

BOOK HER, DAN-O

- TOP HEADLINES:**
- Top Huawei executive arrested on U.S. request, clouding China trade truce
 - OPEC waiting for Russia before deciding how much oil to cut
 - May's Brexit deal under fire as legal advice stiffens opposition

MarketUpdate	Month	Last Close	Change	S/T Bias	Viewpoint
WTI Crude Oil	January	51.17	-1.72	Neutral	After big sell-off, is there more downside?
Brent Crude Oil	February	59.57	-1.99	Neutral	OPEC on the spot to reduce output
RBOB Gasoline	January	1.3977	-.0481	Neutral	Seasonal price downturn underway
ULSD Heating Oil	January	1.8395	-.0491	Neutral	Diesel demand strong on robust global economy
Natural Gas	January	4.436	-.033	Neutral	Volatility is the watchword

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US ECONOMIC EVENTS TO WATCH THIS WEEK

Monday 12/03

- Manufacturing PMI (CHN, JPN, EUR, GER, UK, USA)
- Vehicle sales (USA)

Tuesday 12/04

- PPI (EUR)

Wednesday 12/05

- ADP Employment (USA)
- EIA Petroleum (USA)

Thursday 12/06

- Factory Orders (GER)
- OPEC Meeting (EUR)
- Trade data (USA)
- Factory Orders (USA)
- Jobless Claims (USA)
- Natural Gas (USA)

Friday 12/07

- FX Reserves (CHN)
- Employment (USA)
- B-H Rig Count (USA)

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[Full Weekly Economic Calendar Overview \(Bloomberg\)](#)

Global Macroeconomic

Equity futures are getting slammed, again, and the catalyst is the U.S.-China trade relations, but with a twist. The arrest of one of China's leading executives has sent a shudder through the markets, especially because of the charges. The Huawei CFO has been arrested in Canada, at the behest of the U.S. Justice department, for violating U.S. sanctions on Iran! As you probably guessed by now, it's not sitting well with Chinese officialdom. Equities are also down in reaction to the big oil market sell-off that is coming due to OPEC's ineptitude. Play for more losses; this is going to get ugly.

Petroleum Complex Fundamentals

Oil prices lower by a lot, as OPEC officials meet in Vienna. They are equivocating about how much to cut, and the equivocating is coming straight from the top – the Saudi oil minister. He is suggesting that a mere cut of 1 million bpd should be "adequate." But, the messaging gets worse from there. There is no agreement on what baseline to use, and leading countries, such as Iran and Iraq, are refusing to cut at all. Iran won't even discuss it. They save some face, in the end, and there is another day of meetings tomorrow. Play for losses.

Technical Analysis: WTI Crude Oil

Oil prices tested support near \$50.00, in early trading, reaching \$50.24. Prices have moved back into the mini-consolidation phase from late last month between roughly \$50.00 and \$52.00. Prices had leapt higher out of that range to start the month. We had mentioned that no real damage had been done to the chart, in terms of the overarching downtrend that dates back to early October. The downtrend channel remains the primary chart influence, which is bearish. Play for more losses.

Natural Gas Fundamentals

Natural gas prices posted another wide-range, yesterday, but they are contained this morning. There is some cold weather ahead for the Northeast this weekend, but the longer-range weather runs keep warming up. Still, the storage situation remains a pillar of support, with the storage deficit to the five-year average standing at 20%. The weekly storage report is delayed until tomorrow, but we expect a 70 Bcf withdrawal to be posted, which should be supportive. We continue to play for more gains.

Technical Analysis: Natural Gas

With small overnight trading range, the wedge pattern that we had seen developing is on full display. Under normal circumstances, it would auger for a breakout, one way or the other. With all the volatility in the market, of late, there could be the mother of all breakouts, one way or the other. These chart patterns are supposed to be predicative of future price action. The reading, right now, is a bullish one, as the wedge has emerged in the aftermath of some big gains. Play for an upside move.

