

The Struggle is Real

Well, US oil producers want you to think so.

While everyone is rethinking the glamour girl image of Taylor Swift, the rest of the world is still trying to figure out what is going on with all the oil around. We're getting ready to see the weekly EIA oil inventories and if we're to believe the API numbers last night, we'll I'm the Miss Cleo of oil estimates. OK, the teeming millions already know I got this, but if we're to see another draw down in US production we have to start taking this seriously. I get it, most oil wonks are saying that this is just the way it goes in summer. We run our refineries high and because our inventories are so high, we don't need to import crude. We can just take down what's in tank and use all the cheap crude because refining margins are so low. Well let's clear some of this up before we get to those numbers.

First let me clear the air about the poor refining margins. I do like to say that they could be worse. Actually, they are so much better than most think. The oil that we're taking out of tank is likely to be a lot *lower* than the current \$45/bbl. Let's figure all the crude that the 521M barrels of crude that we have in tank as of last week saw it's biggest accumulation while oil prices we're well under \$45. We can figure that since the collapse in November 2014 that we stored away as much as we could. Well lo and behold, we accumulated about 155M barrels of crude in the US from December 2014 (386M) to the peak (541M) in May 2016. Unless American refiners are holding on to those barrels for a rainy day, they should be running the cheap stuff or importing the lower priced crudes today to balance out the lower cost of product. Hell, I can't understand why everyone is concerned about a supply glut in products. If anything, high production is a great way to make a lot of money once prices move back up. Sure there's some concern about if prices will go back up, but there's no argument here that demand is trending higher.

So let's get on with this whole idea about supply of crude now. Many are still focused on OPEC as the swing producer. Now that US fracking and the subsequent production has dropped over 1M b/d since November, the thinking is that OPEC and especially the Saudis have won. Think again Mr. West, things are never as simple as they appear. For a while now I've been on the soap box about rising rig count and lower domestic crude oil production. It just doesn't compute. After talking to some producers though, the concept is one that is more predetermined than just bad luck. Fracking has not only changed the way we bring crude out of the ground, but the technology also helps us determine how much we can bring out. Frackers have a more efficient way of "choking" off the flow than conventional wells. Keeping existing and new wells producing at a measured pace allows these producers to determine just how much gets into the market while keeping rigs running. This in effect means that the US is doing what OPEC isn't; we're controlling the price of US crude. Pump more and the prices can drop, measured pace and we're waiting for our time. Or at least waiting on \$60 oil.

That's Hot

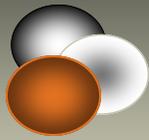
- US run cuts (you can't throttle internet data service, but you can in oil)
- USD (sorry, we don't follow this correlation anymore)
- Vin Diesel (hey buddy, can't we do a XxX movie in oil for our birthdays)



Good is no great, but it's better than bad

That's Not

- OPEC (enjoy Vienna while it lasts, the party is about over)
- Venezuela (real people losing real lives)
- Garry Marshall (shlemiel, schlemazel ...we'll remember the happy days)



Oil Outlooks and Opinions

Wednesday, July 20, 2016

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Crude:

Where does the time go? It's hard to believe that we're already moving along to the **CLU6** contract. It's even harder to imagine we're that much further along in the spreads in CL too. Just as soon as we think we're ready to find the high side of the CL contract, here comes the seasonal play once again. We'll concentrate on what's at hand and look for resistance at 4630, 4745 and 4833. The support numbers fall in at 4528, 4460 and 4372. The front spread moves up to **CLU6/CLV6** and they start with resistance at -44, -25 and -02. Support comes back to -63, -80 and -105. We'll move higher post stats.

Gasoline:

OK laziness has been set aside and I'm moving ahead with the RBQ16 contract. We can start with resistance here at 13978, 14155 and 14363. Support looks below to 13705, 13568 and 13370. The front spread moves to RBQ6/RBU6. Resistance at -88, -24 and +30. Support to -130, -200 and -270. The RBU6/CLU6 gets resistance at 1276, 1338. Support falls to 1224, 1165.

Distillate:

The calendar keeps us moving and we are focused on the HOQ16 contract. We'll get resistance here at 14065, 14266 and 14440. Support looks back to 13878, 13566 and 13380. The front spread bumps up to HOQ6/HOU6. Resistance here looks at -272, -250. Support holds down to -290, -312. The crack moves up to HOU6/CLU6. Resistance at 1425, 1466. Support back to 1368, 1294.

Trends are only for the affected:

OK, I've been neglecting here, but it's just painful to think that there really might be a trend behind all of this. I mean there is, but it's the same one that I've been harping on the Daily chart since January 2016. Track that back and you'll see that we've made it to 5000 and now we can look for that target to run to 5400. Channel support has room to the 4750-4800 area and we'll see pivot above here at that 5000 area.

Fundy you should mention:

Oh there's money out there still playing, it's just that the toys in our sandbox aren't worth playing with right now. So we'll move on with what we have and keep dreaming of the better days that once were. It is interesting though that there is a "floating storage" play with commodity traders buying and storing gasoline and diesel offshore. Funds might soon realise that the same play with crude worked out in the past and it's worth following this strategy. This week has been quite lame on the economic calendar and today is no different. Go tune in to the RNC for the interesting and bizarre.

Sorry, I am just physically attracted:

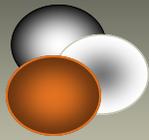
Hello, is there anybody out there. Yeah, it's so slow that I'm quoting Pink Floyd. Even the API numbers couldn't generate much buzz yesterday afternoon. We saw a pretty on the nose draw of 2.3M in crude and another 800K barrels added to the gasoline inventories. Maybe one day everyone will figure out that the builds aren't as bearish when you factor in imports and the crazy high demand. We all have to get over the idea of "seasonality", but it's hard to teach an old dog new tricks. Dealing with one of the hottest years on record, the idea that winter weather is going to hamper demand seems ludicrous. Over the past few years, gasoline demand has stayed high and even rose into December.

Techies, some Trekkies

- 200 Day MA 4483
- 100 Day MA 4594
- 13 Day MA 4658
- 8 Day MA 4606
- 14 Day RSI 42.45

Spread now; Roll later

- Fall into Fall
- Key support: -66, -85, -110
- Key Rests: -35, -12, +20



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Carpe Diem (trade for today):

Moving down the calendar, but at least we're moving.

Let's do this the right way. I go LONG CLU6 above 4630. We're searching hard for some signs of life, but it's a losing battle. Maybe as we get closer to the EIA numbers we can goose the market a little more on lower inventories and weaker domestic production. We'll look for this to make a run here to the upside and target the 4685 area.

When in doubt... I go SHORT CLU6 under 4540. Not a lot of room here to break through to the downside, but I'm still going to remain cautious about what lies beneath. Most will argue that once we get into September, there's a slide that happens seasonally, but we're far from "normal" these days. I'll let it drop, but I'm not willing to look past the 4500 level.

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