Can’t Touch This

If you’re not taking, we’re not giving.

I am sure that most of the teeming millions have already seen the headline about TransCanada asking for a delay and halting any decision from the US on the Keystone Pipeline. Of course the US media is making this all about the US. It’s viewed as a backdoor move from the GOP to President O and letting him twist in the wind with a no decision. That puts him and the Democratic party in the grey as non decision makers on environmental progress in America. We’ve delayed this decision for years and there’s only been threats of a real action from President O. He has only talked it down and said he would veto any Congressional bill that would allow more oil into the US. To hell with all the jobs and creating some of the most secure trade and energy stability. It’s still confusing to me how he thinks that a pipeline through these States is any more of an environmental threat while the US Government has pretty much given free reign to fracking in those same States. A lot of land that is being purposed for frack drilling in the US is on Government owned land and leased by the producers.

No, I’m not going to buy into the idea that this is about the US of A, even though we want it to be. This is about TransCanada and every other Doug Henning loving Canadian. This is their gauntlet to America and saying hey, if you don’t want our oil and Bieber fever, we’ll be happy to take it all back. I say that TransCanada has bigger and better ideas. It’s time to refocus all of that time, effort and money to a country that is not going to gripe about all the good they can give. I think that this is the right time for TransCanada to get serious about building out a pipeline to the coast and allow Canada to export their oil. I’m not getting too far off here either. Canada has just elected a new Prime Minister (Justin Trudeau, Liberal) and it comes as a major shift from the Conservative Party that was engrained in Canada for the past four elections. Bottom line, Canada has been itching for change and this is right in line.

The interesting thing is that Canada has in the past year seen record amounts of crude imported into the US despite the near doubling of US crude production. We’ve seen 2.989M b/d from the Great White North and haven’t had this much need from America since Rush set off on a reunion tour. Keystone would have added another 800K b/d and at that point we’d be looking at pushing 4M b/d from Canada alone. Just maybe the US didn’t want to lean on any one country for 25% of our daily demand. On the flip side, maybe Canada now sees, they don’t want to lean on any one country to take 90% of their daily exports. I think this is TransCanada’s and Canada’s way of saying, “Snooze, you lose.” Finding a foreign partner (cough, cough, China) to help build a pipeline to the coast makes sense in a world that is always on the lookout for a cheaper barrel, but most definitely a stable one. The competition is growing and even the US is looking to get in on the game. It’s time that Canada gets into the picture and struts its stuff. This isn’t far from a US political conundrum for President O, but it’s a matter of Canadian pride and there’s a new Government in place that’s ready to help wave the flag.

That’s Hot

- Canada (everybody is selling oil now)
- Oil price bottom (the experts speak and when it comes to $20 oil, nobody listens)
- Victoria’s Secret (I’m not sure exactly which part of the “Fantasy Bra” is the fantasy)

That’s Not

- Iran (lesson learned; we can’t all just play nice and get along)
- USD (it goes up, it goes down...the thing is we need a lot more down)
- Rachel Dolezal (don’t worry, if Vanilla Ice can make a comeback, so can you)
Crude:
I’m so ahead of the game this morning, I’m going to freshen this up like a hot shower with Irish Spring. We’re playing in the CLZ5 contract for another few weeks so let’s see what we can build out of these charts. So far it’s been a lot of the status quo; up, down, up, down. Sideways markets are just not so friendly for those trying to trade a trend. We’re stuck with it and we see resistance contained at 4666, 4735 and 4850. Heading to find the floor, we’re seeing support to 4455, 4306 and 4268. Check in on CLZ5/CLF6 with resistance at –81, -72 and –58. Support to –96, -112. Lower gets what it wants and we slide to the close.

Gasoline:
We’re moving along with the RBZ5 contract. We’re looking to resistance at 14025, 14254 and 14466. That will give us some room to look back down to support at 13678, 13455 and 13240. The front spread moves on with Z5/F6. Resistance at +74, +105 and +148. Support to +32, 00, -45. The RBCL moves to Z15 and gets to resistance at 1160, 1210. Support down to 1094, 1075.

Distillate:
We’re playing in the here and now with the HOZ15 contract. We’re looking at support to 15065, 14868 and 14654. The resistance looks above to 15412, 15670 and 15836. The front spread is in Z5/F6 with resistance at –172, -145. With the way it’s moving we may see support tested and looking to –222, -260. The HO crack in Z15 sees resistance at 1766, 1795. Support back to 1702, 1670.

Trends are only for the affected:
I know I don’t change this enough, but trends are harder to find than a Dancing Elmo on December 24th. Today though, the 60min caught my eye and we’re looking at a nice little upswing here. We’re seeing support hold the line to the 4550 area. It’s touch and go, sure, but the upside looks promising. We can find channel resistance in the 4900 area and that’s encouraging. We’ll look to pivot in the 4700 area if we get to see that soon and then it’s swing for the fences.

Fundy you should mention:
We’re building up to Unemployment Friday and it’s starting to look like a no go for a Fed rate hike in December. Well on the job front we may be looking at another rise in Non Farm Payrolls, but those jobs aren’t really getting us anywhere. It’s not like we’re seeing inflation tighten our wallets (see $2/gal gasoline), but we are living in a much more expensive world than we were in 2007. Without consumers consuming, we’re going to have to figure out something else and soon. Factory Orders (-0.9) at 10:00am EST and we’ll get a steady feeding of Auto Sales (17.7M) through the day.

Sorry, I am just physically attracted:
There’s a lot of talk about the bottoming of crude oil prices here and the support is coming from a reduction in US oil production. Well, that’s a yes and no. I agree that we are going to see some reduction US production, but I also think that we might just see an increase in the production from sites that are getting it right. We’re seeing better efficiency and better margins from a lot of fields out there and those have a good chance of continuing to get better. Rigs that have fallen off and that continue to fall off are the hanger ons and probably deserve to be left behind. On the other hand, as prices continue to climb back up, we’ll see investment back into these old wells and bringing them back on bigger and better.
Carpe Diem (trade for today):

Yeah baby, yeah!

OK, I’m on my third cup of coffee, let’s do this thing. I go LONG RBZ5/RBF6 above +75. I can’t help it, I love gasoline demand. The more I take notice of the more people out and about every week, the more I think that we’re going to have to draw down inventory. Refineries are coming back, but it’s not going to be enough this week and we’ll have a nice bump up in the spread today to the +110 area.

Hmm, I guess it’s not going to be that easy. I go LONG CLZ5 above 4710. If we’re making the move here, I think that 4790 is the target. Of course I’ll play this safe than sorry and look to pull out of the move in the 4760 area. There’s going to be plenty of time to get back into the rally if we start today.

We get up so we can get down. I go SHORT CLZ5 under 4550. A follow through to the downside here is going to pull the sellers in for the flash crash. We get started here and the move drags us down to the 4490 area with intention of testing the 4450 area. We’ll take what we can get.

Good bye David Bird, there is peace and we’ll all rest with you.

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