



DAILY ENERGY COMPLEX COMMENTARY

Friday August 26, 2022

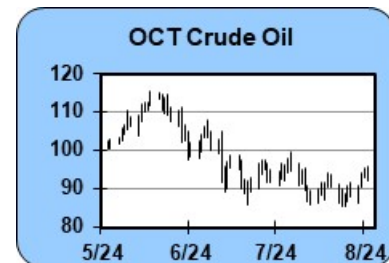
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8/26/2022

Supply developments supportive but demand views under scrutiny

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
CRUDE +130, HEATING OIL +713, UNLEADED GAS +255

CRUDE OIL MARKET FUNDAMENTALS: The crude oil market is likely to see a significant and perhaps temporary wild gyrations to outside market/big picture developments from the US Fed Chairman speech today. Clearly the trade sees this morning's events/data as a fresh signal on the direction of energy demand. However, seeing the largest US oil fund ETF suffer the most significant liquidation since late July yesterday might be a major pivot in investor views toward crude oil prices or more likely that exodus could be a temporary reduction of risk into the Fed speech. Apparently, the crude oil market this morning is drafting minimal lift from market chatter that ultrahigh gas prices will result in marginal shifts to petroleum feedstock use this winter in Europe. While October crude oil forged a higher high for the move early yesterday, the market fell back from that level shortly after the release of positive regularly scheduled US economic data. However, the setback in crude prices did coincide with the midmorning run up in the dollar, and some longs probably decided to bank profits and move to the sidelines ahead of today's critical US Federal Reserve Chairman speech. On the other hand, an order from Putin yesterday to dramatically expand the size of the Russian military force (from 137,000 to 1.1 million) indicates Russia is not yet considering a de-escalation of the war. According to credit rating agency Fitch, Russia is weaponizing energy and therefore the prospects of increased embargo compliance from Russian aggression is likely. In addition to significant price gyrations from today's Fed speech, the crude oil market could begin to take direction from weakness in gasoline prices. In fact, this week's ARA gasoline stocks reached record highs, recent implied gasoline demand readings have softened and there are signs that consumers are dramatically reducing credit card spending (which implies a loss of gasoline demand due to high prices). On the other hand, both China and Cuba this week indicated they have seen strengthening in fuel demand recently. In a longer-term supportive development, Middle East oil companies are reportedly aggressively seeking long-term supply contracts with customers in Asia, and that could eventually serve to isolate Russian supply. While news on the Iranian nuclear deal was largely absent from yesterday's news flow, it is a good bet that the US administration is pushing for a deal designed to pull Iranian oil onto the world market before the election. In other words, fear of a nuclear-weaponized Iran has been displaced by the inconvenience of high pump prices. In today's action, we see the prospect of early selling from the Fed event and buying later in the session off the potential for weekend supply threats from Russia.



PRODUCT MARKET FUNDAMENTALS: After displaying significant relative weakness to crude oil and diesel prices this week, a fire at a critical US Midwest refinery should provide October gasoline with solid support at the \$2.60 level. BP shut down two crude oil processing units at a 435,000 barrel per day refinery in northern Indiana and this hour the company is unsure of the damage and the duration of the shutdowns. However, traders should expect expanded volatility this morning because of big picture outside market impacts. Unfortunately for the bull camp, China posted a significant apparent demand decline in July in several product markets and the trade saw a record weekly Amsterdam, Rotterdam, and Antwerp gasoline storage readings. ARA gasoline stocks increased to 1.529 million tonnes from 1.378 million tonnes in the prior week. Some of the sharp increase in European gasoline supply in the main storage hub is the result of greatly restricted Rhine River activity from the unending European drought. Obviously, the gasoline market has become a significant drag on the upwardly biased crude oil and distillate markets. Another limiting force in the gasoline market is a US refinery operating rate near 94% which combined with softening seasonal demand increases the chances of a rebuilding of US gasoline

inventories ahead. Weekly Amsterdam, Rotterdam and Antwerp fuel oil, naphtha, gasoline, and gas oil stocks increased in the latest report. However, ARA jet fuel stocks contracted rather significantly this week. Extremely critical support in October gasoline is \$2.60, and the failure to hold \$2.5769 could project an even sharper washout today. Even though the diesel market is pegged as the leadership market in the petroleum complex, the market has become significantly overbought with the low to high rally of \$0.92 and that combined with reports of a significant softening of Chinese distillate product demand creates a very vulnerable market. Furthermore, the ULSD contract held a relatively large net spec and fund long last week and the market has added \$0.60 since that report was measured! Lastly, the sharp rise above and reversal from the \$4.00 level yesterday could signal an interim technical top.

NATURAL GAS: Clearly, the natural gas market has stalled just above the \$9.00 level, and part of that pause is likely associated with simple macroeconomic uncertainty. However, the pause in the upward motion in gas prices was also likely the result of a further delay in bringing a key US gas export facility back to full capacity. In fact, with the weekly EIA gas storage injection this week near the upper end of the anticipated range and US cooling demand has moderated consistently, leaving the bear camp with a strong case of bearish supply and demand news. On the other hand, a wildcard in the supply set up is the potential for Russia to reduce flow to Europe even further without notice. According to the rating agency Fitch, Russia is already weaponizing natural gas, and statements yesterday from the Russian national gas company suggesting no Russian gas turbines remain in Canada clarifies their active part in keeping pipeline flows restricted. The weekly natural gas storage report showed an injection of 60 bcf. Total storage stands at 2,579 bcf or 12.0% below the 5-year average. Over the last four weeks natural gas storage has increased 163 bcf. Going forward, we see a very treacherous condition in natural gas with long-term negatives mounting and short-term threats against near-term supply plentiful.

