



## DAILY ENERGY COMPLEX COMMENTARY

Wednesday May 10, 2023

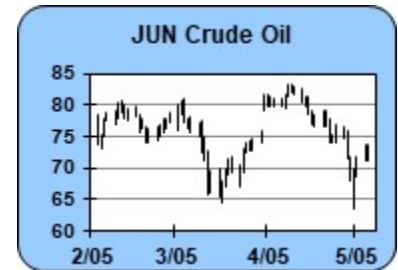
### DAILY ENERGY COMPLEX COMMENTARY

5/10/2023

**We see negative macroeconomic forces unless CPI is below .4%**

**OVERNIGHT CHANGES THROUGH 6:06 AM (CT):**  
**CRUDE -84, HEATING OIL -137, UNLEADED GAS -45**

**CRUDE OIL MARKET FUNDAMENTALS:** With the crude oil market overbought from a 4-day low to high rally of \$9.00, bearish API crude stocks readings from yesterday afternoon and generally bearish energy demand buzz, the market is vulnerable to corrective action today. In fact, supply and demand headlines over the past 12 hours have added to the bear's arsenal with Russian crude oil exports not showing signs of declining (as agreed-upon by OPEC+ members) and evidence of further declines in Chinese imports because of refinery maintenance. Apparently, the Russians indicate their production cuts are near agreed-upon levels which if true means the Russians are exporting large quantities from storage. While Chinese oil demand concerns remain, an issue following Chinese trade data earlier this week, J.P. Morgan suggests bearish supply conditions are the primary bearish force even though overall global demand remains good. In a very minimally supportive overnight development European ARA crude oil in storage declined by 0.7% (according to Genscape). Fortunately for the bull camp the petroleum markets in last week's lows clearly factored in significant softening of global energy demand. However, we think the recovery bounce from last week's spike low has corrected the oversold technical condition and could leave the markets vulnerable to a resumption of selling if global macroeconomic sentiment turns south. Unfortunately for the bull camp, the Energy Information Administration yesterday predicted US crude oil output will increase by 5% this year, but they also predicted fuel demand will increase by 1%. The EIA pegged US crude production at 12.5 million barrels per day for this year and indicated they expect energy demand growth will result in a global oil market balance in the 2nd half of the year. In a minimally supportive short-term development Canadian wildfires have impeded production but not enough and probably will not last long enough to countervail negative macro conditions in the wake of today's US CPI release. After the close, the API survey said that US crude oil stocks had a weekly increase of 3.6 million barrels which contrasted with trade forecasts calling for a modest weekly decline.



**PRODUCT MARKET FUNDAMENTALS:** As indicated already, the EIA predicts US fuel demand will increase by 1% this year, which is supportive but perhaps disappointing to a portion of the trade expecting an even larger recovery in demand. Fortunately for the bull camp, retail gasoline prices are currently sitting roughly \$0.80 per gallon below year ago levels with the start of the northern hemisphere summer driving season looming in the coming weeks. While the trade could see fresh evidence of significant European gasoline imports into the US as a negative supply development, the markets could easily spin that news into a positive with the argument that significant supply inflows has failed to remove a year-over-year EIA gasoline stocks deficit. Furthermore, the most recent COT positioning report on gasoline (adjusted for the post report washout of \$0.19) probably resulted in the net spec and fund long at last week's low reaching the lowest level since June 2022. We see a temporary key pivot point/failure price today in July gasoline at \$2.39 with a wave of stop loss buying possible with a trade above \$2.45. The diesel market rally off last week's low has corrected the extreme oversold condition from the massive April and early May slide of \$0.50, but reports that global jet fuel demand continues to expand should help establish support significantly above last week's spike low. As indicated yesterday Indian demand for diesel remains very strong which should help add to the credibility of chart support at \$2.28. The API survey said that US gasoline stocks had a weekly increase of 393,000 barrels which contrasted with market expectations for a moderate weekly decline. The API survey also said that US distillate stocks had a weekly decrease of 3.9 million barrels which was a much larger decline than trade forecasts.

**Weekly EIA Petroleum Estimates - Week Ending 5/5/2023 - In Million Barrels**

	High Estimate	Low Estimate	Stocks Last Week	Stocks Change Last Week
Crude Oil	-0.3	-0.7	459.6	-1.3
Distillates	-0.6	-1	110.3	-1.2
Gasoline	-1	-1.4	222.9	1.7

**NATURAL GAS:** We were surprised with the natural gas market's ability to post a 5-day high yesterday with the shoulder season between heating and cooling demand reaching its zenith. However, it is possible that predictions of a likely El Nino which could mean much above normal temperatures for the US Gulf Coast and eastern seaboard with above normal temperatures likely for nearly 1/2 of the eastern US running on a diagonal line drawn from New Mexico to Michigan. Unfortunately for the bull camp, the EIA expects US natural gas production this year to reach a record high and for demand to slip. Apparently, the EIA sees gas consumption of 87.5 bcf/day versus 88.53 bcf/day in 2022. This week's Reuters poll projects EIA working gas in storage to post a moderate build and that negative is compounded by predictions of a "slightly inactive" and perhaps a "quiet" hurricane season. Despite recent short covering strength, classic supply and demand fundamentals for natural gas remain in favor of the bear camp. In fact, an extension on the upside above \$2.50 should be considered an opportunity for fresh shorts among those capable of withstanding a measure of macroeconomic inspired volatility.

