Energy Overview: Flash

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THE TWAIN MAY NEVER AGREE

TOP HEADLINES:

- APEC fails to live up to its name amid U.S., China acrimony
- Oil rises for a fourth day, buoyed by OPEC supply plans
- Iranian jobs go as U.S. sanctions start to bite

Market*Update*	Month	Last Close	Change	S/T Bias	Viewpoint
WTI Crude Oil	**December**	**56.83**	**0.37**	**Positive**	**OPEC-Russia set to tighten supplies… again.**
Brent Crude Oil	**January**	**66.85**	**0.09**	**Positive**	**Global production outages drain supplies**
RBOB Gasoline	**December**	**1.5675**	**.0096**	**Neutral**	**Seasonal price downturn underway**
ULSD Heating Oil	**December**	**2.0808**	**0068**	**Neutral**	**Diesel demand strong on robust global economy**
Natural Gas	**December**	**4.521**	**.245**	**Neutral**	**Bulls finally gaining upper hand**

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US ECONOMIC EVENTS TO WATCH THIS WEEK

Monday 11/19
- Trade Data (JPN)

Tuesday 11/20
- PPI (GER)
- Housing Starts (USA)

Wednesday 11/21
- Durable Goods (USA)
- EIA Petroleum (USA)
- Jobless Claims (USA)
- Mich. Consumer Sentiment (USA)
- CPI (JPN)

Thursday 11/22
- Holiday (USA)
- Manufacturing PMI (JPN)

Friday 11/23
- Manufacturing PMI (EUR, USA)
- B-H Rig Count (USA)

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Full Weekly Economic Calendar Overview (Bloomberg)

Global MacroEconomic

There are more losses on-tap for the S&P 500 futures market this morning. As the headline above points out, the trade row between the U.S. and China is far from settled, despite recent attempts at putting a happy face on things by the Trump administration. They are dangling some sort of resolution at the upcoming G20 meeting in Argentina, but we sense that the acerbic comments by Peter Navarro, toward China, may be closer to representing the real state of affairs. It is a holiday-shortened week, so expect smallish volumes ahead of Thursday and Friday. Be careful. Thin markets can wreck you.

Petroleum Complex Fundamentals

Oil prices are mixed, this morning, as the bulls continue to try and revive their fortunes, based on stirrings within OPEC and Russia about possible reducing output in 2019. The Saudis are said to be upset with President Trump over all the waivers that were issued for countries to keep purchasing Iranian oil that was to be otherwise subject to sanctions. The Saudis feel played, as they rushed to increase output and exports to fill the Iran supply gap, which they were. They’re ticked off. Play for a rebound.

Technical Analysis: WTI Crude Oil

The most recent price action is actually positive. There has been a series of higher lows, since the low form last week at $54.75. Still, prices remain well-within the long-running downtrend built off of the high from early October near $77. Some resistance is seen at $57.96 the high from Friday, but it appears that an easy retracement back up to $60.00, due to the large daily price bars visible on the chart. A move above $62.00, at least, is needed to violate the downtrend. Play for some near-term gains.

Natural Gas Fundamentals

The price madness in the natural gas market continues apace. Prices are up over twenty cents this morning, which is a $2,000 move per contract. The heating demand outlook for this week has strengthened markedly, with Thanksgiving Day, on Thursday, becoming bitterly cold in the Northeast. There is another cold weather event looming for the region, during the first week of December. So, the early season demand persists; the early forecasts for balmy conditions have failed to materialize. Be careful here.