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
8/19/2022	60	2579	-268	163	-12.0%	#REF!

TODAY'S MARKET IDEAS:

Obviously, crude oil and diesel are overbought technically and perhaps overbought fundamentally. Furthermore, outside market developments later today are likely to undermine demand expectations leaving the markets vulnerable to week ending corrective action. However, as indicated already, attacking the short side of the energy complex remains precarious because of the potential for further Russian actions. Those long the market should consider the utilization of profit stops at \$92.79 in October crude oil and at \$3.86 in October ULSD.

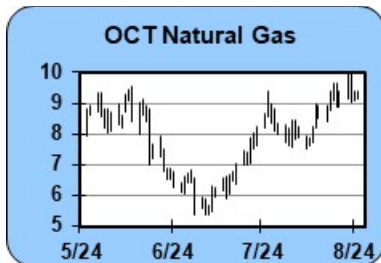
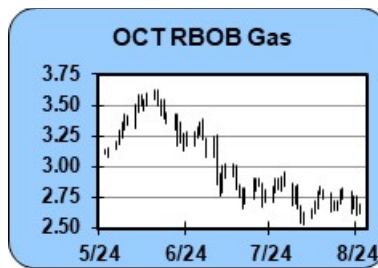
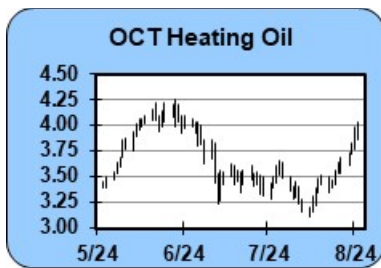
NEW RECOMMENDATIONS:

None.

PREVIOUS RECOMMENDATIONS:

None.

OTHER ENERGY CHARTS:



ENERGY COMPLEX TECHNICAL OUTLOOK:

Note: Data is collected using the closing values of the previous session and calculations and analysis are run at the same time. Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report. Data sources can and do produce bad ticks that can cause computation errors. Please verify before use.

CRUDE OIL (OCT) 08/26/2022: The close under the 40-day moving average indicates the longer-term trend could be turning down. The moving average crossover up (9 above 18) indicates a possible developing short-term uptrend. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. A positive signal for trend short-term was given on a close over the 9-bar moving average. The outside day down and close below the previous day's low is a negative signal. The close below the 1st swing support could weigh on the market. The near-term upside objective is at 96.84. The next area of resistance is around 94.46 and 96.84, while 1st support hits today at 91.00 and below there at 89.91.

HEATING OIL (OCT) 08/26/2022: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's short-term trend is positive on the close above the 9-day moving average. The market could take on a defensive posture with the daily closing price reversal down. The market tilt is slightly negative with the close under the pivot. The next upside objective is 408.64. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 396.20 and 408.64, while 1st support hits today at 379.04 and below there at 374.31.

RBOB GAS (OCT) 08/26/2022: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is 257.46. The next area of resistance is around 269.32 and 273.79, while 1st support hits today at 261.16 and below there at 257.46.

NATURAL GAS (OCT) 08/26/2022: Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. The close above the 9-day moving average is a positive short-term indicator for trend. The close over the pivot swing is a somewhat positive setup. The next downside objective is 9.053. The next area of resistance is around 9.447 and 9.542, while 1st support hits today at 9.203 and below there at 9.053.

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
ENERGY COMPLEX										
CLAV22	92.73	53.85	50.69	55.34	68.45	92.93	90.55	90.52	94.02	97.91
CLAX22	92.37	55.07	51.90	57.73	70.17	92.50	90.15	89.94	92.45	96.16
HOAV22	387.62	70.57	64.99	85.98	89.35	3.85	3.68	3.50	3.56	3.68
HOAX22	380.37	70.34	65.06	86.35	89.44	3.78	3.62	3.46	3.50	3.61
RBAV22	265.24	41.73	42.49	52.50	47.21	2.68	2.71	2.71	2.85	3.00
RBAX22	258.64	43.87	44.26	59.74	58.49	2.61	2.62	2.61	2.72	2.86
NGAV22	9.325	62.00	61.28	74.90	74.13	9.36	9.24	8.69	7.65	7.76
NGAX22	9.401	62.55	61.64	75.43	74.88	9.43	9.31	8.77	7.73	7.83

Calculations based on previous session. Data collected 08/25/2022
Data sources can & do produce bad ticks. Verify before use.

DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
ENERGY COMPLEX						
CLAV22	Crude Oil	89.90	90.99	93.37	94.46	96.84
CLAX22	Crude Oil	89.64	90.69	92.99	94.04	96.34
HOAV22	Heating Oil	374.30	379.03	391.47	396.20	408.64
HOAX22	Heating Oil	367.14	371.87	384.14	388.87	401.14
RBAV22	RBOB Gas	257.45	261.15	265.62	269.32	273.79
RBAX22	RBOB Gas	253.27	255.50	259.55	261.78	265.83
NGAV22	Natural Gas	9.052	9.202	9.297	9.447	9.542
NGAX22	Natural Gas	9.133	9.282	9.371	9.520	9.609

Calculations based on previous session. Data collected 08/25/2022
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