



DAILY ENERGY COMPLEX COMMENTARY

Thursday May 04, 2023

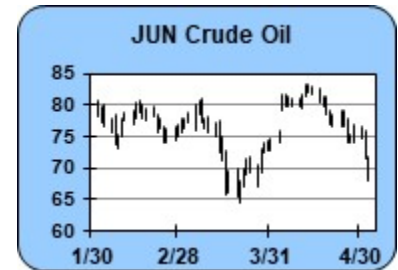
DAILY ENERGY COMPLEX COMMENTARY

5/4/2023

Internal/external forces favor the bear camp but mks oversold

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
CRUDE -1, HEATING OIL -18, UNLEADED GAS -62

CRUDE OIL MARKET FUNDAMENTALS: While there are few signs that macroeconomic conditions impacting energy demand expectations are set to improve, the massive decline in prices this week, the decline in crude inventories this week, the large range down rejection of a new low for the move this morning, and the net spec and fund short in crude likely reaching the lowest level in 7 years, should create an intermediate low in crude oil. Another sign of excessive bearishness came from a Morgan Stanley reduction of 3rd and 4th quarter Brent crude oil price forecasts of \$12.50. Furthermore, technical indicators highlight an excessively oversold condition with the RSI in crude oil yesterday nearly matching the lowest level in 2 1/2 years. However, this week's EIA crude oil stocks decline was smaller than expected and the smallest in 3 weeks and big oil earnings this week showed very strong production. Furthermore, EIA implied gasoline demand fell nearly 900,000 barrels versus last week while EIA gasoline stocks posted a modest increase. EIA crude stocks fell 1.281 million barrels and are 43.906 million barrels above year ago levels. Also, crude stocks stand 8.964 million barrels below the five-year average. Crude oil imports for the week stood at 6.396 million barrels per day compared to 6.376 million barrels the previous week. The refinery operating rate was 90.7% down, 0.6% from last week compared to 88.4% last year and the five-year average of 84.7%. A development from yesterday that did not result in a noted price reaction, were reports that Ukraine attempted to assassinate the Russian president with a drone attack. On the other hand, given the personality of the Russian leader, traders should expect some type of swift retaliation perhaps in the form of an assassination attempt on the Ukrainian President. Unfortunately for the bull camp, even with a Russian assassination of the Ukrainian President, buyers of Russian oil like China and India will not stop buying Russian crude oil. A logical downside target in July crude at \$67.04 was violently taken out overnight and the market this morning has recovered back above that key pivot point. A logical retracement of the April and May slide of \$14.00 is \$71.16.



PRODUCT MARKET FUNDAMENTALS: While the crude oil market is significantly oversold from a technical perspective, the gasoline market is even more oversold with the RSI approaching levels not seen in the Covid lockdown meltdown. In fact, the RSI in July gasoline yesterday was 22.8 versus 77.4 three weeks ago! Unfortunately for the bull camp, both implied gasoline demand and this week's rise in EIA gasoline stocks provide the bear camp with ongoing confidence. On the other hand, we get the sense that the bear camp has benefited from a perfect storm of big picture macroeconomic selling and internal fundamental selling. EIA gasoline stocks rose 1.742 million barrels and are 5.697 million barrels below last year and 14.709 million below the five-year average. Average total gasoline demand for the past four weeks was up 1.1% compared to last year. Gasoline imports came in at 798,000 barrels per day compared to 1.022 million barrels the previous week. While the \$2.30 level in July gasoline could become a key value zone ahead, the bull camp needs an improvement in macroeconomic psychology to forge anything other than a technical bounce. The RSI in diesel is significantly lower than in gasoline at 18.6 and that is also at the lowest levels since the depths of the pandemic shut down in the fall of 2020. However, implied distillate demand remains disappointing and this week's decline in EIA distillate stocks has not tempered constant talk of global oversupply. Fortunately for the bull camp, EIA distillate and diesel stocks posted noted declines this week with both markets expanding their year-over-year deficits. Near-term downside targeting in diesel at \$2.20 and that level might not hold unless macroeconomic sentiment shifts 180 degrees today! EIA distillate stocks fell 1.190 million barrels and stand at 5.381 million barrels above last year and 15.780 million below the five-year average. Distillate imports came in at 144,000 barrels per day compared to

93,000 barrels the previous week. Average total distillate demand for the past four weeks was up 0.21% compared to last year.

Weekly EIA Petroleum Report					In Million Barrels		
CRUDE OIL	Stocks				Imports	Refinery Capacity(%)	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
4/28/2023	459.633	-1.281	+43.906	468.597	6.396	90.7	
DISTILLATES	Stocks				Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
4/28/2023	110.323	-1.190	+5.381	126.103		3.872	
GASOLINE	Stocks				Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
4/28/2023	222.878	+1.742	-5.697	237.587	0.798	8.618	

NATURAL GAS: At present, it is extremely difficult to offer issues capable of halting the slide in natural gas. In fact, unless Russia manages to assassinate the Ukrainian President in retaliation for the attempted assassination of Putin, and something disrupts Russian gas flow through Ukraine there will be very little significant supply-side concerns capable of discouraging sellers. Furthermore, slumping demand signals a 2.2% decline in US electricity output last week and the nearing end of the heating season the bull camp is left without fundamental support. In conclusion, reports of significant supply sitting in import position off Europe and declining seasonal demand natural gas could be headed back to the lowest levels since late 2020. From a technical perspective, natural gas prices from the last COT positioning report (April 25th) have declined \$0.32 or 12% potentially pushing the net spec and fund short in natural gas to the highest levels since the beginning of the Covid lockdowns. The path of least resistance is down with weekly injections likely to grow consistently which in turn will likely expand the surplus to 5-year average inventory levels. Furthermore, talk of more selective European buying for refilling storage combined with more than adequate incoming supply for Europe could leave natural gas without a close-in value zone.

