

## DAILY ENERGY COMPLEX COMMENTARY

02/03/12

### Crude oil complex mixed ahead of key US jobs data

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):**  
**CRUDE +13, HEATING OIL +107, UNLEADED GAS +188**

**CRUDE OIL MARKET FUNDAMENTALS:** March crude oil prices trended higher during the early morning hours as they rebounded from yesterday's plunge to a new 6-week low. The outside market tone this morning has global equity markets higher and a fractionally lower US dollar as global risk appetites draft support from favorable European economic data and prospects of easing Chinese monetary policy. Iran appears to be putting up resistance over their nuclear program, with the leader Ayatollah Ali Khameni saying that recent sanctions were not enough to disrupt their objectives, and that they have threats of their own. There also appears to be concerns that Israel might attack in the near future, and that has offered March crude oil prices support this morning. Brent appears to be the beneficiary of the fresh Iran comments and talk of tight supplies of Brent crude oil in Europe. As a result, Brent's premium relative to WTI crude oil has rallied back above \$16 and to its best levels since early November. Meanwhile, the focal point of the market is likely to shift this morning toward the US Non-Farm Payroll report. This morning's January US employment data represents a key pivot factor for the crude oil market, especially since the market is leaning in favor of a positive number (above 150,000). Disappointment with a reading below 150,000 has the potential to inspire talk of more stimulate support from the Fed. At the very least, this morning's report is expected to impact risk appetites and ultimately impact the crude oil trade. March crude oil prices have been on a five-day losing streak and broke down to their lowest level since December 20th. Yesterday's weakness satisfied short-term technical targets and pushed momentum indicators toward oversold territory. The short-term trend in March crude oil favors the bear camp, with resistance at \$99.49. The market has minor resistance today at \$97.99. Support comes in at the 200 day moving average of \$96.16 and yesterday's low of \$95.44.



**PRODUCT MARKET FUNDAMENTALS: GASOLINE:** March RBOB prices began the Thursday evening session with a gap higher open and have extended gains throughout the early morning hours. Perhaps some of the early morning gains come from positive macro economic tone and hopes for a positive US jobs report. Some cash traders noted active buying interest during yesterday's slide and ahead of a fuel grade change in the coming weeks. Meanwhile, there was weakness in New York market, as traders stepped aside in the face of ample winter grade supply. The short-term trend in March RBOB gasoline maintains its uptrend status, with swing low support at \$2.8360. Meanwhile, yesterday's decline below \$2.8537 support could be an indication of a deeper downside correction targeting \$2.7740 around the corner.

**HEATING OIL:** March heating oil prices traded higher throughout the overnight and early morning hours and challenged yesterday's high of \$3.0694 in the process. Gains in Brent crude oil and its increasing premium relative to WTI appear to be offering a level of support. It is possible that there is another layer of support comes from increased European demand for jet fuel, which pushed cash differentials in Singapore to their highest level in 3.5 months. This also comes as European refining capacity declines in the wake of Petroplus closing 3 European refiners. Meanwhile, US heating oil face sluggish demand from an abnormally warm winter that has limited heat-related demand. Reports yesterday indicated that January 2012 was the third warmest on record. Weakness in March heating oil during yesterday's trade challenged the January 30th low of \$3.0288 and held. The short term trend maintains its upward bias, with resistance at \$3.0694, then \$3.0732.

**TODAY'S ENERGY MARKET GUIDANCE:** March crude oil prices have experienced a 5-day losing streak that has fallen nearly \$4.00. It is possible that the market is ripe for a short term rebound to work off oversold conditions. The markets focus this morning is expected to shift to the US employment situation. A jobs gain below 140,000 has the potential to sour risk-taking sentiment and bring about talk for more Fed quantitative easing. A number toward the 200,000 level would be seen as a positive and support the case for an economic recovery.

**NATURAL GAS:** March natural gas prices traded lower right from the start and appear on a mission to correct yesterday's more than 7% gain. The price action in March natural gas formed a bullish outside day reversal that came on very active volume of more than 530,000 contracts. The market began the bullish turn following yesterday's EIA storage data that showed a slightly larger than expected draw of 132 bcf. This brought total storage to 2,966 bcf or 25.4% above the 5 year average. Over the last four weeks natural gas storage has declined 506 bcf. Record production levels along with record storage for this time of the year are forces that continue to limit the upside in natural gas prices. Weather forecasts out to the middle of February project normal temperatures throughout the upper Northeast and above-average temperatures for the upper portion of the country, and that offers limited hopes for a return in heat-related demand for natural gas.