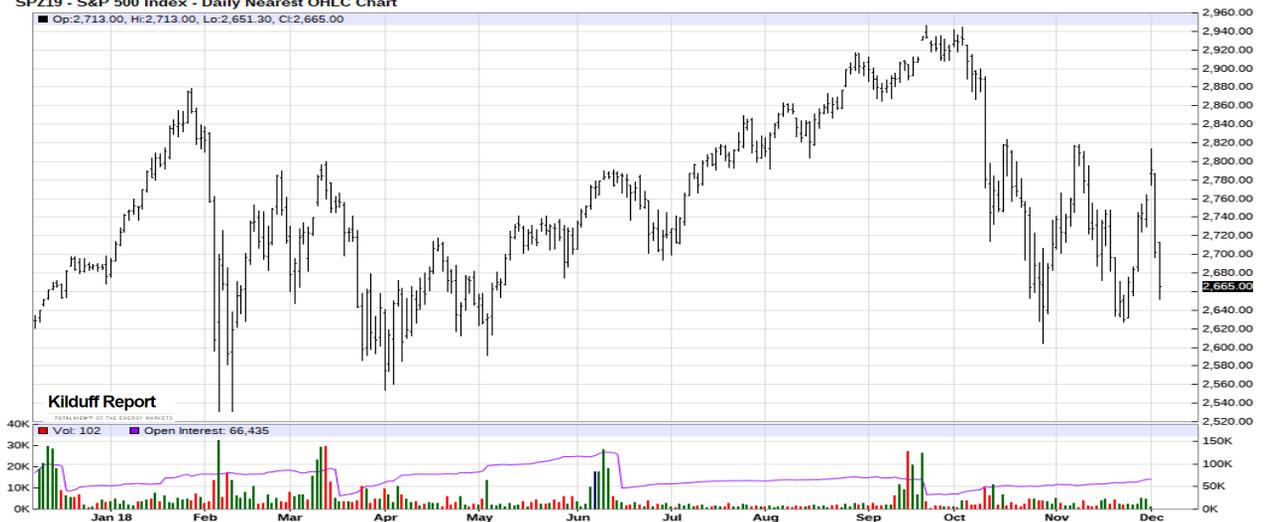
Today's Key Point: The arrest of the CFO of Huawei could end up being a blockbuster move. Apparently, the arrest, which took place in Canada, took place around the same time President Trump and China's Xi were having that "beautiful" dinner. We, and a lot of other folks in the market, are waiting for the Chinese to throw a fit. This could get ugly, and any goodwill generated by the dinner may have just evaporated. Stay tuned.

Economic Data	MONTH	ACTUAL	PREV	EFFECT	ANALYSIS
ADP Employment (USA)	NOV	179K	225K	NEG	The employment data this morning is still decent, even though, relative to expectations, they were somewhat disappointing. 179k new jobs isn't bad.
Initial Jobless Claims (USA)	Weekly	231k	235k	NEG	While the weekly readings on new claims remains low, they have been starting to tick up. The thought that we could see a sub-200k reading are fading fast.

ExpandedView: Global Macroeconomic

Global equity markets are down, again. Once again, the primary factor is U.S. – China relations, but not for the usual reason. We have a brewing diplomatic row on our hands; the CFO of one of China's largest technology companies, Huawei, was arrested, recently, in Canada, at the request of the U.S. Justice Department. This arrest would be like arresting Apple's CFO, who also happened to be Steve Jobs's daughter. It is that big of deal. Supposedly, the CFO was arrested on December 1st. So, she has been cooling her heels for nearly a week already. The charges, by the way, involve violations of U.S. sanctions on Iran. It is somewhat amazing that there has not been more of a reaction from the Chinese. We have to believe its coming. The arrest has sent a shudder through the market, rightfully so. There are more broadsides coming the equity markets way from non-financial areas. Beware the news flow over the next couple of weeks, and be careful. Play for more losses.

SPZ19 - S&P 500 Index - Daily Nearest OHLC Chart



QuickView: Global Macroeconomic/Technical Analysis – S&P 500 Index Futures (SEP)

Prices are pushing lower, still, in overnight trading. Prices have retraced the entirety of the recent gains, and they appear set to retest the low from October near 2,600. There is a broad sideways channel visible that dates back to the October swoon, with the range being 2,820 to 2,600. We remain bearish, and we see the chart set-up as bearish, as well.

