Energy Overview: Morning Flash

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POWELL PUTS IN A GOOD WORD

TOP HEADLINES:

- China has 'good faith' to fix trade issues as talks with U.S. resume
- Oil prices gain 2 percent, extending rally from December lows
- Euro zone retail sales rise strongly in good news for growth

Market*Update*	Month	Last Close	Change	S/T Bias	Viewpoint
WTI Crude Oil	**February**	**49.20**	**1.24**	**Neutral**	**After big sell-off, is there more downside?**
Brent Crude Oil	**February**	**58.48**	**1.42**	**Neutral**	**OPEC on the spot to reduce output**
RBOB Gasoline	**January**	**1.3885**	**.0290**	**Neutral**	**Seasonal price downturn underway**
ULSD Heating Oil	**January**	**1.8106**	**.0414**	**Neutral**	**Diesel demand strong on robust global economy**
Natural Gas	**January**	**2.958**	**-.086**	**Neutral**	**Volatility is the watchword**

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US ECONOMIC EVENTS TO WATCH THIS WEEK

Monday 1/07
- Factory Orders (GER, USA)
- Retail Sales (EUR, GER)

Tuesday 1/08
- Trade Data (USA)
- JOLTs (USA)

Wednesday 1/09
- Trade Data (GER)
- EIA Petroleum (USA)
- FOMC Minutes (USA)
- CPI (CHN)

Thursday 1/10
- New Loans (CHN)
- Jobless Claims (USA)
- Natural as (USA)

Friday 1/11
- CPI (USA)
- B-H Rig Count (USA)

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Full Weekly Economic Calendar Overview (Bloomberg)

Global MacroEconomic

It looks like Asian and European markets played catch-up, overnight, rising in the aftermath of Friday's steep gains in the U.S. The S&P 500 futures are not adding to Friday's gains, however. The U.S. equity markets got bailed out by Fed Chairman Powell, who seemed to indicate that the Fed was very much monitoring conditions, not necessarily locked and loaded for several more interest rate hikes this year. A strong employment report was ignored, but its strength had to undermines hopes for the Fed to ease off its path of tightening. We would not trust Friday's rally, and would be sellers here.

Petroleum Complex Fundamentals

Oil prices continue to be in rally mode, helped by commentary from Fed Chairman Powell about an easier stance by the FOMC, which has pushed the dollar back lower. The strong stock market rally on Friday also helped ease fears about impending doom in the economy. Seriously, the demand side of the equation has gotten a lot of attention. U.S. – China trade talks are underway, giving markets more "hopium." While we turned constructive on oil prices, recently, this snap back is a bit much. Be careful here.

Technical Analysis: WTI Crude Oil

The uptrend channel built off of the recent double-low near $42.00 remains intact, but prices are at a critical level. They are at resistance near $50.00, matching up with the point from which prices fell last month. Still, the long-running downtrend channel has not been damaged by what is still a counter-trend rally. Prices need to get above $50.00 for the channel to be jeopardized. At this point, we would play for a technical failure and a retracement down to at least $46.00.

Natural Gas Fundamentals

Despite some cold weather being experienced in the Northeast, today, it will be short-lived. The warm weather, over the weekend, in Chicago, was emblematic of the poor heating demand this season, which has sunk prices. The storage report, on Friday, was quite bearish, posting a mere 20 Bcf net withdrawal of gas from storage, which was well-below estimates for 50-plus withdrawal. Time is running out for a burst of cold air to come along and rescue the market. For now, play for more sideways to lower.

