

Blue Ocean, Black Oil

The strategy is simple; go where they are not.

Happy IP week my teeming millions. I'm sure there's plenty of good people out in London this week putting together deals and pints with much aplomb. This is usually the week that something that sounds good before lunch gets figured out later that executing it wasn't so good. But this is what we all do for a living, we take risk and embrace it. The problem is that everyone who thinks they are taking risk are usually just followers of the herd. They don't come up with a creative idea, they are busy chasing an idea that was passed along in a meeting, in the media or while discussing creative thinking with their peers. As much as all traders love the idea that they are coming up with a trade that sets them apart from the masses, they are really afraid to be the only ones on a losing play. If you look at all of the length in the WTI Futures held by Money Managers, you see exactly what I'm talking about. In a real honest strategy, the balance between long and short positions for Money Managers should always be close to even. We tend to poke fun at Small Investors when they are all leaning to one position or the other because we believe they are destined to be wrong. Well it's time to understand that all of the funds can't always be right either.

What I do think though is that there's a lot more people out there picking up the idea that Brent is on it's last legs. Yes, it's still a good proxy for foreign crude oil, but it's getting close to the end. If you're wondering, the US rarely imports Brent crude or any crude from Europe. It's the best way to figure out the arbitrage for importing refined products like gasoil and gasoline from Europe. The only problem is we hardly do that anymore either. Since the US started picking up the pace of shale crude production, we also dropped the demand for imported gasoline. During the past 5 years we've averaged 620K b/d of gas imports as opposed to the glory days of Brent and gas imports of 2003-2008 when we averaged 1.1mm b/d. Look around the EU and you'll take notice that the refineries are operating more as storage facilities than they are actual producers. That storage is filling up with crude...Brent Crude.

This is where I'm not afraid to stand apart from the masses. The end is nigh for letting a failing sea of production remain a benchmark that is worth noticing. If we're seeing high interest in the upside of crude, especially in WTI, it's because they know there's soon to be only one way to measure oil price and it's too simple. It's the oil where everyone wasn't, but is now. Once again, the price action is pushing ahead this morning. The only good reason is that it can. There's no news of increasing demand. There's no faith that OPEC can keep holding back production. There's only more money being pushed into a contract that means a lot more than just a barrel that is getting dumped in a near capacity hub in Cushing, OK. Nobody wants to be the first one to say what's happening, but they are all in and pretending not to know why.

That's Hot

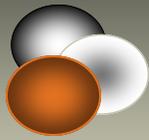
- Making America Great Again (where's that damn Border Tax)
- Fund money (if it was good for March WTI, it's great for April)
- Alex Trebek (I mean really, who knew)



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

That's Not

- US oil supply (to my point, storage is also part of the Midstream industry)
- OPEC (if they make it six months of sticking to quotas, it's a record...err, miracle)
- Lindsay Lohan (I don't know about the headscarf, but I'm happy she's there for IP Week)



Oil Outlooks and Opinions

Wednesday, February 22, 2017

Oil Outlooks and Opinions llc
www.oiloutlooks.com

Volume 8; Issue 2684

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, maybe 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 14952, 15140 and 15365. Support looks below to 14775, 14560 and 14335. 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 1902, 1978. Support falls to 1816, 1760.

Distillate:

The calendar keeps us moving and we are focused on the **HOH17** contract. We'll get resistance here at 16466, 16645 and 16870. Support looks back to 16245, 16070, and 15875. 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 1522, 1608. Support back to 1443, 1380.

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:

Nothing like a little Fed talk to spice up the USD. The only thing is that the higher USD didn't really take it's toll on the oil prices. We had a bit of a sell off into the close, but any fund manager will tell you, take the money when you can. We're right back up this morning and you can feel the funds gearing up for another wave of positioning ahead of a Border Tax. It's a quiet week for economic stats, but we do get Existing Home Sales (5.580M) at 10:00am ET. Then it's off to study the last FOMC meeting minutes at 2:00pm.

Sorry, I am just physically attracted:

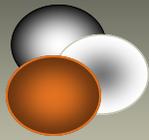
Deal makers and record breakers. That's the mantra of everyone in the upstream industry here in the US. The point used to be about how much crude we are using in our refining system. Now we're trying to figure out how much we can export. Of course all the talk about exports recently brought me back full circle to another argument I had at the beginning of the year. Seems that we're busy shipping American heavy crude (Mars) to China. That signals to me that we're more than happy to be flush with more light crude than we could imagine. Well, that might mean that we're getting ready to come out of a refinery turnaround season ready to up the intake of more light and less heavy. Wait for it...

Techies, some Trekkies

- 200 Day MA 5100
- 100 Day MA 5243
- 13 Day MA 5371
- 8 Day MA 5387
- 14 Day RSI 52.01

Spread now; Roll later

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



Oil Outlooks and Opinions

Wednesday, February 22, 2017

Oil Outlooks and Opinions llc
www.oiloutlooks.com

Volume 8; Issue 2684

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 5480. 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 5530 area.

Back to reality. I go SHOR CLJ7 under 5370. 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 5310 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?

We're on the Web (that's what Al Gore calls it) at:
www.oiloutlooks.com
