



DAILY ENERGY COMPLEX COMMENTARY

Tuesday May 09, 2023

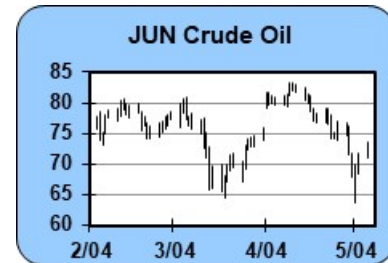
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5/9/2023

We see negative macroeconomic forces directly ahead

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
CRUDE -79, HEATING OIL -229, UNLEADED GAS -287

CRUDE OIL MARKET FUNDAMENTALS: Apparently, the crude oil rally has paused ahead of a critical macroeconomic junction in the form of a US debt ceiling meeting and perhaps because of looming fear of ongoing US inflation complications flowing from tomorrow's US CPI report. Furthermore, energy demand expectations were partially undermined with some interpretations of Chinese trade data overnight suggesting a lack of forward movement in the Chinese recovery. In fact, Chinese energy demand concerns have been accentuated by April Chinese crude oil imports dropping to the lowest levels since January. While some of the fear of slackening Chinese energy demand are the result of flush inventories and seasonal refinery maintenance, fear of softening consumption is the focus of the trade. However, there are positives capable of diffusing big picture negative outside market influence selling with Indian diesel consumption surging, Suncor indicating strong demand in its earnings report and proof of further expansion of global jet fuel demand. Even the supply-side of the equation is contributing to bullish hopes this morning with wildfires in Canada reducing production. Furthermore, supply cutbacks by OPEC+ have been partially confirmed by a significant reduction in the number of cargo bookings which in turn is confirmed by a massive drop in supertanker rates. Another cushion for crude prices is signs that investors are returning to the USO oil fund ETF. This week's Reuters poll projects crude oil inventories to decline for the 4th straight week with a notable drop of 1.6 million barrels forecasted. In the bull's defense, weekly floating global crude oil supply declined by 16% and sources have suggested OPEC+ will stand by their production restraint because of ongoing fears of a buildup of global supply in the event of a global recession. In the end, the energy markets are likely to shift their focus to macroeconomic influences over internal physical supply and demand developments. Therefore, we give the near-term edge to the bear camp.



PRODUCT MARKET FUNDAMENTALS: While the gasoline market was undeterred yesterday by reports of a slight softening of US refined product demand on four-week moving averages, demand concerns were accentuated by disappointing Indian retail gasoline sales. However, EIA implied gasoline demand readings have been relatively strong seasonally in 4 of the last 6 weeks and US seasonal demand has entered the normal upward track which continues through the end of summer. Unfortunately for the bull camp, India indicated their monthly gasoline demand declined by roughly 7% casting some doubt on the 3-day low to high rally of \$0.22. This week's Reuters poll predicts US gasoline stocks to decline by 1.3 million barrels per day. We now think gasoline is overbought from both short-term technical signals and near-term demand expectations. In fact, we see July gasoline encountering significant resistance from \$2.4333 and \$2.50. Not surprisingly, the diesel market has lagged the rest of the petroleum markets on the recovery from last week's spike low. Fortunately for the bull camp, India reported surging diesel demand last month with the total consumption of 7.8 million tonnes reportedly the strongest reading since records began in 1998!

NATURAL GAS: Even though the natural gas market has rejected last Friday's new low for the move, fundamental issues in the market remain in favor of the bear camp. Fortunately for the bull camp the markets saw an offset to a Goldman forecast of lower gas prices in Europe this summer from interest in purchasing LNG for summer consumption from the Chinese national oil company overnight. In our opinion, the biggest negative for

natural gas are signs that European buyers are holding back in hopes of lower seasonal demand and lower prices. Fortunately for the bull camp, the large net spec and fund short in natural gas should keep speculative selling limited and the market less vulnerable to bearish supply and demand fundamentals. Clearly record US LNG exports are discouraging some sellers but without surprise late season cold or surprise early season cooling, we leave the path of least resistance pointing down. With little change in bearish fundamentals over the last three weeks, and the recovery off last week's low yesterday, we see natural gas vulnerable to a resumption of the downtrend. In fact, with global LNG prices poised to fall below \$10.00, the historical premium of global natural gas prices to US prices should continue to narrow. Downtrend channel resistance in the July natural gas contract is \$2.486 and a failure is seen with a trade below \$2.32.

