

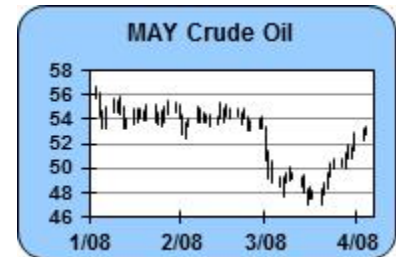


DAILY ENERGY COMPLEX COMMENTARY Wednesday April 12, 2017

DAILY ENERGY COMPLEX COMMENTARY 04/12/17

The bulls retain control for another session

**OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
CRUDE +23, HEATING OIL +122, UNLEADED GAS +69**



CRUDE OIL MARKET FUNDAMENTALS: May crude oil managed yet another higher high for the move and reached up to the highest level since March 7th overnight and that keeps the technical condition in the bull's camp. Clearly aggressive comments from the US Secretary of State regarding Syria, suggestions from Saudi Arabia of their desire to extend the production cut agreement yesterday and retaliatory statements from the Russia President/Russia Foreign Minister add fresh bullish fodder to the energy equation today. While the market on Tuesday was presented with an upward revision in the EIA 2017 crude oil demand growth estimate from 210,000 barrels per day to 250,000 barrels per day that news was also accompanied overnight by OPEC upward revisions for global demand. Unfortunately for the bull camp, the EIA also revised US production for 2017 higher than a previous forecast. While the net gain in overall prices compared to last year doesn't suggest producers have achieved a major benefit from the reduction effort, there are signs that pockets of supply outside of the US are being drawn down and Non-OPEC producer compliance is expected to expand ahead. In fact, OPEC has suggested that OPEC production cut targets have actually exceeded their prescribed levels in the latest monthly readings and therefore incremental demand improvements should yield some balancing of supply. All things considered, the risks against supply in the Middle East make it difficult to call for a top in crude oil prices in the short-term unless there is a significant risk-off environment facing the trade. An issue that should lend some support to crude ahead of the weekly EIA inventory report is a decline of 1.3 million barrels in inventories from the API.

PRODUCT MARKET FUNDAMENTALS: Unlike crude oil and heating oil the gasoline market was unable to make a higher high for the move yesterday but this morning it has corrected that with a fresh breakout up. While the heating oil market could have been held back by the negative flap associated with the United Airlines incident on Monday, the trade has recently seen the airlines moving to add flights which should increase demand for distillates. In addition to impressive load capacity readings over the last year, additional flights should mean increased year-over-year jet fuel demand readings. The early gains in gasoline prices this week might've been off hopes for a 2 million barrel decline in this week's EIA gasoline stocks reports and part of that expectation is justified in the wake of news from the API that US gasoline inventories fell by 3.7 million barrels in the latest weekly figures.

Weekly EIA Petroleum Estimates - Week Ending 4/7/2017 - In Million Barrels

	High Estimate	Low Estimate	Stocks Last Week	Stocks Change Last Week
Crude Oil	0.3	-0.1	535.5	1.6
Distillates	-0.7	-1.1	152.4	-0.5
Gasoline	-1.5	-1.9	239.1	-0.6

NATURAL GAS: The market slid for the third day in a row after making two-month highs last week. The forecast continues to show a warmer outlook for the lower two thirds of the country with cooler temperatures limited to the northern tier of the US. The milder conditions should curb demand for heating demand and for most that ends the season. The average estimate for Thursday's inventory report could show an increase of 9 bcf versus the five year average of 12 bcf for the same period. The EIA's monthly short term energy report has the US natural gas price forecast at 3.10 versus 3.03 last month. May natural gas saw follow through weakness yesterday after Monday's bearish "doji" star candle. The market also closed below trend line support at \$3.210 and below the 100 day moving average at \$3.194. With managed money trend followers long a record 175,917 contracts as of April 4th, further long liquidation is possible into the shortened trading week. A test of the 200 day moving average at \$3.103 and the 50 day at \$3.088 could be short term targets.

