

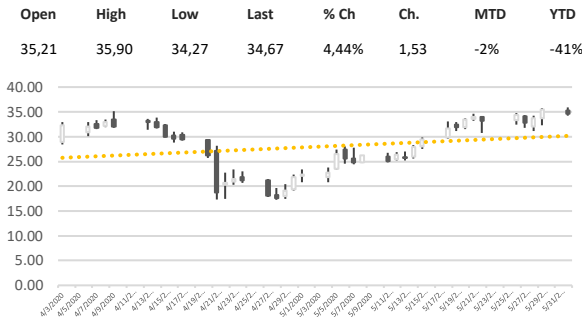
WTI Crude Oil
CME Futures

Forecasts

Day	Sideways
Week	Sideways
Month	Down
Year	Down

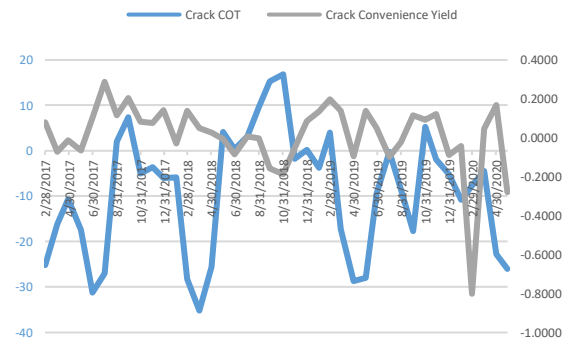
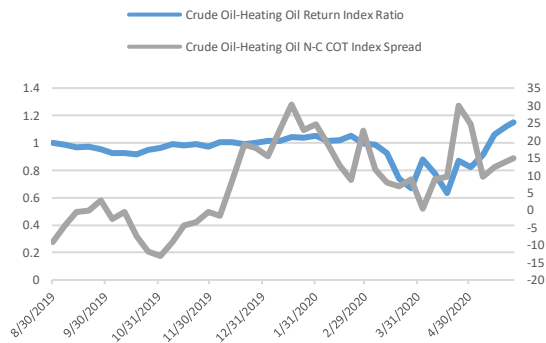
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Selling the Crude Oil and Buying the Heating Oil

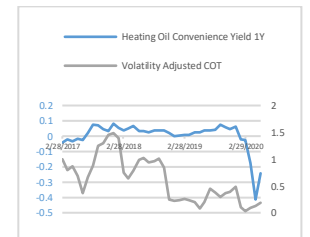
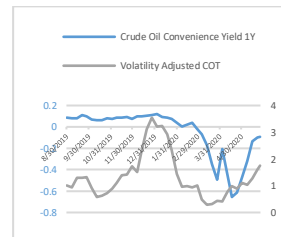
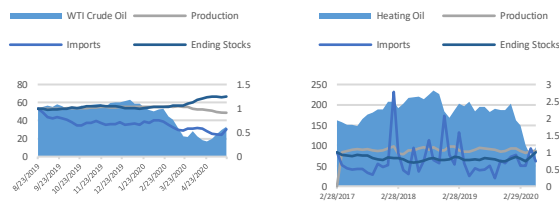


Resistance Support Levels	Fibonacci Retracements	Technical Indicators
Resistance 3: 35,77	100 %	MACD: 2,1751
Resistance: 35,04	78,6%	Bollinger: 37,8135
Resistance 1: 34,47	61,8%	RSI: 63,1657
Pivot: 34,07	50,0%	Momentum: 5,1500
Support 1: 33,66	38,2%	400 ma: 51,3274
Support 2: 33,09	21,4%	Fear Greed: 1,1828
Support 3: 32,36	0,00 %	Overall: ---

While traders try to rationalize the market moves, the fundamental data seem not to comply with the current level of energy complex nowadays. When crude oil traded in the negative territory, the convenience yield was around -60% and the ending stocks were around 520 K million barrels. The latest data show, however, that ending stocks increased even more at a time when the convenience yield inched up to -9%, meaning that traders estimate 9% cost of holding the crude oil. The same data for gasoline and heating oil shows that they are at -11% and -20% respectively despite the fact that the ending stocks of these commodities increased at a much smaller pace than crude oil.



The consequence of this is evident when the crack spread is analyzed. The crack spread shows that it is at its seasonal floor and is looking for a chance to spike up in response to increased hedge demand refineries which may lead the COT indices to rise and support the convenience yields of by-products of crude oil. Also, the COT index spread of crude oil and heating oil does not confirm the outperformance of crude oil against heating oil.



Since we observe that the implied commitment of traders index for the crack spread is close to its seasonal bottom and the implied convenience yield for the crack spread shows some level of strength, we conclude that the spread between the crude oil and heating oil is about to fall. With the given facts, we estimate that the spread between the crude oil and the heating oil will shrink to the advantage of heating oil from late June. Our tests suggest that selling the crude oil against the heating oil as of late June-early July and wait until the beginning of December may be an interesting Intermarket trade.