

## When in Doubt

E-I-A-E-O, E-I-A-E-O and Bingo was his name-O!

I always wish there were better things on the oil market to discuss than the week's EIA numbers, but it's another one of those weeks. If anything, I don't long for \$80 oil, but a little volatility would be nice. I'm asking a lot here, but I feel like the Academy Awards and if only OPEC would come out and rattle the cage. A good old fashioned "accounting error", a slip of the envelope and they come out saying that there's only been about 20% compliance with the production cuts. Now that would be a good time.

Instead the teeming millions will be relegated to just a quick review of the scintillating EIA numbers. While I still have OPEC in mind, they should be happy to see that the record 1.2mm b/d of crude exports may have just been a blip on the radar. We dropped back by 490K b/d to a more respectable 721K b/d. On the flip side we did manage to increase the flaccid crude imports up to 7.6mm b/d. It's still a long way away from the glory days when America supported the global oil industry, but it's better than what we saw in the past few weeks. Before anyone starts a party though, we did see US crude oil production climb up a decent amount in the Lower 48 (+32K b/d). We're back up over 9mm b/d overall and it looks like we can keep that number in the rear view mirror with WTI prices firmly above \$50. Time is not a friend to OPEC and their quota restrictions though. The more we produce, the more we export and the less we import from OPEC, the likelihood of that production cut continuing is fading fast.

That brings us around to one of the other interesting nuggets from the stats yesterday; refinery runs. Granted, we did see a bottoming out early last year too in February. We cut back on runs from January's 17.1mm b/d to last week's 15.3mm b/d for a chunky cut for turnarounds. Now we may have seen the bottom and we're working our way back up. The way the stats tell it though, it looks like most of the work is done in the US Gulf as runs rebounded last week from 7.9mm b/d to 8.4mm b/d. That accounted for about 4% in utilization rates. PADD2 remains a mystery though. We never really saw any significant drop in runs there and have been averaging a steady 3.7mm b/d of runs which is actually 100K b/d *higher* than the 2016 average (3.6). During Fall maintenance season last year the run rate dropped to 3.1mm b/d so it's possible that is still to come. We're still seeing some major work going on in the East Coast (P1) with runs down to 843K b/d last week, down from 1.1mm in early January. Put all that together on a piece of paper and there's still a lot of time and turnarounds left to this season. The oddest part for me to see here is that we're looking at the last week of February. Normally maintenance hits in mid February and into mid April. It might be that refiners are not going to let go of good demand and solid margins right now. Weather has been good and the export market especially robust. All that is left now is to figure out just what kind of gasoline we're going to be using here in the US come June. RINs, RVP and octane are the buzz until then.

### That's Hot

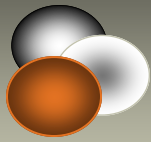
- Making America Great Again (Russia is to Trump like birther is to Obama)
- FOMC (catch a tiger by the toe...and inflation too)
- Oscar flub (honestly, when was the last time we were talking about the Oscars for this long)



*It's like déjà vu all over again*

### That's Not

- RINs (it's like holding stock of Pets.com)
- OPEC (still hoping, still waiting, still losing)
- DWTS (Charo really? It's all fun and games until someone breaks a hip)



# Oil Outlooks and Opinions

Thursday, March 02, 2017

Oil Outlooks and Opinions llc  
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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 5380, 5464 and 5575. We'll look back lower to support at 5272, 5165 and 5044. 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 **RBJ17** contract. We can start with resistance here at 16556, 16770 and 16940. Support looks below to 16335, 16180 and 15955. The front spread moves to **RBJ7/RBK7**. Resistance at -265, -180 and -98. Support to -335, -415 and -510. The **RBJ7/CLJ7** gets resistance at 1640, 1710. Support falls to 1533, 1460.

## Distillate:

The calendar keeps us moving and we are focused on the **HOJ17** contract. We'll get resistance here at 16152, 16370 and 16545. Support looks back to 15975, 15735, and 15560. The front spread bumps up to **HOJ7/HOK7**. Resistance here looks at -92, -70. Support holds down to -119, -140. The crack moves up to **HOJ7/CLJ7** Resistance at 1445, 1513. Support back to 1372, 1305.

## 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 5250 and 5500 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:

Finally, I think I'm back on track. Well, at least with the interest rates and the upcoming FOMC meeting. It looks more and more like the Fed will pull the trigger on the second rate hike in less than four months. If you want to go conspiracy theory here, one might think that Yellen is trying to derail the rally that has blessed President Trump's start in office. On the other hand, I think this action is well overdue. There hasn't been this much second guessing since President Nixon. We get Jobless Claims (245K) at 8:30am ET and there's a few Chain Store Sales numbers through the day.

## Sorry, I am just physically attracted:

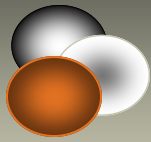
As I delved deeper into the numbers yesterday, I was able to find some more interesting things. One that stood out was the high export number on Distillate. Coming in at 1.284mm b/d it sets up a good precedent to start the year. Last year we set a record for Disty exports at 1.16mm b/d and we could be on the path to leave that in the dust. Now that's that, but let's start to think about the high gasoline exports we've seen in the past few months and the way we keep increasing crude exports in 2017 and we're now one of the most important *oil sellers/exporters* in the world. I want to stress this because it's not just about crude, we have always had the lead in refinery production, but now we control a lot more.

## Techies, some Trekkies

- 200 Day MA 5115
- 100 Day MA 5256
- 13 Day MA 5384
- 8 Day MA 5395
- 14 Day RSI 46.36

## 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 5400. Now that we're starting to understand that as long as we're importing, we're going to continue to build crude. Still, there's a lot of hope out there and if funds want to continue to hold out hope, you are going to stop out the naysayers up here. Not that there's a lot of them, but enough to get us up to the 5440 area.

Back to reality. I go SHORT CLJ7 under 5290. Can we just get this over with? Let's play some Gloria Estefan and turn this beat around. With more evidence that the Fed is going to raise rates, the strength will follow the USD and the opposite effect should grip CL. It might be enough to shake the length out of the trees and the Managed Money. Let's see if they can do some damage and we'll look to 5230.

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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