



## DAILY ENERGY COMPLEX COMMENTARY

Wednesday May 03, 2023

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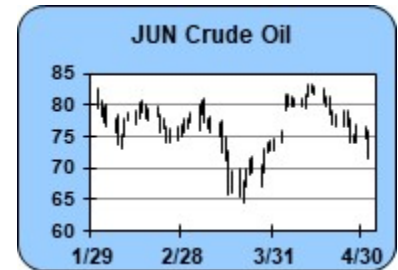
5/3/2023

#### Internal and external forces favor the bear camp

**OVERNIGHT CHANGES THROUGH 6:06 AM (CT):**  
**CRUDE -231, HEATING OIL -617, UNLEADED GAS -605**

**CRUDE OIL MARKET FUNDAMENTALS:** Big picture macroeconomic induced selling of crude oil is likely to extend especially after the critical \$70.00 level was pierced straightaway this morning. In fact, with recent chatter of strong US demand dissipating, fears of softening "global demand" are accentuated.

However, seeing Indian crude oil import prices from Russia decline to the lowest level of the war era that could stimulate even more Indian buying in the future. Nonetheless, energy demand fears are likely to be stoked in the coming sessions from renewed fears of a recession in the US. Even the supply-side of the equation is offering fresh bearish news today, with weekly crude oil in storage at the ARA increasing by 4.5%. Bearish sentiment toward crude oil prices is definitive with the trade this morning discounting another Iranian seizure of a foreign flagged oil tanker. Another supportive development fully discounted in today's trade is yesterday's much larger than expected decline in API crude oil stocks of 3.9 million barrels. Other overnight signals favoring the bear camp are a Morgan Stanley reduction in their 3rd quarter Brent oil price projections, bearish Brent/WTI time spreads and reports of very large gasoline shipments headed to the US. Furthermore, energy demand fears are likely to expand with signs of softening in the US jobs market and by another US Federal Reserve rate hike this afternoon. On the other hand, it should be noted that weekly EIA crude oil stocks have declined sharply in 4 of the last 5 weeks with the cumulative decline in that time frame totaling nearly 18 million barrels. While US implied gasoline demand readings have held above year ago levels in 5 out of the last 6 weeks and last week's number was extremely hot at 9.511 million barrels per day, the strong US energy demand theme could be squashed if this week's EIA implied gasoline demand reading slumps. In conclusion, it will be difficult to suddenly improve energy demand expectations and it could be difficult for July crude oil to recover back above \$70.00 without a bullish surprise in key US jobs data.



**PRODUCT MARKET FUNDAMENTALS:** Despite US gasoline stocks holding the only year-over-year deficit to year ago inventory levels at the EIA, global views of strong US energy demand confirmed by strong US implied gasoline demand readings over the last 6 weeks, the gasoline market appears to be in a downward thrust. Apparently, tightness in US gasoline stocks has also been discounted despite declines in EIA gasoline stocks in 9 of the last 10 weeks! However, Bloomberg global traffic tracking indices have posted slower road activity and a wave of global holidays from May Day in Europe to the Dragon boat festivals in Asia are likely to show softer demand and higher supplies in upcoming reports. The API survey said that US gasoline stocks had a weekly increase of 400,000 barrels which contrasted with market expectations for a moderate weekly decline. Near-term downside targeting in July gasoline is \$2.30. With the global trade already very negative toward diesel at the beginning of April and given the high to low slide of \$0.41 since April 3rd, the trade is rushing to factor in significant bearish fundamentals. As indicated already, Goldman Sachs sees the sharp washout in diesel prices as a signal of softening in the global economy from the idea that lower prices signal a drop in trucking, shipping, and industrial activity. On the other hand, oversupply and slumping demand have been widely anticipated in the diesel market for many months. The API survey said that US distillate stocks had a weekly decline of 1 million barrels which was a smaller decline than trade forecasts. In the end, we see diesel following the rest of the markets lower with a potential downside target this week pf \$2.20 in the July contract.