### EIA Natural Gas Storage Report Summary

In Billion Cubic Feet

Week Of	Week Change	Total Storage	Change From Last Year	4 Week Combined Weekly Change	Percent Change vs 5 Year Average	Percent Change vs 10 Year Average
1/27/2012	-132	2966	586	-506	25.4%	28.1%

### TODAY'S MARKET IDEAS:

March natural gas took a bullish turn in yesterday's session, which provides a bull bias over the market. Meanwhile, record production and storage continue to overhang the market and limit gains. Support for natural gas stands at last week's low of \$2.289. This also coincides with a bearish technical pattern target below of \$2.27. The short term trend continues to point down, with resistance at \$2.81. Further weakness this morning that holds the \$2.45 level would be a positive and favor a move higher.

### NEW RECOMMENDATIONS:

None.

### PREVIOUS RECOMMENDATIONS:

None.

### OTHER ENERGY CHARTS:



### ENERGY COMPLEX TECHNICAL OUTLOOK:

Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

CRUDE OIL (MAR) 02/03/2012: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. A negative signal for trend short-term was given on a close under the 9-bar moving average. It is

a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is 94.09. The next area of resistance is around 97.83 and 99.18, while 1st support hits today at 95.29 and below there at 94.09.

HEATING OIL (MAR) 02/03/2012: The daily stochastics have crossed over up which is a bullish indication. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market's close above the 9-day moving average suggests the short-term trend remains positive. The upside closing price reversal on the daily chart is somewhat bullish. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside target is 309.44. The next area of resistance is around 307.90 and 309.44, while 1st support hits today at 303.86 and below there at 301.36.

RBOB GAS (MAR) 02/03/2012: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market's short-term trend is positive on the close above the 9-day moving average. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is 281.66. The next area of resistance is around 290.73 and 293.17, while 1st support hits today at 284.97 and below there at 281.66.

NATURAL GAS (MAR) 02/03/2012: The daily stochastics gave a bullish indicator with a crossover up. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The close below the 9-day moving average is a negative short-term indicator for trend. The outside day up is somewhat positive. The market's close above the 2nd swing resistance number is a bullish indication. The next upside target is 2.733. The next area of resistance is around 2.664 and 2.733, while 1st support hits today at 2.434 and below there at 2.272.

## DAILY TECHNICAL STATISTICS

	CLOSE	9 DAY RSI	14 DAY RSI	14 DAY SLOW STOCH D	14 DAY SLOW STOCH K	4 DAY M AVG	9 DAY M AVG	18 DAY M AVG	45 DAY M AVG	60 DAY M AVG
<b>ENERGY COMPLEX</b>										
CLAH2	96.56	31.03	39.09	24.44	18.90	97.86	98.74	99.58	99.54	99.12
CLAJ2	96.94	31.24	39.35	25.20	19.59	98.23	99.08	99.87	99.75	99.27
HOAH2	305.88	59.17	56.97	46.02	50.78	3.05	3.04	3.04	2.98	3.00
HOAJ2	303.97	59.65	57.14	43.51	48.13	3.03	3.02	3.02	2.97	2.98
RBAH2	287.85	62.62	62.60	70.76	67.42	2.88	2.86	2.82	2.71	2.68
RBAJ2	300.93	67.14	65.37	75.15	73.26	3.00	2.98	2.95	2.84	2.81
NGAH2	2.549	43.36	40.77	38.53	39.05	2.54	2.61	2.64	3.03	3.18
NGAJ2	2.710	45.58	42.62	40.57	42.23	2.67	2.74	2.76	3.11	3.24

Calculations based on previous session. Data collected 02/02/2012

Data sources can & do produce bad ticks. Verify before use.

## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>ENERGY COMPLEX</b>						
CLAH2	Crude Oil	94.08	95.28	96.63	97.83	99.18
CLAJ2	Crude Oil	94.47	95.67	97.01	98.21	99.55
HOAH2	Heating Oil	301.36	303.86	305.40	307.90	309.44
HOAJ2	Heating Oil	299.51	302.01	303.43	305.92	307.35
RBAH2	RBOB Gas	281.65	284.97	287.41	290.73	293.17
RBAJ2	RBOB Gas	295.34	298.49	300.22	303.37	305.10
NGAH2	Natural Gas	2.271	2.433	2.502	2.664	2.733
NGAJ2	Natural Gas	2.432	2.595	2.662	2.825	2.892

Calculations based on previous session. Data collected 02/02/2012

Data sources can & do produce bad ticks. Verify before use.