Technical Analysis: Natural Gas

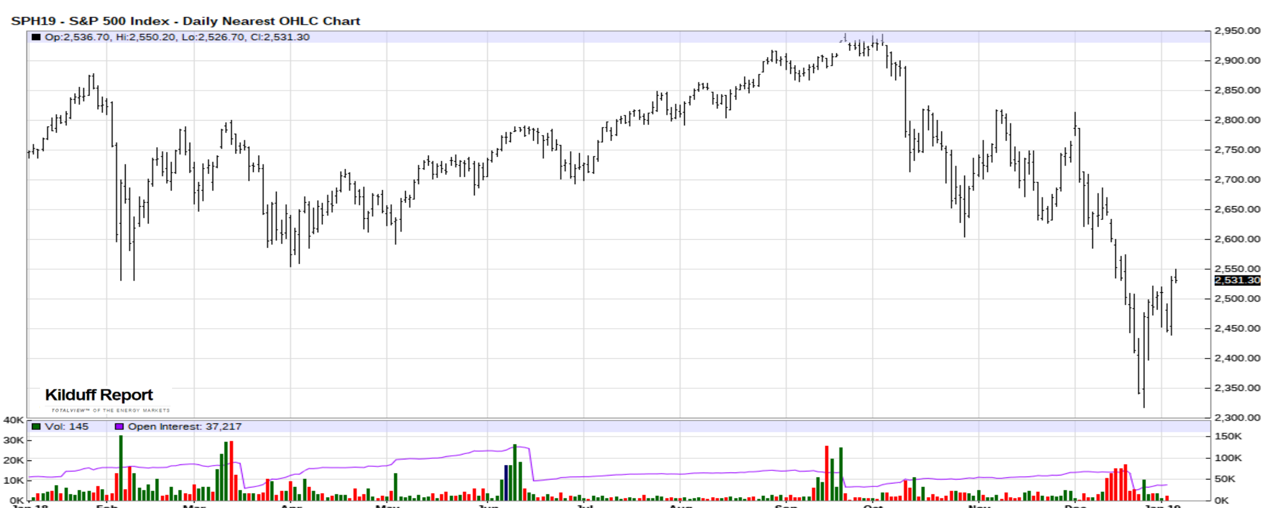
The current consolidation phase continues to build out, with prices trading between mostly $2.90 and $3.05. The phase has a bearish tinge to it. Of course, the chart remains bearish overall, due to the island top above. The ap to start the year matched up with the ap from November to create the price separation. We would expect overhead resistance between $3.05 and $3.10 to hold, and we would play for a break of support at $2.90, with the downside objective at $2.50 to be within reach.

Today's Key Point: The Fed chairman made the equity market's day on Friday. He pivoted, again, about the Fed's outlook and inputs. He did not exactly say the they monitor the stock market, but he wiggled enough to give the bulls a renewed sense of purpose. There is some important data this week that should put a fine point on how the Fed can maneuver. We continue to be in a sell-the-rips mode, and we would not trust the move from Friday.

Economic Data	MONTH	ACTUAL	PREV	EFFECT	ANALYSIS
Retail Sales (GER)	NOV	1.4%	0.1%	POS	Finally, German and European consumers opened up their purses and bought stuff. Of course, the lead up to Christmas brings out the spender in folks.
Factory Orders (GER)	NOV	-1.0%	0.2%	NEG	This was another sign of economic slowing in the euro zone, led by Germany. This highlights the damage being wrought by the global trade wars.

Expanded*View*: Global Macroeconomic

After a rough start to the week, last week, which saw Apple shares get crushed, the Federal Reserve got the memo, and rode to the rescue. Chairman Powell undertook a pivot, and he remarked that the Fed was indeed data dependent, open to receiving signals about the outlook for the economy from various sources, presumably that includes the floundering equity market. He seemed to indicate an openness to reviewing the pace of the balance sheet run-off, as well. That was probably the biggest surprise, as the Fed seemed to be in a lockstep march toward balance sheet reduction. The release of the Fed meeting minutes on Wednesday may derail the rally from Friday, but inflation data on Friday may revive the bullish spirits, again. The headline number will reflect the steep fall in oil and gasoline prices, and the core number might not be very strong either. We still do not trust the rally, particularly as the U.S. – China trade war rages on. There is real damage being done. Play for renewed losses.



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

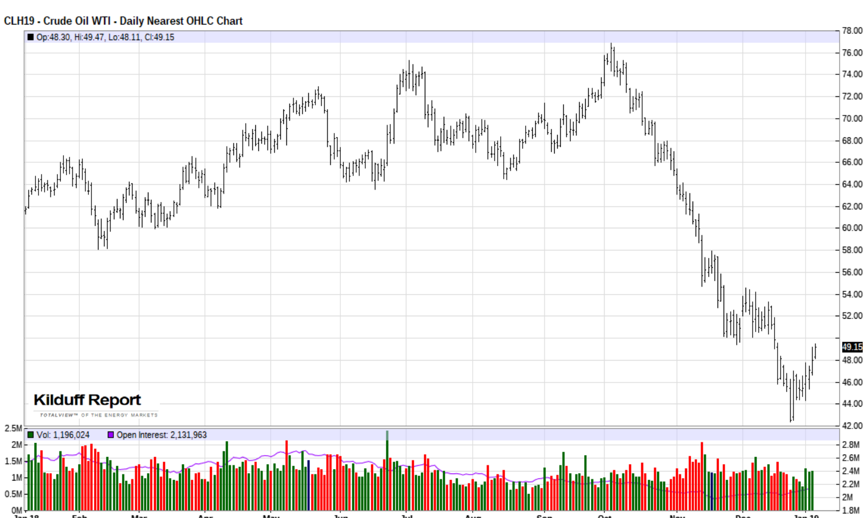
Prices bounced higher, on Friday, running into resistance at 2,550. The downtrend channel built out off of the high from December is somewhat threatened by the surge. Still, there has been limited follow-through buying, early on. We continue to be sellers of rips, and we would play for renewed losses.

