERGY COMPLEX COMMENTARY 03/08/17

Rising inventories shifts control back to the bear camp

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):
CRUDE -56, HEATING OIL -57, UNLEADED GAS +83**



CRUDE OIL MARKET FUNDAMENTALS: While April crude oil had managed a pattern of higher highs and higher lows for 3 straight days, that action has been reversed with the quick return to the last 4 week's lows overnight. Not surprisingly news from the API that US crude oil inventories in the last week jumped by a massive 11.6 million barrels has wiped away the bullishness in place to start this week. Given the sharp inflow into API inventories that probably raises expectations for the EIA build today well above the typical +2 to +3 million barrel forecast. In fact the market has also seemed to discount suggestions from the Saudi Oil Minister at the CERA WEEK conference that he sees "market fundamentals improving" as that would seem to suggest more leveling of burdensome supplies but that the market is uninterested in bull items. In short the market has seen a lot of bullish news in the last 24 hours that has been basically ignored. However, in a potentially significant negative development, the market also saw evidence that Iranian oil exports have now reached back up to 3 million barrels per day and while the market was aware of the fact that Iran was being given special treatment due to their sanctions, seeing that supply build means the rest of the producers need to reach and sustain full compliance quickly. Apparently the market doesn't accept suggestions from the Kuwait Minister that OPEC compliance with the production cuts was 140% in February as prices are drifting lower despite that news. The market also saw evidence that January US oil exports (from the US Trade Balance report) reached up to a significant 746,000 barrels per day compared to only 442,000 barrels in December. A rising Dollar and less economic optimism in the US should limit and perhaps shift technical factors in favor of the bear camp today.

PRODUCT MARKET FUNDAMENTALS: We were suspicious of the recent gains in crude oil, but we are even more suspicious of the gains off last week's lows in the gasoline market. However, a surprise draw in gasoline stocks from the API yesterday of 4.9 million barrels has stepped up to support gasoline prices in the face of weakness in crude oil prices. In fact, technical action in April gasoline Tuesday was exceedingly negative with a four day high and significant rejection of that high. Perhaps the trade is banking profits and moving to the sidelines ahead of this week's EIA inventory readings, or one could suggest that gasoline is more sensitive to the slight downshift in US economic psychology so far this week. We must also note that the gains of the past four sessions have been done on lower trading volumes and that may indicate a narrow following from the bull camp. We would now suggest that the \$1.70 level in April gasoline appears to be some form of psychological resistance but it should also be noted that the \$1.70 level also presents significant overhead consolidation resistance.

Weekly EIA Petroleum Estimates - Week Ending 3/3/2017 - In Million Barrels

	High Estimate	Low Estimate	Stocks Last Week	Stocks Change Last Week
Crude Oil	2.1	1.7	520.2	1.5
Distillates	-0.7	-1.1	164.2	-0.9
Gasoline	-1.2	-1.6	255.9	-0.5

NATURAL GAS: While the EIA's monthly short term outlook forecast lowered the natural gas price forecast to \$3.03 from \$3.43 last month the market continues to show fairly impressive chart action and is forging that action in the wake of distinctly bearish inventory data last week. However, the EIA production forecast was cut to 78.93 bcf per day from 70.07 bcf per day last month and that might provide some light at the end of the tunnel for the bull camp. However, the latest National Weather Service 8-14 day forecast has above normal temperatures expanding north from March 14th to 20th with forecasts for below normal temperatures limited to the far Northwest region. The early estimates for Thursday's inventory report have stockpiles falling 60 bcf last week compared to the five year average of a 136 bcf decline for the period. The market saw back and fill action yesterday filling the gap that was left from \$2.840 to \$2.857. More sideways action to slightly higher action is likely with solid support today climbing to \$2.84. Resistance remains at \$2.947 to \$3.019.

TODAY'S MARKET IDEAS:

As indicated already, we don't think the positive technical spin from the charts will stand up under a series of bearish supply side developments from the API, EIA, Iran and Russia this week. We also think that the \$54 level in April crude oil offers moderate resistance today, and any US EIA crude oil inventory build in excess of 4 million barrels is likely to knock prices back down to and perhaps below last week's low of \$52.54. Furthermore, if inventories build, equities remain under pressure and the dollar forges yet another new high for the move, it is possible that nearby crude oil prices could fall below the \$52 area.

