DAILY ENERGY COMPLEX COMMENTARY
Wednesday May 17, 2023

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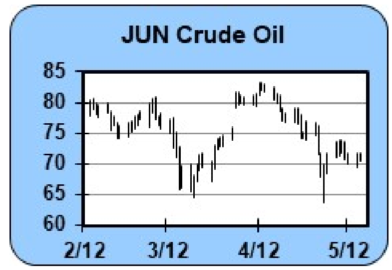
5/17/2023

Demand fear to remain in place without debt ceiling deal



OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
CRUDE +28, **HEATING OIL** +102, **UNLEADED GAS** +141

CRUDE OIL MARKET FUNDAMENTALS: We are surprised with the crude oil market's capacity to respect the $70.00 level after bearish API crude stocks news yesterday afternoon. In fact, the API indicated US crude oil stocks increased by 3.68 million barrels last week with a significant jump in Cushing Oklahoma crude stocks of 2.8 million barrels. A further negative supply issue was documented by Bloomberg yesterday from predictions that Russian seaborne oil flows are flowing from strategic stocks which in turn technically would allow the Russians to cut "production" as agreed-upon in the OPEC+ plus deal. In addition to a 300,000 barrel per day increase in Russian exports through seaborne channels, Bloomberg also sees floating supply flow from Russia remaining strong this month. While the markets are likely seeing minimal support from the Biden administration plan to begin refilling the strategic petroleum reserve, the magnitude of each planned purchase is insignificant, with the impact on the markets psychological. However, the respect of the $70.00 level over the last 4 trading sessions is likely the result of a combination of forces like reduced Canadian production from wildfires, a minimal decline in weekly European crude in storage and expectations China will receive record oil imports from Russia.
Furthermore, the International Energy Agency yesterday indicated global oil consumption will improve faster than their previous forecasts which provides fresh support to crude oil prices. Furthermore, US refiners have promised to ratchet up refinery activity to meet summer fuel demand prospects and that should improve demand for physical crude in the US. It should also be noted that regional Asian oil brokers have indicated current Chinese refineries are already refining near record volumes with the latest Bloomberg estimates pegging Chinese refinery activity at 61.1 million tonnes in April which equals 14.94 million barrels per day. According to the IEA, the Chinese recovery has been faster and stronger than expected with Chinese demand reaching an all-time high. On the other hand, many markets think the Chinese recovery is anemic and is not yet firmly entrenched. Fortunately for the bull camp, Chinese April crude oil throughput increased by 18.9% versus year ago levels while the January through April crude oil refinery throughput increased by 8.3%. This week's Reuters poll projects crude oil stocks to decline by 900,000 barrels and expects the US refinery operating rate to increase by 0.5%. After the close, however, the API survey said that US crude oil stocks had a weekly increase of 3.68 million barrels which contrasted with trade forecasts calling for a moderate weekly decline.

PRODUCT MARKET FUNDAMENTALS: With the 4-day high this morning in gasoline extending the impressive recovery off the Monday spike low, the gasoline market has displayed its leadership status again. The gasoline market is likely drafting support from a larger than expected decline in API gasoline stocks of 2.4 million barrels as a similar decline in EIA gasoline stocks later this morning will likely extend the deficit versus year ago inventories. In other words, the trade has not seen evidence of a rebuilding of US gasoline inventories ahead of the summer driving season. It should also be noted that US implied gasoline demand readings have been very impressive over the last two months, despite periodic large gasoline flows from Europe! However, US refiners have indicated they plan to ramp up refinery activity to meet summer demand for fuel and that should discourage aggressive speculative buying of gasoline. The latest US refinery operating rate was 91.0% and a gain of 0.5% would put the US refinery activity rate at the highest level of the year and at the highest level since December of last year. This week's Reuters poll projects gasoline stocks to decline by 1.1 million barrels with last week showing a much larger than anticipated decline in inventories of 3.1 million barrels. The API survey said that US gasoline stocks had a weekly decline of 2.46 million barrels which was a larger decline that market expectations. In the end, the gasoline market holds a deficit to year ago stock levels of 5.2 million barrels and has seen relatively hot implied gasoline demand readings in 6 of the last 8 weekly readings. In conclusion, US gasoline inventories remain tight, but increased refinery activity could bring some supply to the market just before the summer driving season begins in earnest. Critical support in gasoline today is seen at $2.4141 and resistance is pegged at $2.4679. The diesel market enters the 3rd trading session of the week with mixed demand signals of strong jet fuel and slack diesel demand from the trucking industry. However, the primary driving force for diesel prices is trucking activity with jet fuel becoming more important over the coming weeks and months. The API survey said that US distillate stocks had a weekly decline of 886,000 barrels which was a larger decline than trade forecasts. A very critical pivot point support level is seen at $2.316 and to reverse the downtrend might require trade back above a previous critical high of $2.386.