**Weekly EIA Petroleum Estimates - Week Ending 4/28/2023 - In Million Barrels**

	High Estimate	Low Estimate	Stocks Last Week	Stocks Change Last Week
Crude Oil	-0.8	-1.2	460.3	-5.1
Distillates	-1.3	-1.7	111.5	-0.6
Gasoline	-0.4	-0.8	221.1	-2.4

**NATURAL GAS:** Even though natural gas prices recently delinked from action in the petroleum markets, current action suggests the markets might have fallen back in tight sync. Obviously, deteriorating global macroeconomic sentiment injures industrial demand for gas and given declining northern hemisphere heating demand for gas, a move to lower lows is fully justified. Recent LNG flow to Europe has reached record levels which reduces anxiety there and should have reduced the urgency of refilling. In fact, overnight news indicates European appetite for LNG imports is already softening because of "well-stocked" European storage. However, key European LNG storage levels remain far below capacity, and we suspect buyers are simply stepping back expecting even lower prices. Reports of record profits from a midstream US oil and gas delivery company from a 6% increase in pipeline throughput should also foster ideas of a backup of supply within the US system and at export terminals. We leave the edge with the bear camp and expect downside extension action in the coming sessions. Obviously, demand Fundamentals are worsening with supply more bearish than supportive. Unfortunately for the bull camp the next support level in natural gas is \$0.11 below today's early trade.

**TODAY'S MARKET IDEAS:**

The path of least resistance is down in the petroleum complex with evidence of softening demand dominating over waning hope of a recovery in Chinese energy consumption. It goes without saying that macroeconomic fears are ramping up, which really accentuates the prospects of a noted global reduction in energy demand. As indicated already, we see July crude oil headed down to \$68.90, July gasoline headed to \$2.30 and July diesel headed to \$2.20.

**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 (JUN) 05/03/2023:** Daily stochastics are trending lower but have declined into oversold territory. The market's short-term trend is negative as the close remains below the 9-day moving average. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside objective is 68.03. The next area of resistance is around 74.00 and 77.40, while 1st support hits today at 69.32 and below there at 68.03.

HEATING OIL (JUN) 05/03/2023: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The outside day down is a negative signal. The close below the 2nd swing support number puts the market on the defensive. The next downside target is 218.75. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 235.55 and 243.94, while 1st support hits today at 222.95 and below there at 218.75.

RBOB GAS (JUN) 05/03/2023: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's short-term trend is negative as the close remains below the 9-day moving average. The outside day down is somewhat negative. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside objective is now at 232.82. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 250.44 and 260.02, while 1st support hits today at 236.84 and below there at 232.82.

NATURAL GAS (JUN) 05/03/2023: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. A negative signal for trend short-term was given on a close under the 9-bar moving average. The close below the 1st swing support could weigh on the market. The next downside target is 2.083. The next area of resistance is around 2.297 and 2.400, while 1st support hits today at 2.139 and below there at 2.083.

## 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>										
CLAM23	71.66	30.29	36.55	23.36	13.67	74.72	76.03	78.59	76.12	76.47
CLAN23	71.53	30.31	36.53	23.76	13.90	74.56	75.86	78.34	75.95	76.29
HOAM23	229.25	22.55	28.24	13.57	9.80	2.35	2.41	2.51	2.57	2.60
HOAN23	229.39	22.43	28.23	14.37	9.81	2.35	2.41	2.51	2.55	2.59
RBAM23	243.64	29.33	35.12	17.16	11.65	2.50	2.54	2.64	2.60	2.60
RBAN23	239.10	29.00	34.91	17.67	11.65	2.46	2.49	2.59	2.56	2.56
NGAM23	2.218	37.43	40.09	53.88	43.15	2.33	2.37	2.36	2.58	2.64
NGAN23	2.425	36.66	39.33	44.87	33.51	2.51	2.56	2.56	2.79	2.85

Calculations based on previous session. Data collected 05/02/2023

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>						
CLAM23	Crude Oil	68.02	69.31	72.71	74.00	77.40
CLAN23	Crude Oil	67.94	69.21	72.58	73.85	77.22
HOAM23	Heating Oil	218.74	222.95	231.34	235.55	243.94
HOAN23	Heating Oil	219.29	223.25	231.57	235.53	243.85
RBAM23	RBOB Gas	232.82	236.83	246.42	250.44	260.02
RBAN23	RBOB Gas	228.63	232.51	241.80	245.68	254.97
NGAM23	Natural Gas	2.082	2.138	2.241	2.297	2.400
NGAN23	Natural Gas	2.305	2.357	2.440	2.492	2.575

Calculations based on previous session. Data collected 05/02/2023

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