## DAILY COCOA COMMENTARY

02/03/12

## Outside market factors fail to provide support for cocoa prices.

March cocoa is grinding out a mild gain this morning, although prices have been unable to lift clear of this week's lowest price levels. The International Cocoa Organization projected a substantial reduction in Ivory Coast cocoa production this season, due in large part to poor prospects for this year's mid-crop. The ICO felt that this would lead to a global supply deficit of 100,000 tonnes at the end of this season. However, cocoa arrivals at the key Ivory Coast port of San Pedro as of January 29th were more than 42,000 tonnes ahead of last season's pace.

A strong rally in the British Pound this morning could provide additional support for cocoa, as this would encourage arbitrage buying of ICE cocoa versus the LIFFE contract. Today's US Employment numbers will have a large impact on macro-economic sentiment, and have the potential to trigger a strong rally throughout the commodity markets if they are positively received.



**TODAY'S GUIDANCE:** In spite of some positive supply/demand news during the past few sessions, March cocoa has failed to gain traction with putting together a recovery from these low price levels. Well-received US Payroll numbers later this morning could provide cocoa prices with a boost, although further evidence of West African production shortfalls may be needed in order for the market to recover this week's losses. A short-term break may be an opportunity for position traders to buy.

### TODAY'S MARKET IDEAS:

March Cocoa resistance will be at 2250 this morning, with 2210 and 2173 as key support levels.

Look for choppy to lower trading during the near future unless outside market factors can create a vast improvement in sentiment.

### NEW RECOMMENDATIONS:

\* Buy May Cocoa at 2194 with an objective of 2688. Risk to 2054.

### PREVIOUS RECOMMENDATIONS:

None.

### COCOA TECHNICAL OUTLOOK:

Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

COCOA (MAR) 02/03/2012: Declining momentum studies in the neutral zone will tend to reinforce lower price action. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market's close below the pivot swing number is a mildly negative setup. The next downside target is now at 2184. The next area of resistance is around 2247 and 2273, while 1st support hits today at 2203 and below there at 2184.

## DAILY COFFEE COMMENTARY

02/03/12

### Outside market factors provide coffee prices with a boost today.

The coffee market has extended this week's rebound, as prices may finally be seeing some benefit from improved macro-economic sentiment. The move to a new 14-month low and higher close yesterday is a positive technical development. A sluggish Dollar along with rising global equity markets have helped to underpin recent gains. This could change abruptly depending upon the market's reaction to this morning's US Payroll numbers, however, as poorly-received data could put broad pressure on commodity markets and derail coffee's recovery.

This week's news of a steep decline in Vietnamese coffee exports last month continues to lend support to prices. Coffee exports from Honduras during January were up more than 18% above last year's levels, while coffee exports from Guatemala last month were down 8% from 2011 levels. ICE exchange coffee stocks



were down 7,539 bags at 1.534 million as of February 2nd, with 50,682 pending review.

**TODAY'S GUIDANCE:** While March coffee has risen far above the 13-month lows during yesterday's session, any chance for a further recovery will depend upon the market's reaction to US jobs data today. If strong Payroll numbers provide further fuel to a "risk-on" market shift, March coffee could finish the week with a moderate gain.

**TODAY'S MARKET IDEAS:**

March coffee short-term support is at 214.00 with 221.45 as first good resistance on a recovery bounce.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**COFFEE TECHNICAL OUTLOOK:**

Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

COFFEE (MAR) 02/03/2012: Momentum studies are declining, but have fallen to oversold levels. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The upside closing price reversal on the daily chart is somewhat bullish. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next downside objective is 209.38. The next area of resistance is around 218.19 and 219.77, while 1st support hits today at 213.00 and below there at 209.38.

