



DAILY ENERGY COMPLEX COMMENTARY

Friday May 05, 2023

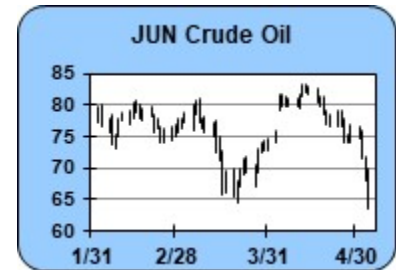
DAILY ENERGY COMPLEX COMMENTARY

5/5/2023

Internal/external forces favor the bear camp but mks oversold

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
CRUDE +183, HEATING OIL +500, UNLEADED GAS +449

CRUDE OIL MARKET FUNDAMENTALS: Despite a series of fresh bearish supply and demand headlines overnight the crude oil market has extended the sharp recovery off yesterday's spike low. Fresh negatives include a story confirming the Americas continue to expand production growth faster than OPEC, aggressive hedging by Asian refineries and an avalanche of soft European economic data overnight. While classic supply and demand fundamentals in the petroleum markets remain patently negative, the sharp range down and aggressive rejection of the washout yesterday might indicate a temporary bottom from a technical perspective. In addition to an extremely oversold RSI reading, adjusted for the washout since the last COT report was measured, it is likely the net spec and fund long in crude oil was the lowest in 7 years. Unfortunately for the bull camp, ongoing US bank sector problems, an increase in weekly initial unemployment claims and ongoing negative sentiment from equities look to keep energy demand concerns in place and that in turn should limit the magnitude and duration of short covering gains. Furthermore, signs of disappointing Chinese manufacturing and services PMI data, the threat of softer energy demand from China could be partially confirmed by the Saudi Arabian reduction in its June Arab light oil prices to Asia and the US. Another potential confirmation of disappointing Chinese energy demand recovery is evidence that Asian crude oil imports declined last month with China and India pulling back on purchases. According to Reuters, Chinese imports were significantly lower at 10.67 million barrels per day which is off nearly 3 million barrels per day from the highest levels of the last 3 years. Furthermore, Indian April imports were pegged at 4.6 million barrels per day, down 598 million barrels from March. We are not sure if the Chinese and Indian import readings from Reuters include Russian supplies. In conclusion, crude oil has probably made a temporary low from oversold technical signals but without a substantial improvement in global psychology following today's US jobs report the gains are likely to be limited and brief.



PRODUCT MARKET FUNDAMENTALS: Like the crude oil market, the gasoline market plunged yesterday to significant new lows for the move but managed to reject the washout aggressively and at times this morning is trading \$0.13 above the Thursday low. Also like the crude market, the gasoline market is significantly oversold in several technical measures with the RSI remaining at contract lows of 22.7. From the fundamental perspective, corrective recovery action should be limited by a weekly rise in ARA gasoline inventories of 20,000 tonnes. In the near term, it is premature to expect seasonal demand to assist in producing a key sustainable bottom in gasoline prices and like many markets the direction of gasoline prices will continue to be heavily dominated by the action in US equities. Initial pivot point support today in July gasoline is lifted to \$2.2974 with first retracement resistance at \$2.42 unlikely to be tested without signs of a resilient US jobs market. If it were not for a very flush global supply of diesel, we suspect the diesel futures reached a "mostly liquidated" position into the low yesterday. In fact, reports from Bloomberg overnight indicate that jet fuel demand continues to surge higher and is displaying upward momentum and the last COT report showed a net spec and fund long in diesel of only 16,131 contracts. Furthermore, with the market from that report into the low yesterday, \$0.30 lower, the net spec and fund long should be at the lowest level since April 2020! On the other hand, we prefer picking a bottom in gasoline or crude oil instead of diesel futures.

NATURAL GAS: Unlike the petroleum markets, the natural gas futures are not significantly overdone in classic

short-term technical measurements. Certainly, the net spec and fund short in natural gas is expanding, but we suspect the market has yet to return to the largest net short of 2023 of 142,000 contracts. While the weekly EIA working gas in storage report showed a moderate narrowing of the current surplus to 5-year average storage levels, the bull camp should remain back on their heels from signs of ongoing very strong lower-48 states production. Furthermore, daily US flow to US LNG export terminals is averaging only 13.4 BCFD which is below the record level seen last month of 14 BCFD. The weekly natural gas storage report showed an injection of 54 bcf. Total storage stands at 2,063 bcf, or 19.8% above the 5-year average. Over the last four weeks, natural gas storage has increased 233 bcf. On the other hand, the cooling season has effectively started in portions of the US with cooling degree days rising above heating degree days for the first time this year. The path of least resistance remains down with thin and unreliable support in the July gas contract at \$2.28. Unfortunately for the bull camp, short-term technical indicators like RSI are not as oversold as in the petroleum markets suggesting more downside action is likely. The next key support point on the charts is \$2.22.