**TODAY'S MARKET IDEAS:**

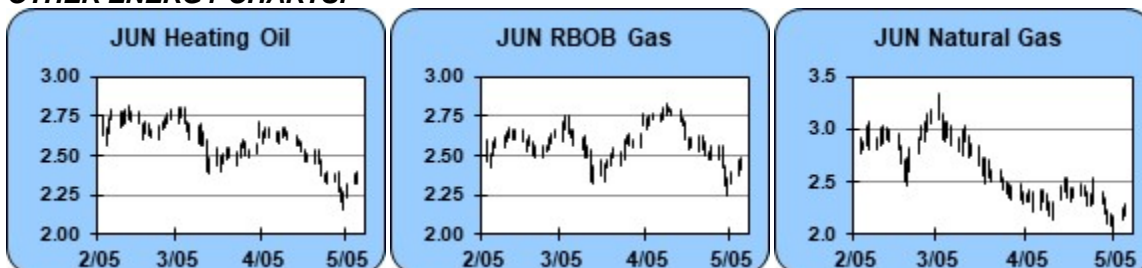
All things considered; we give the edge to the bear camp as the recent pattern of economic headlines favors ongoing energy demand concerns. Certainly, a Goldilocks US CPI reading today could result in short covering, but unless global equity markets come away from a pair of US inflation readings over the coming two trading sessions with very positive action, energy rallies are likely to run out of momentum quickly.

**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) 05/10/2023:** Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's close above the 9-day moving average suggests the short-term trend remains positive. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside target is 75.46. The next area of resistance is around 74.71 and 75.46, while 1st support hits today at 72.27 and below there at 70.59.

HEATING OIL (JUN) 05/10/2023: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The close above the 9-day moving average is a positive short-term indicator for trend. The close over the pivot swing is a somewhat positive setup. The near-term upside objective is at 244.15. The next area of resistance is around 242.10 and 244.15, while 1st support hits today at 235.10 and below there at 230.15.

RBOB GAS (JUN) 05/10/2023: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market has a slightly positive tilt with the close over the swing pivot. The next upside target is 253.22. The next area of resistance is around 251.16 and 253.22, while 1st support hits today at 244.12 and below there at 239.15.

NATURAL GAS (JUN) 05/10/2023: The daily stochastics gave a bullish indicator with a crossover up. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's close above the 9-day moving average suggests the short-term trend remains positive. The close over the pivot swing is a somewhat positive setup. The next upside objective is 2.365. The next area of resistance is around 2.321 and 2.365, while 1st support hits today at 2.209 and below there at 2.140.

## 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	73.48	46.54	45.79	32.76	45.51	71.64	72.67	75.71	75.27	75.89
CLAN23	73.42	46.77	45.95	32.57	45.20	71.57	72.56	75.54	75.11	75.73
HOAM23	238.60	48.52	44.51	27.32	41.01	2.33	2.33	2.42	2.52	2.57
HOAN23	238.70	48.85	44.88	27.99	41.83	2.33	2.33	2.42	2.50	2.56
RBAM23	247.64	46.51	44.86	24.02	35.86	2.41	2.44	2.53	2.57	2.58
RBAN23	243.58	47.04	45.28	24.60	36.58	2.37	2.40	2.49	2.53	2.54
NGAM23	2.265	47.40	45.29	32.76	34.92	2.19	2.25	2.33	2.47	2.58
NGAN23	2.420	43.41	42.43	26.64	29.05	2.36	2.43	2.52	2.69	2.79

Calculations based on previous session. Data collected 05/09/2023

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	70.58	72.27	73.02	74.71	75.46
CLAN23	Crude Oil	70.54	72.21	72.95	74.62	75.36
HOAM23	Heating Oil	230.15	235.10	237.15	242.10	244.15
HOAN23	Heating Oil	230.54	235.30	237.33	242.09	244.12
RBAM23	RBOB Gas	239.14	244.12	246.18	251.16	253.22
RBAN23	RBOB Gas	235.22	240.11	242.15	247.04	249.08
NGAM23	Natural Gas	2.139	2.208	2.252	2.321	2.365
NGAN23	Natural Gas	2.312	2.368	2.415	2.471	2.518

Calculations based on previous session. Data collected 05/09/2023

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