



DAILY ENERGY COMPLEX COMMENTARY

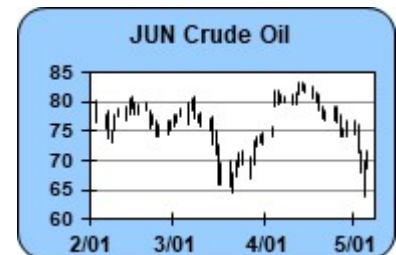
Monday May 08, 2023

DAILY ENERGY COMPLEX COMMENTARY

5/8/2023

Improved demand prospects to combined with more technical short covering

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
CRUDE +176, HEATING OIL +423, UNLEADED GAS +386



CRUDE OIL MARKET FUNDAMENTALS: Given the aggressive upside extension of last week's significant recovery, suggestions that technical oversold conditions are fueling the rally are falling by the wayside. Obviously, the much better-than-expected US jobs report scores a major hit against fears of deteriorating energy demand, even though the ultra-strong US jobs data questions the US Fed's ability to "pause". Perhaps the trade is emboldened by a 16% decline in crude oil in global floating storage last week and it appears that aggressive selling off the Silicon Valley Bank threat is now resulting in a surprising level of stop loss buying. In retrospect, the July crude oil contract was excessively oversold with a 4-week high to low slide of nearly \$20, the RSI falling to 24.4 and the dollar showing more weakness than strength in the wake of a good jobs report. In a minimally supportive overnight development Taiwan reported a 19.1% increase in April crude oil imports which has served to blunt evidence of softer spring demand for fuel. In retrospect, July crude oil prices likely posted a major value zone at the lows last week with the gains on Friday certainly partly the result of the strong US payroll report. However, we would not label global energy demand as a positive force for prices yet, especially with Indian and Chinese demand signals recently tapering off. In fact, late last week a report from Moscow indicated that overall Asian imports showed a precipitous fall off in the month of April, with imports of 26.3 million barrels per day down from the February reading of 29.4 million barrels per day. A 3 million barrel per day reduction in Asian imports by just 2 countries is very bearish for prices but the trade sees the setback in purchases as temporary. While the most recent positioning report showed the net spec and fund long in crude near 5-month highs, the July crude oil contract from the report fell \$7.65 a barrel potentially putting the net spec and fund long near the lowest levels since 2016. Crude Oil positioning in the Commitments of Traders for the week ending May 2nd showed Managed Money traders net sold 35,869 contracts and are now net long 157,047 contracts. Non-Commercial & Non-Reportable traders had 305,080 net long 305,080 contracts after decreasing their long position by 13,006 contracts. As in many other physical commodities Chinese trade data on Tuesday morning will be a key factor setting this week's trend. While we cannot argue against further technical short covering gains given the nearly \$20 break from last month's highs, fundamentals are still a headwind and the recovery seemed to pause at the first retracement point Friday of \$71.20.

PRODUCT MARKET FUNDAMENTALS: With the recovery in gasoline prices from the severe beating of the past 4 weeks extended this morning in the face of a report of a sudden and surprising dip in US refined product demand, gasoline might exhibit further bullish follow through. In our opinion, gasoline continues to have the most bullish classic fundamental supply and demand set up within the petroleum complex with US supplies tight and the northern hemisphere driving season start looming in the coming weeks. Furthermore, with refinery margins falling off last week the incentive to build gasoline supplies ahead of surging seasonal demand has been reduced. From a technical perspective, the July gasoline contract fell \$0.18 from the level where the last COT positioning report was measured and that likely put the net spec and fund long position near the lowest levels since July 2022 at last week's lows. The May 2nd Commitments of Traders report showed Gas (RBOB) Managed Money traders were net long 47,920 contracts after decreasing their long position by 4,046 contracts. Non-Commercial & Non-Reportable traders net sold 1,241 contracts and are now net long 54,396 contracts. In the most recent EIA report, gasoline stocks held a deficit to year ago stocks levels of 5.6 million barrels and a 15-million-barrel deficit to 5-year average seasonal levels. Furthermore, implied gasoline demand readings in the US have been very strong

over the past 6 weeks which is atypical for the season. Key pivot point support today is \$2.342 with a failure price seen with a trade below \$2.32. Not surprisingly, the diesel market showed the least impressive bounce off last week's major washout. However, the diesel market retains a bearish fundamental set up with both supply and demand favoring the bear camp. Last week, Goldman Sachs used burgeoning global diesel stocks as the basis for a prediction of a global slowdown and India is considering a ban of diesel vehicles in major cities. Fortunately for the bull camp, the most recent positioning report showed a nearly liquidated net spec and fund long which was probably overstated into the low last week, with the trade bottoming out nearly \$0.15 below the level where the report was measured. Heating Oil positioning in the Commitments of Traders for the week ending May 2nd showed Managed Money traders went from a net long to a net short position of 2,755 contracts after net selling 10,528 contracts. Non-Commercial & Non-Reportable traders are net long 8,023 contracts after net selling 8,108 contracts. Thin and unreliable support is seen at \$2.299, and a key failure is seen with a trade below \$2.2761.