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
4/28/2023	54	2063	507	233	19.8%	#REF!

TODAY'S MARKET IDEAS:

As indicated already, we think the petroleum markets have forged interim lows mostly off significantly oversold technical signals. In fact, without a substantial and surprising improvement in global economic sentiment following today's US nonfarm payroll report, energy prices are unlikely to forge consistent gains ahead. Therefore, we expect petroleum prices to correlate tightly with global equity prices.

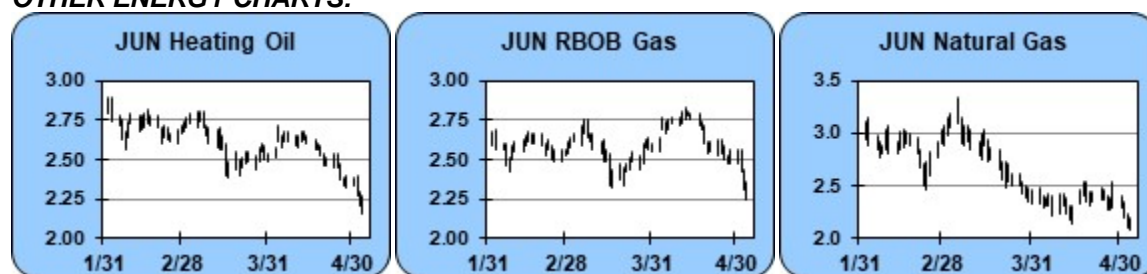
NEW RECOMMENDATIONS:

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) 05/05/2023: Daily stochastics are trending lower but have declined into oversold territory. A negative signal for trend short-term was given on a close under the 9-bar moving average. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is 61.44. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 71.63 and 73.83, while 1st support hits today at 65.43 and below there at 61.44.

HEATING OIL (JUN) 05/05/2023: A bullish signal was given with an upside crossover of the daily stochastics.

Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. The close below the 9-day moving average is a negative short-term indicator for trend. The daily closing price reversal up is a positive indicator that could support higher prices. It is a slightly negative indicator that the close was lower than the pivot swing number. The near-term upside target is at 234.16. Selling may soon dry up since the RSI is under 20 indicating the market is extremely oversold. The next area of resistance is around 229.43 and 234.16, while 1st support hits today at 217.49 and below there at 210.27.

RBOB GAS (JUN) 05/05/2023: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. A negative signal for trend short-term was given on a close under the 9-bar moving average. The daily closing price reversal up on the daily chart is somewhat positive. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is now at 220.51. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 237.83 and 242.32, while 1st support hits today at 226.93 and below there at 220.51.

NATURAL GAS (JUN) 05/05/2023: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside target is 2.003. The next area of resistance is around 2.140 and 2.218, while 1st support hits today at 2.032 and below there at 2.003.

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	68.53	24.38	31.47	18.15	16.87	71.11	74.01	77.30	75.72	76.21
CLAN23	68.50	24.45	31.50	18.29	16.64	71.03	73.88	77.08	75.56	76.04
HOAM23	223.45	19.67	25.66	11.91	12.01	2.28	2.36	2.47	2.54	2.59
HOAN23	223.95	20.94	26.44	12.48	12.61	2.29	2.36	2.46	2.53	2.57
RBAM23	232.38	22.92	29.50	13.06	10.71	2.41	2.48	2.59	2.59	2.59
RBAN23	228.75	23.19	29.74	13.38	10.98	2.37	2.44	2.55	2.54	2.55
NGAM23	2.086	30.56	35.56	38.43	21.58	2.20	2.31	2.34	2.53	2.62
NGAN23	2.281	29.02	34.28	30.56	15.76	2.39	2.50	2.54	2.75	2.82

Calculations based on previous session. Data collected 05/04/2023

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	61.43	65.43	67.63	71.63	73.83
CLAN23	Crude Oil	61.80	65.56	67.66	71.42	73.52
HOAM23	Heating Oil	210.26	217.48	222.21	229.43	234.16
HOAN23	Heating Oil	210.85	218.03	222.68	229.86	234.51
RBAM23	RBOB Gas	220.50	226.92	231.41	237.83	242.32
RBAN23	RBOB Gas	217.02	223.40	227.70	234.09	238.38
NGAM23	Natural Gas	2.002	2.032	2.110	2.140	2.218
NGAN23	Natural Gas	2.203	2.231	2.302	2.330	2.401

Calculations based on previous session. Data collected 05/04/2023

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