Technical Analysis: Natural Gas

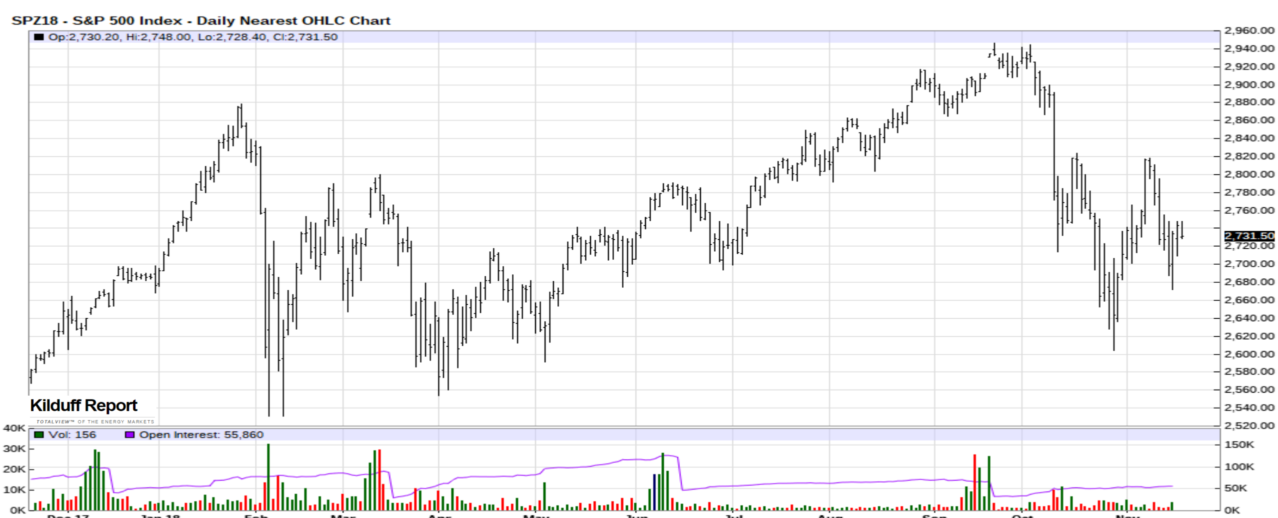
The most recent chart action continues to look like a Richter scale reading during an earthquake. There is another small gap on the chart, from last night’s start of trading. Prices are in a wildly extended range between $4.90 and $3.50. There are large daily prices that combine to scale that range in both directions. The island bottom does underpin the chart, signaling more gains. There is support at $4.40 and the $3.90. Resistance is seen at $4.80. The chart is a very difficult read. Be very, very careful.

Today's Key Point: We don't meant the following as a criticism, more of an observation from a markets perspective. The Trump administration traffics in keeping everyone off-balance. For example, depending on who is speaking, the China-U.S. is either going swimmingly or crashing and burning into a full blown trade war. The across-the-board granting of waivers to buyers of Iranian changed the oil market landscape with the stroke of a pen. There is a lot for the equity market to be concerned about as we move forward. As we say, be careful.

Economic Data	MONTH	ACTUAL	PREV	EFFECT	ANALYSIS
Exports (JPN)	OCT	8.2%	-1.3%	NEG	While there was a rebound in export activity by Japan, it was below expectations, and the rebound is seen as seasonal. The trade wars are hurting Japan as well.
Home Builder Sentiment (USA)	NOV	60	68	NEG	This gauge of home builder sentiment continues to decline. The housing sector is getting hit hard, as interest rises by the Fed push up mortgage rates.

Expanded*View*: Global Macroeconomic

S&P 500 futures are lower to start the week, as, once again, as trade tensions between the U.S and China flared up, again, over the weekend or were laid bare. Another blistering speech by Vice President Pence at the APEC gathering has unsettled the markets, and the communique was fought over bitterly as well. We find any suggestion that a trade deal of even the contours of one being struck at the upcoming G20 meeting to be fanciful. There is a contingent within the administration that sees the fight with China as one for the ages. The vice president appears to be in that camp, while Larry Kudlow and the treasury secretary are wanting a deal. They, of course, and the new plunge protection team. The Fed is exacerbating things, as well, appearing to be unrelenting in their policy of monetary tightening, despite cries from the market. One notable commentator called them out in a big way last week. But let's face it, a 5% mortgage rate is jarring to folks who are out there house shopping. It is a deterrent. The sell-off is not over. Play for more losses.