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

***CAT-5* Focus**	READING	ASSESSMENT
MACRO ECONOMIC	NEU	While the U.S. remains an island of prosperity, signs of slowing in the global economy continue to mount Both soft, survey data and hard, measurable data keep turning lower, especially in China. The euro zone is also showing signs of strain.

Expanded*View*

Oil prices keep rallying, climbing more than 10% off of their lows from the end of December. Prices are getting helped by several factors, including the efforts by Saudi Arabia to reduce or eliminate the global over supply. Production survey data for December showed that KSA is leading the way, cutting both production and exports ahead of the agreed to plan this month. We are not sure how much help the kingdom can expect, but those pesky involuntary cuts are back on the table. Yet, another, rebel group in Libya has knocked some production offline. Russian oil output rose in December, and they have a lot of wood to chop to meet their obligations under last month's OPEC-Russia accord. Friday's weekly inventory report was a curious read: demand for refined products fell off a cliff, while refiners cranked up operations to 97% of capacity. Lowered crude oil exports allowed crude oil inventories to hold steady, which was quite bearish, if you think about it. Sky-high refinery demand for crude oil was met. We sense that the rally has carried for enough, for now, and we would play for renewed losses.



PIVOT TABLE	
RESISTANCE-3	53.08
RESISTANCE-2	50.51
RESISTANCE-1	49.24
PIVOT	47.94
SUPPORT-1	46.67
SUPPORT-2	45.37
SUPPORT-3	42.80

Expanded*View*: WTI Crude Oil Technical Analysis

Prices continue rally, but they ran into resistance, in overnight trading, reaching $49.47. That level just about matches up with the level from last month that prices fell from. You could argue that a reverse head-and-shoulders pattern has emerged, portending more gains, but we have soured on head-and-shoulders patterns as indicators of future price direction. Studies show that the pattern is only predictive about 25% of the time. The overall downtrend channel remains intact, and is still the overwhelming influence. Play for renewed losses.

Energy Overview: Natural Gas

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

CAT-5 Focus	READING	ASSESSMENT
MACRO ECONOMIC	POS	While some economic survey data appears to be rolling over, the hard data remains positive, for the most part. The employment data, on Friday, was particularly strong, showing no signs of slippage. As a result, we are keeping this category rated as a positive.

Expanded*View*

Prices remains depressed, due to a lack of heating demand, which was on full display in key markets, this weekend, including Chicago. At least the fans in Soldier Stadium did not have to endure bitterly cold temperatures in their soul-crushing defeat. Bull sin the natural gas market certainly can feel their pain. Friday's storage report was quite bearish. There was a mere 20 Bcf of as pulled from storage in the previous week, well-below expectations of 50 Bcf. The week usually sees triple-digit withdrawals, as the start of January can be very cold. Not this year. The weather outlook is far from robust, in terms of heating demand. The vaunted polar vortex is nowhere to be found, despite earlier weather models suggesting the polar vortex's winter debut. There is a lot of activity in the upper air stream over the Arctic, but so far the cold air is staying away from North America. The winter season is being impacted by the El Nino phenomenon. It produces warmer winters and cold wet springs, along with plenty of storm activity. Play for more losses.

PIVOT TABLE	
RESISTANCE-3	3.306
RESISTANCE-2	3.151
RESISTANCE-1	3.097
PIVOT	2.996
SUPPORT-1	2.942
SUPPORT-2	2.841
SUPPORT-3	2.686

Expanded*View*: Natural Gas Technical Analysis

Prices remain in a consolidation phase, after last week's gap lower, which did significant damage to the chart. The gap matches up with the gap from November, combining to from an island top formation, which is bearish, even after all of the losses that have been posted, recently. Overhead resistance is seen at the $3.00 - $3.05 area, with $2.50 being the downside objective. The downtrend channel is quite steep, but the ap action makes any retracement difficult to play for. Play for more, albeit slower, losses.

