

Yes, we have no bananas

Why won't you just go down crude?

Ah yes, another week of solid builds in US crude oil inventories and another week of denial. I'm going to ease off of this talk. It's a lot like me trying to tell people that I only like to make fun of Justin Bieber, when the truth is I'm jamming to his sweet sounds at the gym. I can't deny that I'm still an oil Bull at heart and once I get through these numbers, I'll be more than happy to lay it all out once again. So let's look at those crude numbers. We're at a record 518 *million barrels* and I'm thinking we're chasing 550mm like we were chasing 20K in the Dow. We'll get there at this pace (2017 +7mm wk/avg) sometime when all of this usually slows down in April. Once we get there though, I'm getting the feeling that we're going to be all in on that hyped up Border Tax. I don't know how many more ways I can explain it, but if we're looking at a 20% tax on imports, that's a lot of crude that won't be coming this way.

That's the tricky part though. We don't know exactly how a Border Tax would shake out. I think that a sliding scale of sorts based on the trade deficit would make sense. Alas, after too much time on the US Census website sorting through all sorts of trade balance numbers, I think a scale is just the beginning. I know much has been made about Canada, but they are still in a trade deficit with the US (-\$11B 2016). I'll throw you for a loop if you can guess who does have a trade surplus with us. OK, time's up; Saudi Arabia for the win (+\$1.1B). Go figure, but I suppose that \$45 crude for 2016 will do that. Where Canada does impress though is their consistent drop in their trade deficit with us. Here's a country that is working hard to really find the word "balance" in trade balance. They dropped their trade deficit with us from -\$31.8B in 2013 to the aforementioned -\$11.1B last year. On the flip side though, it's Mexico that is sticking out and really making a case for that Border Tax. They're currently at a -\$63B deficit and that's been getting bigger since 2013 to the tune of some -\$8B.

This is what's making a case for this Border Tax, it's oil. The countries I pulled out on this piece are all importers of oil to the US. Granted, we've been weaning off of oil imports since we've pulled up our big boy pants and started making a lot of our own, but imports still matter. If we're not going to let anyone slide on the BAT, then we will have to at least see the WTI come up to the price of Brent and then another 10-20% to really make it attractive. There's always an offsetting tax break on exports, but since we're only focusing on oil, it's going to really be hard to see a growing US economy (and fuel demand) while we're trying to make money. So what is shaping up here is that a lot of smart money that knows how to use Excel as well as me (or better) are watching every EIA report. They are anticipating a build, anticipating the market to react negatively and anticipating this is the best time to start buying US WTI Futures on the cheap. I have probably given this way more thought that Justin Bieber does about Selena Gomez's love life, but this is what I do.

That's Hot

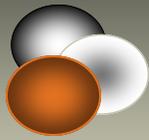
- Making America Great Again (according to the stock market, we already are great and waiting on more)
- Border Tax (build crude, sell off, buy cheap)
- Scarlett Johansson (bringing back the swinging 70's)



Come with it

That's Not

- Venezuela (looking more like Iraq, but with President Trump seeing the real prize)
- \$20 oil (I just like to remind people about this golden lamb)
- Social Media (too much of a good thing goes bad)



Oil Outlooks and Opinions

Thursday, February 16, 2017

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Crude:

And another month bites the dust. It's hard to believe that we're already moving along to the **CLH7** contract. We now pivot past the last month of the year and that should be worth something to everyone trying to play the cash and financial markets. We kick off with resistance here at 5355, 5462 and 5570. We'll look back lower to support at 5260, 5175 and 5066. We'll also change the lead spread and the front spread moves up to **CLH7/CLJ7** and start with resistance at -60, -48 and -24. Support comes back to -78, -110 and -126. Let's get this week done right and the new contract back in play. Back to reality. Follow the Dollar, follow the dream.

Gasoline:

OK laziness has been set aside and I'm moving ahead the **RBH17** contract. We can start with resistance here at 15563, 15770 and 15960. Support looks below to 15370, 15146 and 14980. The front spread moves to **RBH7/RBJ7**. Resistance at -1990, -1855 and -1730. Support to -2192, -2265 and -2370. The **RBH7/CLH7** gets resistance at 1275, 1366. Support falls to 1175, 1113.

Distillate:

The calendar keeps us moving and we are focused on the **HOH17** contract. We'll get resistance here at 16390, 16568 and 16766. Support looks back to 16145, 15960, and 15775. The front spread bumps up to **HOH7/HOJ7**. Resistance here looks at -102, -89. Support holds down to -122, -155. The crack moves up to **HOH7/CLH7**. Resistance at 1608, 1690. Support back to 1512, 1449.

Trends are only for the affected:

Alas, these things never work out as we ever expect them too. I think if I had a dollar for every failed Head and Shoulders on the CL chart, I'd have my own fund right now. So let's move on from that dream on the 60min chart and continue on with the scintillating sideways action. We're playing here between 5270 and 5370 and it's more of the same we've seen all this week and most of last. Making a move outside these parameters might be worth noting, but good luck with that.

Fundy you should mention:

I'm trying to keep this away from politics, but politics right now are quite important to the US economy and the oil demand. Now that Pudzer is backing out of the Labor Secretary nomination, everyone is going to question all of these picks from Day One. I think that we're all set in Oil and Gas for our flag wavers, but it's getting testy here. We still need someone to champion the financial regulation rollback that was started. We get Jobless Claims (246K), Housing Starts (1.232; Permits 1.233) and Philly Fed Business Outlook (19.3) all at 8:30am ET.

Sorry, I am just physically attracted:

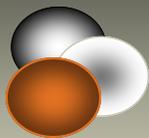
I can't just skip all of the other good numbers on the EIA report. I will say that there's more volatility in fuel demand than Mischa Barton on a bad day. We flipped demand back on it's heels for some odd reason and gasoline (-508K bd) and distillate (-661K) dropped like we had a travel holiday. I know this isn't reflective of real consumer demand, but it is getting a little tough to make sense of it all. The best we can hope for is that it all makes sense once US refiners are making more product. Which brings me to another week of weak crude runs. Since the beginning of the year, we've dropped 1.4mm b/d of crude runs and we aren't even in March. I wonder if they all restart without a hitch.

Techies, some Trekkies

- 200 Day MA 5043
- 100 Day MA 5159
- 13 Day MA 5308
- 8 Day MA 5292
- 14 Day RSI 48.85

Spread now; Roll later

- Back to turnarounds
- Key support: -80, -114, -150
- Key Rests: -62, -38, -10



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Carpe Diem (trade for today):

How about a tribute to the glory days of \$80 WTI?

Age catches up fast when we think about \$60 oil. I go LONG CLH7 above 5360. I'm not going to play this game and I may miss opportunity, but I'm not into chasing a dream. Funds need this more than I do and I just can't see this finding a good reason higher. So I'll let this play out to the hopeful Bulls and ride along to the 5400 area just to say I was in the game.

I only ask that people do their job. I go SHORT CLH7 under 5260. Everything changes here if we really can follow through on the H&S. I like the sell side regardless, so a first wave down to the 5210 area does me good enough to pare most of my position. Now it's if we can get enough volume and momentum down there that I think we're more than happy to take it to the 5170 area, but I'm not going to get cute with much.

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

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