TODAY'S MARKET IDEAS:

While we think the markets have blown off to the downside and are capable of some recovery action, energy demand fears remain in place unless global macroeconomic sentiment is improved by stellar US jobs news. However, extremely oversold tech indicators and fresh promises from Russia they will implement promised production cuts provides the potential for a brief pause in the liquidation wave.

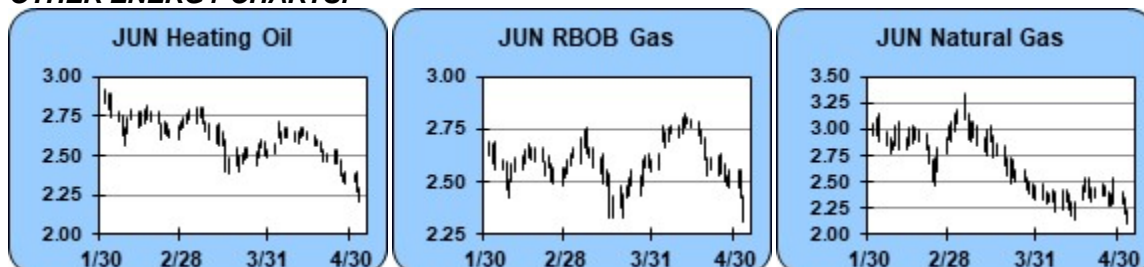
NEW RECOMMENDATIONS:

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) 05/04/2023: Daily stochastics are trending lower but have declined into oversold territory. The close below the 9-day moving average is a negative short-term indicator for trend. The market setup is somewhat negative with the close under the 1st swing support. The next downside objective is now at 65.23. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 70.17 and 72.90, while 1st support hits today at 66.34 and below there at 65.23.

HEATING OIL (JUN) 05/04/2023: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The close below the 9-day moving average is a negative short-term indicator for trend. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside objective is 213.93. With a reading under 20, the 9-day RSI indicates the market is extremely oversold. The next area of resistance is around 226.05 and 232.58, while 1st support hits today at 216.73 and below there at 213.93.

RBOB GAS (JUN) 05/04/2023: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market is in a bearish position with the close below the 2nd swing support number. The next downside objective is 220.69. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 237.57 and 247.29, while 1st support hits today at 224.27 and below there at 220.69.

NATURAL GAS (JUN) 05/04/2023: The downside crossover of the 9 and 18 bar moving average is a negative signal. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market's short-term trend is negative as the close remains below the 9-day moving average. The market tilt is slightly negative with the close under the pivot. The next downside target is now at 2.027. The next area of resistance is around 2.227 and 2.303, while 1st support hits today at 2.089 and below there at 2.027.

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										
CLAM23	68.26	23.99	31.11	18.47	8.70	73.09	75.01	77.90	75.92	76.36
CLAN23	68.20	24.00	31.08	18.77	8.79	72.97	74.87	77.67	75.75	76.18
HOAM23	221.39	18.22	24.51	11.31	6.81	2.32	2.38	2.49	2.55	2.59
HOAN23	221.66	18.90	25.20	12.41	8.48	2.32	2.38	2.49	2.54	2.58
RBAM23	230.92	21.62	28.50	13.88	7.33	2.46	2.51	2.62	2.60	2.60
RBAN23	227.27	21.69	28.62	14.22	7.32	2.41	2.47	2.57	2.55	2.55
NGAM23	2.158	34.21	38.00	46.54	32.06	2.28	2.34	2.35	2.56	2.63
NGAN23	2.346	32.32	36.51	37.55	23.41	2.46	2.53	2.56	2.77	2.84

Calculations based on previous session. Data collected 05/03/2023

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						
CLAM23	Crude Oil	65.22	66.33	69.06	70.17	72.90
CLAN23	Crude Oil	65.22	66.31	68.99	70.08	72.76
HOAM23	Heating Oil	213.92	216.72	223.25	226.05	232.58
HOAN23	Heating Oil	214.18	217.00	223.49	226.31	232.80
RBAM23	RBOB Gas	220.69	224.27	233.99	237.57	247.29

RBAN23	RBOB Gas	217.61	221.01	230.13	233.53	242.65
NGAM23	Natural Gas	2.027	2.089	2.165	2.227	2.303
NGAN23	Natural Gas	2.230	2.280	2.361	2.411	2.492

Calculations based on previous session. Data collected 05/03/2023

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