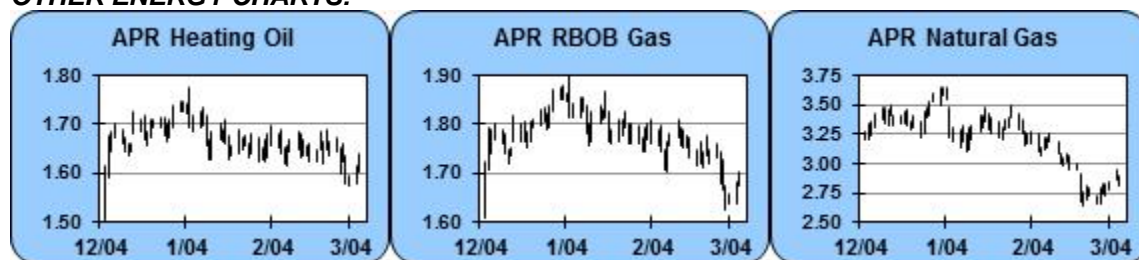
NEW RECOMMENDATIONS:

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) 03/08/2017: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market's short-term trend is negative as the close remains below the 9-day moving average. The downside closing price reversal on the daily chart is somewhat negative. The market tilt is slightly negative with the close under the pivot. The next downside objective is 52.47. The next area of resistance is around 53.47 and 54.02, while 1st support hits today at 52.69 and below there at 52.47.

HEATING OIL (APR) 03/08/2017: 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 over the pivot swing is a somewhat positive setup. The next downside target is now at 157.95. The next area of resistance is around 162.99 and 165.24, while 1st support hits today at 159.35 and below there at 157.95.

RBOB GAS (APR) 03/08/2017: A bullish signal was given with an upside crossover of the daily stochastics. The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The close below the 9-day moving average is a negative short-term indicator for trend. With the close higher than the pivot

swing number, the market is in a slightly bullish posture. The near-term upside objective is at 171.35. The next area of resistance is around 169.32 and 171.35, while 1st support hits today at 166.38 and below there at 165.46.

NATURAL GAS (APR) 03/08/2017: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. A positive signal for trend short-term was given on a close over the 9-bar moving average. The close below the 1st swing support could weigh on the market. The near-term upside objective is at 2.918. The next area of resistance is around 2.871 and 2.918, while 1st support hits today at 2.797 and below there at 2.769.

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	53.08	42.84	45.51	41.34	31.07	53.06	53.62	53.70	53.83	54.03
CLAK7	53.59	43.62	45.82	42.38	33.50	53.54	54.04	54.10	54.37	54.56
HOAJ7	161.17	42.99	44.01	27.96	26.40	1.60	1.62	1.64	1.65	1.66
HOAK7	162.12	43.63	44.45	28.53	27.10	1.61	1.63	1.65	1.66	1.67
RBAJ7	167.85	37.82	39.18	24.39	25.66	1.66	1.70	1.73	1.77	1.78
RBAK7	170.55	38.56	39.93	25.25	26.31	1.69	1.72	1.75	1.78	1.79
NGAJ7	2.834	44.14	41.80	30.43	38.62	2.84	2.80	2.88	3.12	3.20
NGAK7	2.928	44.30	42.56	32.28	40.27	2.94	2.89	2.97	3.16	3.22

Calculations based on previous session. Data collected 03/07/2017

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	52.46	52.69	53.24	53.47	54.02
CLAK7	Crude Oil	52.97	53.20	53.74	53.97	54.51
HOAJ7	Heating Oil	157.94	159.34	161.59	162.99	165.24
HOAK7	Heating Oil	159.05	160.37	162.54	163.86	166.03
RBAJ7	RBOB Gas	165.45	166.37	168.40	169.32	171.35
RBAK7	RBOB Gas	168.34	169.17	171.10	171.93	173.86
NGAJ7	Natural Gas	2.768	2.796	2.843	2.871	2.918
NGAK7	Natural Gas	2.871	2.896	2.934	2.959	2.997

Calculations based on previous session. Data collected 03/07/2017

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