

## Exorcising Demons

The power of price compels you.

I tell you, those three day weekend holidays mean a lot to me. Getting up in age, I tend to need that extra day to make a full recovery of my weekend activities. Not to say that I'm not fully functional, but after an extra day of watching "My 600 lb Life", I feel a lot more energized and ready to get this week started. Mind you, it was also an extra day of thinking about what the new Brent benchmark was going to mean in the big picture. I'm sure that all the teeming millions paid enough attention to the market yesterday to not let that one slip by. There had been secret meetings among the Illuminati that make pricing the Brent possible and they all decided that it was about time to add another oil production stream to the mix.

Yesterday, Platts announced that they were going to add oil from the Troll field in North Sea (250K b/d) to the current Brent price. The current mix includes; Brent, Forties, Oseberg and Ekofisk (BFOE). I'm not referring to my old age again, but I remember when they added Oseberg (2007). If you've been coming here long enough, you know I've been adamant about the way this benchmark has been fading in the past few years. It was once regarded the global standard because it was the waterborne crude. Back in the day, WTI was only useful to help measure what the US had in inventory. That in turn helped measure the need for imports and dictate what the price should be for crude oil coming into the US. I'll go a step further and say at this point, I'm not sure that America even cares what it cost to bring in an imported barrel of oil that has a longer travel time of 10 days. If this is the case, it's hard to imagine that the North Sea crude is worth benchmarking any crude that is moving,, because if it is, it's likely to be coming from the more significant OPEC basket.

There's even more to my thinking here. First, European refineries are not as in high demand as they once were. Not only is the US not importing crude from the EU, we've pushed back our demand for refined products. Now we're running our refineries at record levels and exporting more crude and products every day. Secondly, the decline of the North Sea is getting pretty obvious here. Something has to give. We're either going to run out of production in the North Sea or run out of letters in the alphabet to add to the BFOET. There has been talk about adding a foreign oil to the Brent benchmark, but at some point reality has to set in. We're not seeing a lot of investment running to the North Sea and that's only going to continue. With Troll in the mix, we're seeing the value of investment here shift from Royal Dutch Shell as the North Sea's biggest producer to Norway and Stat Oil. Also we've seen Shell divesting assets here as well. I'll have to say that if anyone knows oil better than most it's oil companies that are in it to win it. Shell has taken it's lumps with all oil companies in the past few years, but it looks like they are making moves here that make more sense than we understand. The writing may be on the wall and the wall is running out of space to keep adding more hope.

### That's Hot

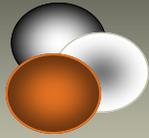
- Making America Great Again (hey if the North Sea can add more, can we add shale to WTI)
- COT (another week of "The Long Road to Nowhere")
- Mall of America (\$2500 and 4 days in a mall, I'm in this contest)



*Days go by and I still think of you...*

### That's Not

- Iraq (we don't want your oil, we just want you to pay for help)
- OPEC (it's all fun and games until you realise it's every producer for themselves)
- David Cassidy (there goes my last hope for a reunion tour)



# Oil Outlooks and Opinions

Tuesday, February 21, 2017

Oil Outlooks and Opinions llc  
[www.oiloutlooks.com](http://www.oiloutlooks.com)

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## Crude:

And another month bites the dust. It's hard to believe that we're already moving along to the **CLJ7** 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 5466, 5572 and 5660. We'll look back lower to support at 5340, 5255 and 5177. We'll also change the lead spread and the front spread moves up to **CLJ7/CLK7** and start with resistance at -22, -16 and -05. Support comes back to -34, -45 and -58. 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 15168, 15360 and 15545. Support looks below to 14988, 14775 and 14560. The front spread moves to **RBH7/RBJ7**. Resistance at -2170, -2066 and -1980. Support to -2360, -2488 and -2560. The **RBJ7/CLJ7** gets resistance at 1930, 1978. Support falls to 1866, 1790.

## Distillate:

The calendar keeps us moving and we are focused on the **HOH17** contract. We'll get resistance here at 16765, 16970 and 17155. Support looks back to 16540, 16370, and 16184. The front spread bumps up to **HOH7/HOJ7**. Resistance here looks at -88, -65. Support holds down to -108, -125. The crack moves up to **HOJ7/CLJ7**. Resistance at 1612, 1685. Support back to 1569, 1511.

## 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:

Well the thing is that Funds are still feeling good about holding on to the WTI Futures. Again, I am not one to follow the Commitment of Traders too intently. I hate the fact that the numbers only account up to the prior Tuesday and skip whatever happened with the EIA stats on Wednesday. Of course, the only thing that happens on EIA day is that we see funds hoping to buy more length on a dip. The report hasn't failed in it's duty (builds since January), but there's just been no effort to dampen the rally. Now with Brent starting to look like it's honestly struggling, WTI might just get even more love.

## Sorry, I am just physically attracted:

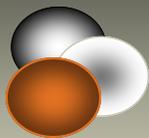
Now for the interesting part that surrounds the new BFOET. Seems that the newswires dropped an interesting story that Shell has been busy increasing their risk portfolio and trading heavily around the Brent. Up until Platts had announced that they were adding the Norway stream to the mix, Shell had been the majority producer in the North Sea. The whole thing reminds me of the days when BP owned the majority of storage in Cushing, only this time the play was around recognizing when production was getting tight. We haven't seen any real action in the price of Brent, but there has to be a play on price. Owning the BFOE should be worth more than the BFOET, but we'll have to wait and see if we're right.

## Techies, some Trekkies

- 200 Day MA 5097
- 100 Day MA 5238
- 13 Day MA 5373
- 8 Day MA 5382
- 14 Day RSI 55.23

## Spread now; Roll later

- Getting there
- Key support: -44, -60, -75
- Key Rests: -18, 00, +16



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## Carpe Diem (trade for today):

For those that are losing their faith in the North Sea, we welcome all.

Come with it. I go LONG CLJ7 above 5510. I'm always a little skeptical about a move in CL here above 5500, but with this Brent thing going on, I may be inclined to think about this twice. I've always been a follower of "flight to quality" theory and this looks right on that path. Funds are already heavy longs, but if they are moving money and reallocating to the safer option, I'm willing to see a run up to the 5550 area.

Back to reality. I go SHOR CLJ7 under 5400. I know we're talking about a different contract month here. Yes, April CL usually gets a bit more demand, but we have so much in storage and probably a lot more domestic production by the time this delivers, I can't see a run up here. I do think that we're in a good position to clean up some rally here with profit taking and ahead of the EIA stats. Watching for a swift move down to the 5330 area.

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

Please feel free to share the joy with your friends, colleagues and the bathroom stalls. Have them sign up for the two week trial and get a personalized thank you note directly from me. Where you going to get a deal like that without a flashing blue light?

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