



## DAILY ENERGY COMPLEX COMMENTARY

Thursday May 11, 2023

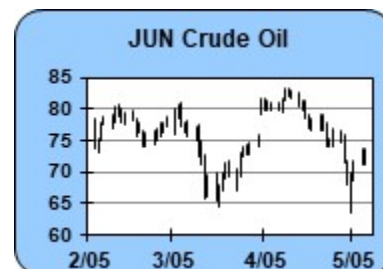
### DAILY ENERGY COMPLEX COMMENTARY

5/11/2023

Extending recovery moves despite of sluggish Chinese inflation data

**OVERNIGHT CHANGES THROUGH 6:06 AM (CT):**  
**CRUDE +32, HEATING OIL +122, UNLEADED GAS +51**

**CRUDE OIL MARKET FUNDAMENTALS:** Crude oil traded in a relatively tight range overnight with a generally positive tone, holding near the top end of the May recovery. Today's weaker than expected Chinese inflation data may have rattled global risk sentiment, but it seems to have had little if any impact on petroleum prices. Chinese energy demand views were already sagging, and the inflation news leans in favor of the bear camp. The markets came away from the weekly EIA report with very little reaction, with the rise in US crude oil stocks offset by surprisingly large declines in gasoline and distillate stocks. The implied gasoline demand reading was very solid, which adds to the recent pattern of strong demand signals from that sector. A fresh negative from the supply side of the equation came from Venezuela, where Chevron looks to pump up production again. S&P rekindled global energy demand fears, as they reduced their forecast on Indian demand this year by 40,000 barrels per day. From a technical perspective, it should be noted that July crude oil forged a higher high and a six-day high yesterday, leaving the charts in a positive condition. The EIA report showed US crude stocks increased 2.951 million barrels last week, bringing them to 38.370 million above a year ago but 5.799 million barrels below the five-year average. The US imported 5.553 million barrels per day versus 6.396 million the previous week. The refinery operating rate was 91.0%, up from 90.7% the previous week, 90.0% a year ago, and a five-year average of 85.3%.



**PRODUCT MARKET FUNDAMENTALS:** Both product markets were well supported overnight, with ULSD reaching a two-week high and RBOB reaching a 1-1/2 week high. July RBOB rallied in the face of lower action in crude oil yesterday with additional evidence of bullish fundamentals in the gasoline market. US gasoline stocks declined by more than expected last week; implied demand remained strong (and above seasonal levels); and supply is below a year ago and the five-year average as we approach a strong demand season. RBOB forged an upside breakout yesterday despite evidence of large imports from Europe. The EIA reports showed US gasoline stocks fell 3.167 million barrels last week. They were 5.257 million below last year and 16.116 million below the five-year average. Average gasoline demand for the past four weeks was up 2.2% from last year. The US imported 853,000 barrels per day last week versus 798,000 the week before. Like gasoline, the distillates and diesel fuel saw much larger than expected declines in inventories last week, and distillate demand was above year ago and average levels. The EIA report showed US distillate stocks fell 4.170 million barrels last week. They were 2.124 million barrels above last year but 20.302 million below the five-year average. The US imported 111,000 barrels per day last week versus 144,000 the previous week. Average distillate demand for the past four weeks was up 0.07% from 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
5/5/2023	462.584	+2.951	+38.370	468.383	5.553	91.0	
DISTILLATES		Stocks			Imports	Demand	

Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
5/5/2023	106.153	-4.170	+2.124	126.455		4.035	
<b>GASOLINE</b>	<b>Stocks</b>				<b>Imports</b>	<b>Demand</b>	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
5/5/2023	219.711	-3.167	-5.257	235.827	0.853	9.303	

**NATURAL GAS:** July natural gas traded in a narrow range near unchanged overnight. The market has managed to rally and build a consolidation pattern above last week's low despite little in the way of bullish headlines. The trade is likely being limited by evidence of increased US lower 48 production and to a lesser degree by forecasts that El Nino will result in a slow hurricane season. The Reuters survey of expectations for the weekly EIA storage report today calls for an injection of 65 to 82 BCF, which could be the largest of the rebuilding season so far. Prices held up relatively well yesterday in the face of an increase in Canadian exports and from a decline in spot Permian shale prices, the first such decline since October 2020. Unfortunately for the bull camp, weather forecasts are predicting warmer temperatures ahead, with only limited increases in cooling demand in the far southern regions of the US. Even though prices have shown the ability to absorb negative fundamental news with limited damage, the news flow is and will likely remain bearish, especially if today's EIA report posts an injection in the upper end of expectations and/or the surplus to the 5-year average increases. A downside target for the July contract is \$2.233.

