



DAILY ENERGY COMPLEX COMMENTARY

Tuesday May 16, 2023

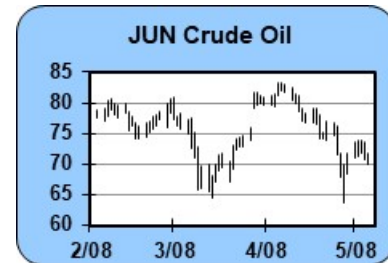
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5/16/2023

Demand fear to remain in place without debt ceiling deal

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
CRUDE -6, HEATING OIL -24, UNLEADED GAS -14¢

CRUDE OIL MARKET FUNDAMENTALS: If it were not for signs of significant energy consumption from the coming US Memorial Day holiday (air travel is expected to surpass pre-pandemic levels) the crude oil market might have traded lower this morning off an increase in Chinese April crude oil production of 1.4%. Obviously, crude oil prices are undermined by Chinese industrial production and retail sales figures which were not as strong as anticipated and crude oil prices were also undermined because of IEA predictions that global oil demand growth will be slower than expected because of the anemic Chinese economic rebound. However, according to Bloomberg Chinese April apparent oil demand reached a record of 15.09 million barrels per day which in turn is a gain of 24.9% from March. Furthermore, Chinese January through April apparent oil demand increased by 7.2%. It should also be noted that OPEC output declined 310,000 barrels per day in April because of troubles in Iraq and Nigerian output. The Russians have pledged to cut 300,000 barrels per day this month to reach their OPEC+ production restraint allotment. On the other hand, the IEA indicates the Russians have yet to implement crude output cuts as evidenced by exports posting the highest levels since the end of WWII. Even though Russian exports to world markets continue to rise, Russian officials claim they are reducing output. However, Russia has moved to increase export duties in a sign that is usually the result of efforts to deflate domestic prices. On the other hand, it is possible the Russians have levied an import duty out of necessity with the war eating into Russian government liquidity. The markets should draft support from more reliable news from Saudi Arabia that their crude oil exports will decline next month. Unfortunately for the bull camp, the Iraqi oil minister indicated yesterday that OPEC plus would not likely cut production in their next meeting and that should embolden the bear camp. This week's Reuters poll pegs US crude oil inventories to decline by 1.3 million barrels and expects the US refinery operating rate to increase by 0.5%. With the rejection and recovery back above the \$70.00 level yesterday, the crude oil market appears to have found a value zone but might not be able to extend yesterday's recovery without assistance from favorable equity market action from a debt deal.



PRODUCT MARKET FUNDAMENTALS: The gasoline market also rejected a noted failure yesterday and did so on an extremely wide trading range and modest increase in trading volume. Fortunately for the bull camp, recent road congestion readings for Europe and the US reached highs for the year over the past week. However, road use of gasoline remains generally anemic despite expectations for a jump in consumption over the coming 3 months. Unfortunately for the bull camp, traffic congestion readings in China declined slightly and continue to lag the rest of the world. This week's Reuters poll projects US gasoline stocks to decline by 1 million barrels and expects the US refinery operating rate to increase. Adjusted for the slide from the last COT positioning report (\$0.05), gasoline net spec and fund long positioning could now be the lowest since October. Key pivot point support today is seen at \$2.3926 with more significant support and value seen down at \$2.3726. The diesel market from the last COT positioning report mark off into the low yesterday was down nearly \$0.12 likely reducing the net spec and fund long to the smallest level since the end of April 2022. This week's Reuters poll projects US distillate stocks to increase by 200,000 barrels which is an insignificant change. We leave the edge with the bear camp as classic fundamentals have yet to produce headlines significant enough to alter the downward bias.

NATURAL GAS: With an upside breakout in natural gas to the highest level since May 1st taking place in the face of a quiet market, we assume the gains are partly short covering of a moderately large net spec and fund short. However, the trade was shocked by news that the US gas rig operating tally declined by 16 rigs to the lowest level in 13 months, with that weekly decline the most in a single week since February 2016. Gas prices should be undermined following a decline below the key \$10 level in Asian LNG prices overnight as that weakness is thought to be the result of China increasing its use of coal for power generation. This week's Reuters poll projects EIA working gas in storage to increase by 104 bcf to 116 bcf and that would certainly be problematic for the bull camp as the shoulder season will continue for at least another two weeks. According to private forecasts, US weather could see above normal temperatures in the days ahead with extremely hot temperatures already registered in portions of the Pacific Northwest. While we remain skeptical of the market's capacity to forge additional gains, the natural gas market has a significant net spec and fund short positioning and predictions of hot early temperatures and a risk on vibe from successful US debt ceiling negotiations could extend the upside with the next resistance zone seen at \$2.582.