TODAY'S MARKET IDEAS:

While we will not argue against additional near-term gains, further gains could be very difficult in the wake of slowing Chinese energy demand fears following soft crude imports and generally disappointing Chinese trade data today. Furthermore, short-term technical indicators are flashing overbought signals and deteriorating global economic sentiment is likely to expand in the near term. In conclusion, we see the risk of losses from fresh buying increasing substantially.

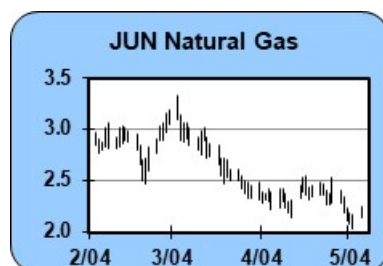
NEW RECOMMENDATIONS:

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) 05/09/2023: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's short-term trend is positive on the close above the 9-day moving average. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside target is at 75.22. The next area of resistance is around 74.10 and 75.22, while 1st support hits today at 71.46 and below there at 69.93.

HEATING OIL (JUN) 05/09/2023: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. A positive signal for trend short-term was given on a close over the 9-bar moving average. With the close over the 1st swing resistance number, the market is in a moderately positive position. The near-term upside objective is at 242.61. The next area of resistance is around 239.80 and 242.61, while 1st support hits today at 232.83 and below there at 228.66.

RBOB GAS (JUN) 05/09/2023: Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. The market's short-term trend is positive on the close above the 9-day moving average. With the close over the 1st swing resistance number, the market is in a moderately positive position. The near-term upside objective is at 252.83. Short-term indicators suggest buying pullbacks today. The next area of resistance is around 249.41 and 252.83, while 1st support hits today at 240.13 and below there at 234.28.

NATURAL GAS (JUN) 05/09/2023: 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. Market positioning is positive with the close over the 1st swing resistance. The next downside target is now at 2.108. The next area of resistance is around 2.292 and 2.324, while 1st support hits today at 2.184 and below there at 2.108.

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	72.78	43.89	43.99	26.13	36.11	70.32	72.72	76.16	75.41	75.99
CLAN23	72.69	44.02	44.07	25.98	35.75	70.26	72.61	75.98	75.25	75.83
HOAM23	236.32	44.68	41.77	20.10	30.41	2.29	2.32	2.43	2.52	2.57
HOAN23	236.51	44.97	42.10	20.68	31.14	2.29	2.33	2.43	2.51	2.56
RBAM23	244.77	42.87	42.33	17.77	25.08	2.37	2.44	2.55	2.58	2.59
RBAN23	240.81	42.99	42.47	18.27	25.72	2.33	2.40	2.51	2.53	2.54
NGAM23	2.238	44.99	43.84	31.67	28.60	2.16	2.25	2.32	2.49	2.59
NGAN23	2.408	42.58	41.95	25.43	23.58	2.35	2.44	2.52	2.71	2.80

Calculations based on previous session. Data collected 05/08/2023

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	69.92	71.45	72.57	74.10	75.22
CLAN23	Crude Oil	69.87	71.38	72.47	73.98	75.07
HOAM23	Heating Oil	228.66	232.82	235.64	239.80	242.61
HOAN23	Heating Oil	228.79	233.00	235.81	240.02	242.83
RBAM23	RBOB Gas	234.27	240.13	243.55	249.41	252.83
RBAN23	RBOB Gas	230.92	236.42	239.69	245.19	248.46
NGAM23	Natural Gas	2.108	2.184	2.216	2.292	2.324
NGAN23	Natural Gas	2.287	2.356	2.389	2.459	2.491

Calculations based on previous session. Data collected 05/08/2023

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