TODAY'S MARKET IDEAS:

The pattern of higher highs continues with the combination of supply-side threats and generally supportive demand headlines remaining in place. Next upside targeting in May crude oil is seen at \$54.29 and support close in is seen at \$53. Somewhat lower in critical support is seen at the 50 day moving average of \$49.76. Uptrend channel support off the March and April lows today is seen at \$52.61 and that support rises to \$53.07 on Thursday.

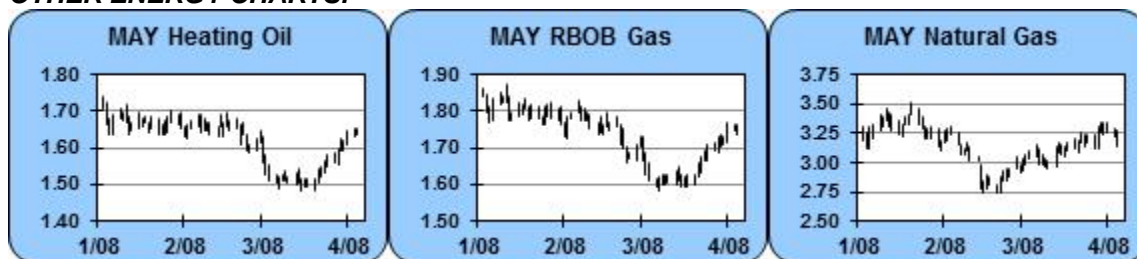
NEW RECOMMENDATIONS:

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 (MAY) 04/12/2017: Rising stochastics at overbought levels warrant some caution for bulls. The market's short-term trend is positive on the close above the 9-day moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside target is 53.90. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 53.65 and 53.90, while 1st support hits today at 52.93 and below there at 52.45.

HEATING OIL (MAY) 04/12/2017: Momentum studies are trending higher but have entered overbought levels. A positive signal for trend short-term was given on a close over the 9-bar moving average. The close over the pivot swing is a somewhat positive setup. The near-term upside objective is at 166.75. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 166.14 and 166.75, while 1st support hits today at 164.12 and below there at 162.70.

RBOB GAS (MAY) 04/12/2017: Momentum studies are trending higher but have entered overbought levels. The market's close above the 9-day moving average suggests the short-term trend remains positive. 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 upside target is 178.13. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 176.86 and 178.13, while 1st support hits today at 173.98 and below there at 172.37.

NATURAL GAS (MAY) 04/12/2017: 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 market is in a bearish position with the close below the 2nd swing support number. The next downside target is 3.058. The next area of resistance is around 3.228 and 3.311, while 1st support hits today at 3.102 and below there at 3.058.

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										
CLAK7	53.29	77.97	66.82	85.41	93.51	52.58	51.52	49.97	51.68	52.33
CLAM7	53.69	78.22	67.02	85.39	93.49	52.99	51.96	50.45	52.08	52.75
HOAK7	165.13	80.51	69.23	86.33	94.19	1.63	1.60	1.56	1.59	1.61
HOAM7	165.91	80.85	69.44	86.28	94.25	1.64	1.61	1.57	1.60	1.62
RBAK7	175.42	75.52	66.44	86.75	91.61	1.75	1.72	1.67	1.70	1.72
RBAM7	175.43	79.79	68.55	87.18	93.49	1.75	1.72	1.67	1.70	1.73
NGAK7	3.165	47.89	50.69	75.15	64.15	3.25	3.23	3.18	3.07	3.13
NGAM7	3.240	46.60	49.98	74.34	62.02	3.32	3.30	3.25	3.14	3.20

Calculations based on previous session. Data collected 04/11/2017

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						
CLAK7	Crude Oil	52.44	52.92	53.17	53.65	53.90
CLAM7	Crude Oil	52.85	53.33	53.57	54.05	54.29
HOAK7	Heating Oil	162.69	164.11	164.72	166.14	166.75
HOAM7	Heating Oil	163.54	164.94	165.48	166.88	167.42
RBAK7	RBOB Gas	172.37	173.98	175.25	176.86	178.13
RBAM7	RBOB Gas	172.58	174.12	175.19	176.73	177.80
NGAK7	Natural Gas	3.057	3.101	3.184	3.228	3.311
NGAM7	Natural Gas	3.138	3.179	3.259	3.300	3.380

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