TODAY'S MARKET IDEAS:

We give the edge to the bear camp today unless equities avoid a washout from the debt ceiling talks. Critical pivot point support levels on the charts are once again \$70.00 in July crude oil, \$2.3906 in July gasoline and \$2.3036 in July diesel.

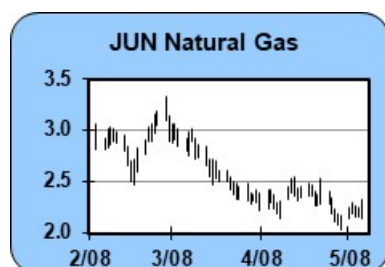
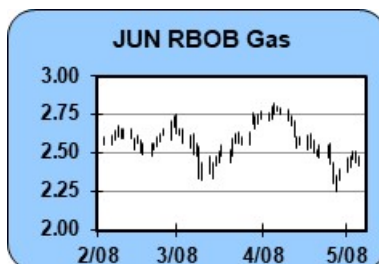
NEW RECOMMENDATIONS:

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) 05/16/2023: Momentum studies are trending higher from mid-range, which should support 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 upside daily closing price reversal gives the market a bullish tilt. The market setup is supportive for early gains with the close over the 1st swing resistance. The next upside objective

is 73.20. The next area of resistance is around 72.44 and 73.20, while 1st support hits today at 70.16 and below there at 68.65.

HEATING OIL (JUN) 05/16/2023: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. The outside day up is a positive signal. The market's close above the 2nd swing resistance number is a bullish indication. The near-term upside objective is at 246.36. The next area of resistance is around 243.54 and 246.36, while 1st support hits today at 233.02 and below there at 225.31.

RBOB GAS (JUN) 05/16/2023: 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 upside closing price reversal on the daily chart is somewhat bullish. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next upside objective is 254.31. The next area of resistance is around 251.48 and 254.31, while 1st support hits today at 243.01 and below there at 237.35.

NATURAL GAS (JUN) 05/16/2023: The cross over and close above the 40-day moving average indicates the longer-term trend has turned up. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. A positive setup occurred with the close over the 1st swing resistance. The next upside objective is 2.478. The next area of resistance is around 2.438 and 2.478, while 1st support hits today at 2.304 and below there at 2.210.

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	71.30	42.01	42.50	45.11	48.59	71.19	71.13	73.58	74.77	75.35
CLAN23	71.27	42.19	42.63	44.77	48.22	71.17	71.08	73.47	74.63	75.20
HOAM23	238.28	49.23	45.69	45.49	53.49	2.36	2.33	2.37	2.49	2.54
HOAN23	236.28	47.01	44.24	44.54	51.01	2.35	2.33	2.37	2.48	2.53
RBAM23	247.25	47.69	45.81	44.61	53.17	2.46	2.42	2.48	2.56	2.57
RBAN23	242.47	46.92	45.29	43.49	51.16	2.42	2.38	2.44	2.51	2.53
NGAM23	2.371	58.11	52.05	39.28	48.15	2.25	2.21	2.29	2.41	2.54
NGAN23	2.532	56.56	50.59	33.15	42.66	2.41	2.39	2.47	2.63	2.75

Calculations based on previous session. Data collected 05/15/2023

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	68.64	70.16	70.92	72.44	73.20
CLAN23	Crude Oil	68.62	70.13	70.90	72.41	73.18
HOAM23	Heating Oil	225.30	233.01	235.83	243.54	246.36
HOAN23	Heating Oil	224.70	231.52	234.21	241.03	243.72
RBAM23	RBOB Gas	237.35	243.01	245.83	251.48	254.31
RBAN23	RBOB Gas	233.27	238.61	240.98	246.32	248.69
NGAM23	Natural Gas	2.210	2.304	2.344	2.438	2.478
NGAN23	Natural Gas	2.374	2.465	2.507	2.598	2.640

Calculations based on previous session. Data collected 05/15/2023

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