Quick*View*: Global MacroEconomic/Technical Analysis – S&P 500 Index Futures (SEP)

The most recent price action remains bearish. A near-term double-top is visible, as is a near-term head-and-shoulders pattern. The previously observed reverse head-and shoulders has morphed into an "M" pattern. We expect prices to test the recent lows near 2,600, basis the chart. Any rally should be seen as a counter-trend rally.

Energy Overview: Petroleum Complex

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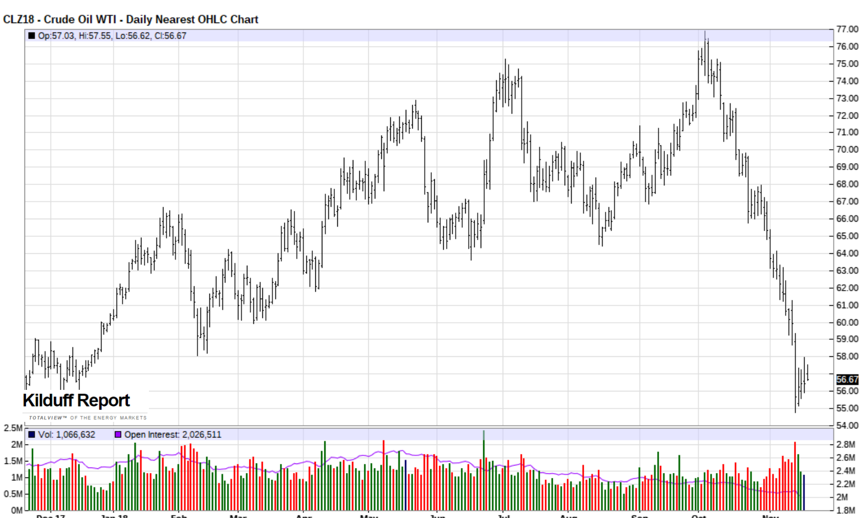
CAT-5	MACRO ECONOMIC	FUNDAMENTAL	TECHNICAL	SENTIMENT	GLOBAL SITUATIONAL
READINGS	NEU	NEU	NEU	NEG	NEG

CAT-5 Focus	READING	ASSESSMENT
MACRO ECONOMIC	NEU	In terms of the global economy, it is starting to become a tale of two cities. The U.S. remains an island of prosperity, while China and other key energy market economies struggle. The strength of the dollar is also putting a licking on these countries outside the U.S.

Expanded*View*

Oil prices have gone negative in early trading. The rhetoric out of OPEC last week about cutting back on production had a remarkably short half-life. The cartel and Russia are being questioned abut their resolve and ability to rein in output in the face of renewed oversupply conditions. While we agree that there is, once again, a lot of wood to chop, in terms of reducing output, the Saudis and President Putin appear committed to doing so. Our bond trader brethren like to say, “don’t fight the Fed.” In our world, it is more like “don’t fight the kingdom.” The Saudis are feeling burned by Trump administration over the granting of waivers from sanctions to buyers of Iranian oil supplies. The Saudis went from expecting zero exports to seeing lax enforcement to say the least. The global oversupply is real, and the futures markets have returned to a contango structure, as a result, meaning that near-term futures contracts are lower in price that longer-dated contracts. That encourages more and more storage, because you get paid to hold the inventory. Be careful here, but we expect KSA to deliver and ultimately engineer a higher price. But not just yet.



PIVOT TABLE	
RESISTANCE-3	60.91
RESISTANCE-2	58.84
RESISTANCE-1	57.65
PIVOT	56.77
SUPPORT-1	55.58
SUPPORT-2	54.70
SUPPORT-3	52.63

Expanded*View*: WTI Crude Oil Technical Analysis

The very-near-term price action is signaling that a counter-trend rally is underway. A nascent uptrend is underway, with a series of higher lows having been installed, since the prominent low from last week at $54.75. We remain reluctant to term last week’s low as a blow-off bottom, given how little prices rebounded, in its immediate aftermath. There has been more of a slow grind back higher, which is producing some consolidation, near the bottom of the recent range. We would play for a bit more upside, but not much more.