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SENTIMENT

GLOBAL SITUATIONAL

READINGS

NEU

NEU

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READING

ASSESSMENT

FUNDAMENTAL

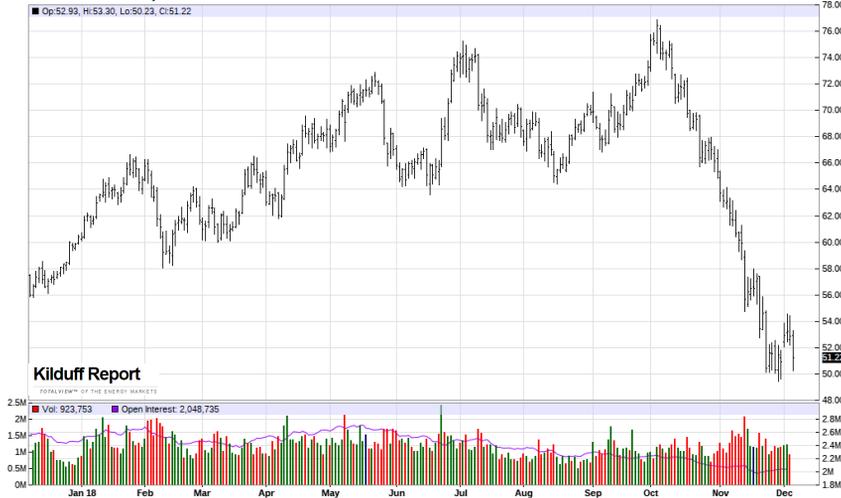
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This category is inching its way to becoming negative. There is oversupply in the market, which OPEC and Russia may or may not address, and demand growth is slowing, which is another negative factor. The market could get very sloppy over the course of the next few months.

ExpandedView

Oil prices are lower, in a highly reactive trade to the headlines emanating the OPEC meeting in Vienna. The very latest has the cartel agreeing to a production, but not the amount, yet. The Saudi oil minister says that he doesn't want to shock the market by cutting too much. Earlier, he said that a cut of 1 million bpd would be suitable. We shall see. The market sold off hard on that last, earlier remark. There is some intrigue, as well. There are rumors that Russia will not attend the meeting tomorrow, after all, and there were also rumors that Iraq was considering leaving OPEC. Iran is refusing to even discuss its quota, while it is under U.S. sanctions. We would prepare for a letdown. The other countries are arrayed against Saudi Arabia like never before. They resent Saudi Arabia saddling up with Russia to put a burst of new production in-service to fill the expected gap in Iran's output from the sanctions. There is much more Iranian oil on the market than was expected. Oversupply has always been hard to fix. With the U.S. in the mix. It is more difficult than ever. Play for more losses, as a result.

CLF19 - Crude Oil WTI - Daily Nearest OHLC Chart



PIVOT TABLE

RESISTANCE-3	57.72
RESISTANCE-2	55.44
RESISTANCE-1	54.15
PIVOT	53.16
SUPPORT-1	51.87
SUPPORT-2	50.88
SUPPORT-3	48.60

ExpandedView: WTI Crude Oil Technical Analysis

Prices crashed lower, in overnight trading, as support at \$52.00 gave way. Prices traded down to key support near \$50.00, reaching \$50.24. Prices have moved back into the previous consolidation zone between \$50.00 and \$52.00, as a result of the decline. As we had mentioned, even with the surge to \$54.44, yesterday, no real technical damage was done to the chart and the downtrend channel that started back in early October near \$77.00. If anything, the countertrend rally aided the construction of the downtrend. Play for more losses.

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The storage situation keeps this category positive, even though the demand aspect of the equation may be faltering. The updated weather runs for December are moderating rapidly, in terms of anticipated heating usage. Still, inventories of gas remain lean.

ExpandedView

It was quiet, during the overnight trade, but futures have promptly shed nearly 15 cents from its session highs. The downturn is not surprising, as the weather outlooks have moderated, in terms of heating demand. While it is quite cold in the Northeast this morning, with more to come this weekend, temperatures moderate next week. Models are also showing that a considerable bout of warmth is on tap for the eastern-third of the country for the last week of December. If that outlook becomes more prevalent and concrete, it will cause prices to weaken. The last week of December represents a key period, in terms of the demand dynamic. It is the last of the early season demand, if that makes sense. If December turns into a bust, in terms of a demand, our thesis about tight supplies underpinning prices will be weakened. We continue to be bullish on the prices, due to the storage metric. Tomorrow's storage report should be supportive, when a 70 Bcf net withdrawal is reported. Be careful, but we are buyers of a large pullback.

NGF19 - Natural Gas - Daily Nearest OHLC Chart



PIVOT TABLE

RESISTANCE-3	4.952
RESISTANCE-2	4.726
RESISTANCE-1	4.597
PIVOT	4.500
SUPPORT-1	4.371
SUPPORT-2	4.274
SUPPORT-3	4.048

ExpandedView: Natural Gas Technical Analysis

We have been watching to see if a rectangle or wedge pattern would develop, in the aftermath of the rally from last month. The wedge is back in play, due to the narrow price range in overnight trading. There has been a series of lower highs and higher lows that have combined to form the wedge. It portends a breakout, one way or the other, as a rule. Given the recent rally, the bulls have the upper-hand to score an upside breakout. Still the raised volatility is a problem. Play small, if at all. But play from the long side.