**DAILY COTTON COMMENTARY**

**02/03/12**

**Weak sales news/sluggish demand outlook but tech action turns positive**

After finishing an eight day correction to the downside and moving to the lowest level since January 3rd, the higher close yesterday leaves a positive tilt to the charts. The market pushed moderately lower on the session after poor export sales news and continued concerns of a sluggish growth pace for the global economy. Traders indicated that commercial and fund trader buyers were a bit more active on the turn higher in the market and the reversal may attract further technical buying. Talk of the easier monetary policies of the US and China added to the positive tone as some money managers seem to be looking for commodity markets to buy and hold. The surge in open interest since late November is also seen as a potential positive force. Net weekly export sales for cotton came in showing cancellations of 164,000 running bales for the current marketing year and 17,800 for the next marketing year for a total of 146,200 bales cancelled. As of January 26th, cumulative cotton sales stand at 99.5% of the USDA forecast for 2011/2012 (current) marketing year versus a 5 year average of 72.2%. Sales of 2,000 running bales are needed each week to reach the USDA forecast. The International Cotton Advisory Committee sees a continued trend toward lower world demand ahead as the world economic growth slows this year. The group sees world cotton mill use down 3% for the 2011/12 season even though world production increases to the highest level in five years. World ending stocks are expected to rise again for the 2012/13 season as production continues to outpace consumption. Exchange deliverable warehouse stocks moved up to 54,010 bales from 52,136 bales the previous session and from 46,867 bales earlier this week.



**TODAY'S GUIDANCE:** Outside markets are somewhat positive today given the jump in China equity markets, a lower US dollar and some strength in other commodity markets. The market may see a corrective bounce but it seems difficult to expect much more.

**TODAY'S MARKET IDEAS:**

Close-in support for March cotton comes in at 93.40 with 96.08 and 96.88 as resistance. It will take a move through resistance to turn the pattern more supportive.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

1) Short March cotton 101 call from 140 with an objective of zero. Risk to 42.\* 2) Long May cotton 93.00/87.00 bear put spread from 173 with an objective of 425. Risk to 103.

**COTTON TECHNICAL OUTLOOK:**

Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

COTTON (MAR) 02/03/2012: The market now above the 60-day moving average suggests the longer-term trend has turned up. Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. A negative signal for trend short-term was given on a close under the 9-bar moving average. The daily closing price reversal up on the daily chart is somewhat positive. Market positioning is positive with the close over the 1st swing resistance. The next downside target is 91.81. The next area of resistance is around 95.30 and 96.18, while 1st support hits today at 93.12 and below there at 91.81.

**DAILY SUGAR COMMENTARY**

02/03/12

**Outside markets plus oversold condition; bounce but not much more**

Recent price action has left the market in an oversold condition and a more positive tilt to outside market forces might provide some short-term support. Favorable weather for the upcoming Brazil crop season plus a hefty supply for the current India crop are factors which have helped to pressure the sugar market in recent days. Indonesia is typically a strong importer of sugar but government officials indicated that the country will not need to import any more sugar this season. The new milling season normally begins in May. There are some flood warnings for parts of Eastern Australia and traders will monitor the situation for any sign of crop damage. Australia exports are expected to reach 2.8 million tonnes this season, up 7% from last year and with strong demand for exports, the country looks to expand production ahead. March sugar prices trended lower throughout the session yesterday and formed an outside day reversal to the downside. This marked the seventh lower close out of the last eight sessions, which has taken sugar prices down more than 7% from the January 24th high. More talk of a global sugar surplus in 2012 seemed the primary catalyst that weighed on prices. A large global investment bank lowered their price target for sugar, in response to year over year production increases from a number of key producers.



**TODAY'S GUIDANCE:** The market is a bit oversold after recent weakness and with a more positive tilt to outside market forces, a recovery bounce could be in order. There is some light support at 23.57 and then 23.31 with 23.91 and 24.22 as resistance for March sugar.

**TODAY'S MARKET IDEAS:**

There could be supply issues down the road and better than expected demand from China but the short-term trend seems to be lower. Aggressive short-term traders could sell the March 23.50 puts.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

## **SUGAR TECHNICAL OUTLOOK:**

Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

SUGAR (MAR) 02/03/2012: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. A negative signal for trend short-term was given on a close under the 9-bar moving average. The downside closing price reversal on the daily chart is somewhat negative. The market tilt is slightly negative with the close under the pivot. The next downside target is 23.16. The next area of resistance is around 23.67 and 23.93, while 1st support hits today at 23.29 and below there at 23.16.

*\*\*\*This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Opinions expressed are subject to change without notice. This report should not be construed as a request to engage in any transaction involving the purchase or sale of a futures contract and/or commodity option thereon. The risk of loss in trading futures contracts or commodity options can be substantial, and investors should carefully consider the inherent risks of such an investment in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of Zaner Group, LLC. is strictly prohibited.*