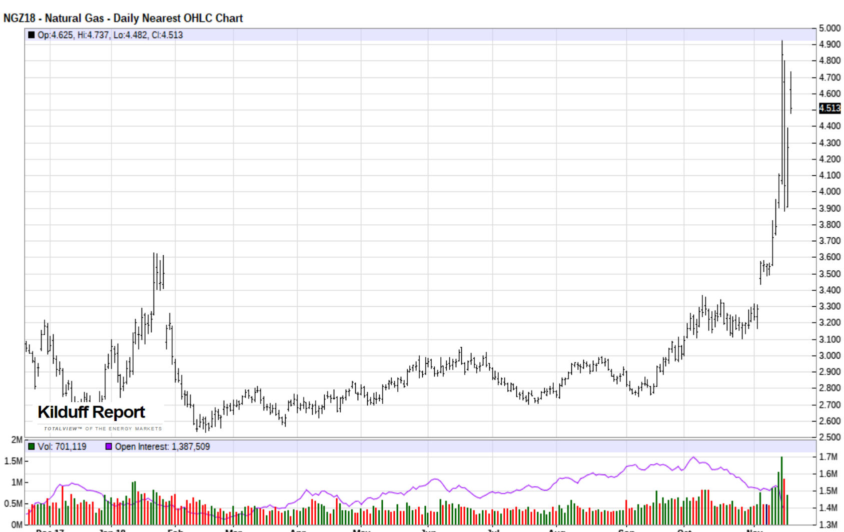
Energy Overview: Natural Gas

CAT-5	MACRO ECONOMIC	FUNDAMENTAL	TECHNICAL	SENTIMENT	GLOBAL SITUATIONAL
READINGS	POS	POS	POS	POS	NEU

CAT-5 Focus	READING	ASSESSMENT
MACRO ECONOMIC	POS	The U.S. economy remains robust, standing almost as island of prosperity, in the face of global slowing in the emerging markets, China and even Europe. We get some key readings this week, most notably durable goods orders on Wednesday. If there is a nascent slowdown, it will show up there.

Expanded*View*

Prices remain extremely volatile, due to a variety of reasons. On the straight-up fundamentals, there is another blast of heating demand that is set to grip the eastern third of the country. There was also a confirmed blow-up of a commodity trading advisor, whose investment thesis was to sell options on, among other things, natural gas. It was actually their name: weselloptions.com . Being outright short commodity call options is a highly dangerous strategy. We will tell you that large investors do not want the hedge funds they invest in to be short any options, fearing the short gamma risk. By that, we mean call or put spreads. We had warned repeatedly about the potential for natural gas prices to skyrocket, given its history and the storage situation. The storage deficit to last year and the five-year averages is meaningful. Now, the bulls do need successive cold blasts and maybe even a polar vortex or two, in for prices to stay aloft. So far, they are getting the early season demand necessary to hold the recent gains. Be careful here, however, any lessening of the demand outlook will see prices get punished to the downside.



PIVOT TABLE	
RESISTANCE-3	5.156
RESISTANCE-2	4.673
RESISTANCE-1	4.472
PIVOT	4.190
SUPPORT-1	3.989
SUPPORT-2	3.707
SUPPORT-3	3.224

Expanded*View*: Natural Gas Technical Analysis

Prices remain incredibly volatile, trading in a wide range between $4.90 and $3.50. The chart is almost impossible to decipher. Risk in either direction is large. The recent daily price bars are huge. Some support can be seen at $4.40 and then $3.90. A move down below $4.00 probably opens up a full retracement the parabolic move higher. Resistance is seen at the recent high at $4.929. The island bottom does underpin the market, and more upside is possible, but the volatility is just too high to play for now.