#### **TODAY'S MARKET IDEAS:**

With July crude oil stalling around a quasi-triple top of \$73.81, the market remains vulnerable to a selloff, especially after the recent aggressive recovery that corrected an extremely oversold technical condition. The bull camp may need to see further equity market gains to extend the recent recovery. While we are skeptical of the capacity of crude oil to make aggressive gains, strength in product prices could improve crack margins and improve demand for crude. The ability of product prices to breakout to the upside yesterday might signal both markets are still undervalued after the massive declines in April and early May. We see July RBOB regaining the \$2.50 level and perhaps testing a triple high zone at \$2.5110. The ULSD market managed a poked through a recent consolidation high overnight before setting back. It may have less bullish resolve than gasoline, and the \$2.4000 level could be a critical bull-bear line today for July ULSD.

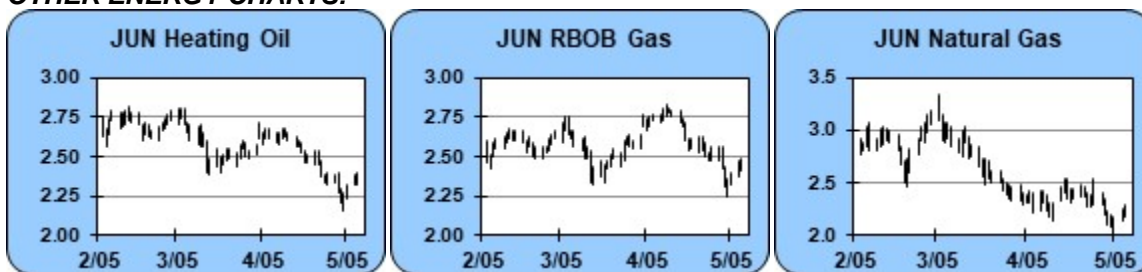
#### **NEW RECOMMENDATIONS:**

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) 05/11/2023:** Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market's close above the 9-day moving average suggests the

short-term trend remains positive. The downside closing price reversal on the daily chart is somewhat negative. The market tilt is slightly negative with the close under the pivot. The next upside target is 74.90. The next area of resistance is around 73.82 and 74.90, while 1st support hits today at 71.74 and below there at 70.73.

HEATING OIL (JUN) 05/11/2023: 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 market has a slightly positive tilt with the close over the swing pivot. The next upside target is 243.48. The next area of resistance is around 241.82 and 243.48, while 1st support hits today at 237.46 and below there at 234.77.

RBOB GAS (JUN) 05/11/2023: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. 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 next upside target is 254.49. The next area of resistance is around 252.28 and 254.49, while 1st support hits today at 246.82 and below there at 243.56.

NATURAL GAS (JUN) 05/11/2023: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The close below the 9-day moving average is a negative short-term indicator for trend. The close below the 1st swing support could weigh on the market. The near-term upside target is at 2.301. The next area of resistance is around 2.232 and 2.301, while 1st support hits today at 2.128 and below there at 2.092.

## 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	72.78	44.15	44.28	38.67	50.18	72.75	72.47	75.19	75.16	75.77
CLAN23	72.75	43.71	43.99	38.27	49.39	72.62	72.36	75.02	75.00	75.61
HOAM23	239.64	49.02	44.86	34.20	47.94	2.37	2.33	2.41	2.51	2.56
HOAN23	239.30	48.38	44.61	34.74	48.23	2.37	2.33	2.41	2.50	2.55
RBAM23	249.55	49.04	46.58	31.01	44.81	2.45	2.44	2.52	2.57	2.58
RBAN23	244.88	48.21	46.07	31.22	44.45	2.41	2.40	2.48	2.52	2.54
NGAM23	2.180	41.08	41.68	32.97	33.31	2.21	2.23	2.32	2.45	2.57
NGAN23	2.329	36.88	38.66	26.72	26.56	2.37	2.40	2.51	2.67	2.78

Calculations based on previous session. Data collected 05/10/2023

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	70.72	71.73	72.81	73.82	74.90
CLAN23	Crude Oil	70.74	71.73	72.77	73.76	74.80
HOAM23	Heating Oil	234.77	237.46	239.13	241.82	243.48
HOAN23	Heating Oil	234.92	237.30	238.91	241.29	242.90
RBAM23	RBOB Gas	243.55	246.81	249.02	252.28	254.49
RBAN23	RBOB Gas	239.40	242.36	244.43	247.39	249.46
NGAM23	Natural Gas	2.091	2.127	2.196	2.232	2.301
NGAN23	Natural Gas	2.247	2.279	2.347	2.379	2.447

Calculations based on previous session. Data collected 05/10/2023

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