NATURAL GAS: Even though the July natural gas contract rejected the \$2.50 level, closed positive last Friday, and has extended the upside this morning, bearish overall fundamentals remain in place. In fact, the prospect of improved US gas demand following the strong US payroll report should be heavily offset by Asian natural gas prices failing at a psychological important \$10 level (a 2-year low) and by reports that European buyers are backing away because of more than adequate strategic supply. Furthermore, European buyers now see an opportunity to buy at much lower levels and that could become a self-fulfilling prophecy. Adding to the downward fundamental track are ever-expanding US natural gas export pattern. Last month the US exported a record 8.1 million tons of LNG which is a 16% gain from year ago figures. In fact, the US April LNG export was the largest of any nation ever. While the most recent COT positioning report understates the size of the net spec and fund short (because of the \$0.16 slide after the report was measured) natural gas has probably not reached the net spec and fund low posted at the end of April of 150,872 contracts. The May 2nd Commitments of Traders report showed Natural Gas Managed Money traders added 12,885 contracts to their already short position and are now net short 52,114. Non-Commercial & Non-Reportable traders added 5,575 contracts to their already short position and are now net short 111,482. In last week's EIA report some traders saw the injection as slightly supportive at 54 BCF as that was lower than the 2 previous weeks and the surplus to the 5-year average posted the lowest level in 3 weeks. On the other hand, the Russian national gas company continues to verify it is transporting contract volumes under Ukraine despite recent reports of an attempt to assassinate the Russian president. The path of least resistance remains down with soft seasonal demand to continue along with reduced European interest in refilling their storage. Thin and unreliable support is seen at \$2.275 in the July contract and a failure is obviously seen at last week's low of \$2.233.

TODAY'S MARKET IDEAS:

We see the recent strength in prices as largely a technical balance adjustment following a horrific 30-day washout in petroleum prices. However, US nonfarm data last Friday helped shore up energy demand expectations after several weeks of growing recession fear. However, Tuesday morning Chinese import and export data will be released and the Wednesday US CPI report will likely decide the trend in prices for the rest of the month. In the wake of more gains today, we see the longs facing larger risk than shorts.

NEW RECOMMENDATIONS:

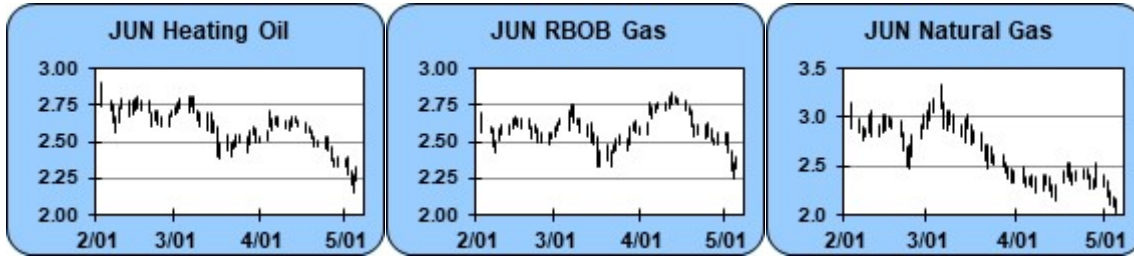
None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 4/25/2023 - 5/2/2023						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Energies						
Crude Oil	258,688	-19,538	-305,080	+13,007	46,392	+6,532
Heating Oil	3,729	-3,708	-8,022	+8,110	4,294	-4,400
Natural Gas	-143,239	-5,920	111,482	+5,575	31,757	+345
Gas (RBOB)	47,812	-1,118	-54,396	+1,241	6,584	-123

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) 05/08/2023: The daily stochastics have crossed over up which is a bullish indication. 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 market has a slightly positive tilt with the close over the swing pivot. The near-term upside target is at 74.08. The next area of resistance is around 73.03 and 74.08, while 1st support hits today at 69.71 and below there at 67.43.

HEATING OIL (JUN) 05/08/2023: Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market setup is supportive for early gains with the close over the 1st swing resistance. The next upside target is 239.44. The next area of resistance is around 236.80 and 239.44, while 1st support hits today at 227.30 and below there at 220.43.

RBOB GAS (JUN) 05/08/2023: The daily stochastics gave a bullish indicator with a crossover up. Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. A negative signal for trend short-term was given on a close under the 9-bar moving average. Market positioning is positive with the close over the 1st swing resistance. The next upside target is 245.14. The next area of resistance is around 242.37 and 245.14, while 1st support hits today at 234.45 and below there at 229.31.

NATURAL GAS (JUN) 05/08/2023: 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 upside closing price reversal on the daily chart is somewhat bullish. The market tilt is slightly negative with the close under the pivot. The next downside objective is 1.971. The next area of resistance is around 2.182 and 2.242, while 1st support hits today at 2.046 and below there at 1.971.

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	71.37	38.14	40.16	21.16	27.13	70.05	73.20	76.74	75.57	76.09
CLAN23	71.28	38.19	40.19	21.10	26.71	69.97	73.07	76.53	75.41	75.92
HOAM23	232.05	36.67	36.31	14.95	20.82	2.27	2.33	2.45	2.53	2.58
HOAN23	232.43	37.23	36.78	15.45	21.39	2.27	2.34	2.45	2.52	2.57
RBAM23	238.41	33.31	36.02	14.24	16.58	2.37	2.46	2.57	2.59	2.59
RBAN23	234.99	33.32	36.08	14.54	16.88	2.33	2.42	2.53	2.54	2.54
NGAM23	2.114	32.70	36.82	32.65	20.30	2.15	2.27	2.33	2.51	2.60
NGAN23	2.302	30.37	35.13	25.88	15.67	2.34	2.46	2.52	2.73	2.81

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

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	67.42	69.70	70.75	73.03	74.08
CLAN23	Crude Oil	67.42	69.65	70.68	72.91	73.94
HOAM23	Heating Oil	220.42	227.29	229.93	236.80	239.44
HOAN23	Heating Oil	220.90	227.73	230.30	237.12	239.70
RBAM23	RBOB Gas	229.30	234.45	237.22	242.37	245.14
RBAN23	RBOB Gas	225.75	231.00	233.72	238.97	241.69
NGAM23	Natural Gas	1.970	2.045	2.106	2.182	2.242
NGAN23	Natural Gas	2.180	2.244	2.296	2.360	2.412

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

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