

Venezuela: For Realz

Oh pay no attention, it's only an elephant in the room.

Any of the teeming millions care to wonder why we're ignoring one of the biggest crisis in the world right now? I mean we're talking about a country that is the 4th largest importer of crude oil to the US. There was a time that Venezuela was closer to number 2 when you count refined products too. There was about 1M b/d of crude and another 1M b/d of gasoline and diesel shipped this way as recently as 2011. Today we can figure on about 700K b/d of crude and my guess is a lot of that is coming from storage and not from real production. If we're going to ask about refined products, that has to be a lot closer to 0. I'm sure we're getting something, but it's a fraction of that 1M b/d that we used to see not so long ago. If any country in the world has been under crushing pressure because of the shift in oil power, it's Venezuela.

The trouble here didn't start with the collapsing oil prices, it came when the US started cutting back on oil imports. Like Nigeria, the US increase in domestic production kicked off one of the biggest economic shut outs in modern history. When the US had to cut back on it's own production due to lower oil prices then the problem became even more crushing. Venezuela was already reeling from lack of consumers for their oil, now with oil prices under \$80, their economy was in a tailspin into Dante's Inferno. You can start to believe in conspiracies right now because as this was happening in the last year, the US just so happened to make nice with Cuba. Oh that happened to be Venezuela's 4th largest export partner. Oh, and the US also lifted the ban on crude oil exports. Not only did we cut them off from the import list, we joined the export game and picked off one of their best trade partners. Now that's cold.

Let's dig into some of these numbers. In 2014 Venz pulled in \$74.7B in revenues from exports, of which are predominantly from oil sales. Ready for some cut to the chase Taylor Swift stuff? 2015 that number went to \$47.5B. That's worse than Nintendo not making it's own Pokemon mobile game. It is going to get worse for this once proud OPEC member that was once pumping 3M b/d just 10 years ago. The inflation rate last year was a staggering 275%, but wait for it...it's looking at topping 700% by the end of the year. So when we think about what's happening in this country, it's hard not to think that the oil production that is still going on has to be doing more bad than good to the system. So we're coming back to the question, "Why are we paying no attention to one of the top 10 oil exporters in the world?" Not even OPEC is giving them any love. I think that the Illuminati are all waiting for them to just go away and implode. Take them out of the equation and we're back to at least \$60 oil, but at least then we can all act surprised like we never seen it coming. I almost feel like I'm wandering around Area 51 with a camera and a flashlight and I'm going to be surrounded by the men in black for uncovering the truth. The obvious is becoming so obviously overlooked. The plan is that in America you can be too big to fail, but in Venezuela you get too big and we'll make you fail.

That's Hot

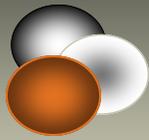
- Fund money (cash is king...oil will not claim the seat on the Iron Throne)
- USD (if you got it, flaunt it...and sell oil)
- The Get Down (because the great days of the 70's never die...ask Saudi Arabia)



I can't keep checking my phone

That's Not

- Oil Bulls (it's not that we're right, it's that nobody cares)
- DNC (Sanders should pull off a coup for the ages)
- Ozzy Osborne (perception is 99% reality...well, not really in marriage)



Oil Outlooks and Opinions

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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 4362, 4464 and 4558. The support numbers fall in at 4268, 4189 and 4090. 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. Time to turn the car around...higher into the close.

Gasoline:

OK laziness has been set aside and I'm moving ahead with the **RBU16** contract. We can start with resistance here at 13356, 13560 and 13735. Support looks below to 13188, 12970 and 12774. The front spread moves to RBU6/RBV6. Resistance at 812, 889 and 945. Support to 755, 705 and 665. The RBU6/CLU6 gets resistance at 1276, 1338. Support falls to 1214, 1165.

Distillate:

The calendar keeps us moving and we are focused on the **HOU16** contract. We'll get resistance here at 13552, 13785 and 13966. Support looks back to 13385, 13174 and 12980. The front spread bumps up to HOU6/HOV6. Resistance here looks at -230, -212. Support holds down to -255, -272. The crack moves up to HOU6/CLU6. Resistance at 1410, 1454. Support back to 1366, 1305.

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:

This is the end of the first month of Q3. By now most money managers have figured out how they are going to lock in most of the returns of 1H 2016. During Summer the idea is to not lose anything you've gained up through the first six months. That's why we've seen a lack of interest in financial oil markets here. Cash is king and through July we're seeing funds up 5% in real cash holdings. Similar reason that we're seeing equities floating higher during a light campaign in July. Time heals all. We get Case Schiller HPI (0.4) at 9:00am EST. New Home Sales (562K) and Consumer Confidence (96.0) at 10:00am.

Sorry, I am just physically attracted:

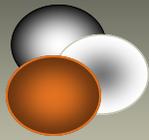
There's a lot of talk that refiners are already making the switch from Sumer blend to Winter blend. That's great and it's not as pretty a picture as most are thinking. It's going to save the refining system of America and we might not have to increase imports over 1M b/d in the coming months. On the plus side, we are going to stay on track to set a pretty good record for gasoline demand this year. Refiners here know that come October the maintenance season is going to be deep and long. The problem is gasoline demand is not going to relent. With another month of expected new jobs added in July to top 200K, we're not going to have a major drop in Summer driving season. Cheap gas, more driving to work.

Techies, some Trekkies

- 200 Day MA 4466
- 100 Day MA 4612
- 13 Day MA 4537
- 8 Day MA 4484
- 14 Day RSI 34.98

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):

A writer writes, a trader trades.

If it looks cheap, it probably is. I go LONG CLU6 above 4360. I want to jump in above 4340, but I get the feeling that is just a head fake and I'll get caught in the air. I give it a little more room and we might be able to see momentum swing my way. We're thinking another draw down and another loss in US crude production in the stats this week. That should give us some juice to run this up to the 4420 area.

A lot of hedging, a lot of guessing. I go SHORT CLU6 under 4240. It's just in such a weird spot under 4200 that I can't get my head around direction either way. I suppose that we could just capitalize on fear down past this level, but it seems like the leash would be short. I'd stay into see 4190, but I just don't want to see if we flush much more from there before the bargain hunters step in.

For now, the disclaimer can be found here: <http://www.oiloutlooks.com/page7.html>

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