Weekly EIA Petroleum Estimates - Week Ending 5/12/2023 - In Million Barrels				
	High Estimate	Low Estimate	Stocks Last Week	Stocks Change Last Week
Crude Oil	-0.7	-1.1	462.6	3
Distillates	0.3	-0.1	106.2	-4.2
Gasoline	-0.9	-1.3	219.2	-3.2

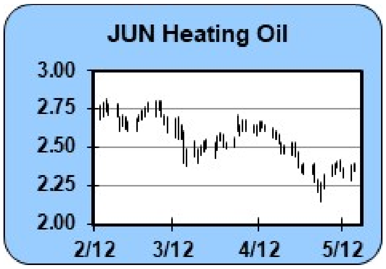
NATURAL GAS: The natural gas market surprised the trade yesterday with a noted range up extension to the highest price levels since April 28th. Apparently, the natural gas was not undermined because of information that China was increasing its coal fired electric generating activity. On the other hand, the natural gas trade was apparently cheered by evidence of increased US electricity generation which in turn has apparently sparked chatter suggesting the beginning of the cooling season has begun. Supporting the beginning of the cooling season is unusual heat in the West which is expected to push into northern areas of the US next week. Nonetheless, the trade continues to expect strong lower 48 US gas production and large weekly storage injections ahead. In a longer-term supportive development, a major US LNG exporter inked a deal with a Korean power company to supply gas. Unfortunately for the bull camp yesterday's 12 day high/upside breakout was forged on much lower trading volume than was seen in the prior 2 days gains. This week's Reuters survey pegs EIA working gas in storage to increase by 104 BCF to 116 BCF. Therefore, it is possible that pricing above $2.50 is viewed by some as expensive. In today's action the $2.506 level is a bull bear line with solid support not seen until $2.438.

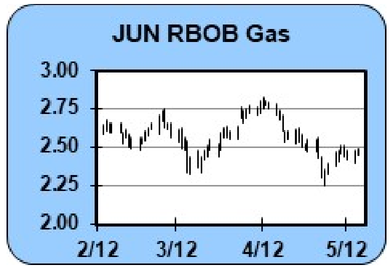
TODAY'S MARKET IDEAS:
It appears that the petroleum markets have turned the tide back in favor of the bull camp, with ongoing signs of steady demand and minimally supportive supply-side developments. Given the impressive action in gasoline prices from the Monday spike low, gasoline looks to be the leadership market again especially with classic fundamentals backing up the bull camp.

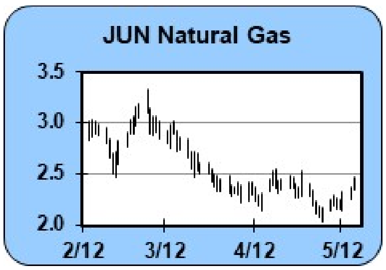
NEW RECOMMENDATIONS:
None.

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) 05/17/2023: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The close below the 9-day moving average is a negative short-term indicator for trend. The downside closing price reversal on the daily chart is somewhat negative. It is a slightly negative indicator that the close was under the swing pivot. The near-term upside target is at 72.17. The next area of resistance is around 71.21 and 72.17, while 1st support hits today at 69.87 and below there at 69.49.

HEATING OIL (JUN) 05/17/2023: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The downside closing price reversal on the daily chart is somewhat negative. The market's close below the pivot swing number is a mildly negative setup. The next upside target is 241.55. The next area of resistance is around 238.16 and 241.55, while 1st support hits today at 232.88 and below there at 230.98.

RBOB GAS (JUN) 05/17/2023: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside target is at 251.48. The next area of resistance is around 249.79 and 251.48, while 1st support hits today at 245.49 and below there at 242.88.

NATURAL GAS (JUN) 05/17/2023: Momentum studies are rising from mid-range, which could accelerate 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 could take on a defensive posture with the daily closing price reversal down. The close over the pivot swing is a somewhat positive setup. The next upside objective is 2.511. The next area of resistance is around 2.424 and 2.511, while 1st support hits today at 2.296 and below there at 2.254.

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	70.54	39.22	40.71	46.42	49.33	70.64	71.32	73.19	74.67	75.24
CLAN23	70.55	40.48	41.54	46.32	49.71	70.71	71.31	73.11	74.54	75.10
HOAM23	235.52	46.09	43.78	50.10	59.32	2.35	2.34	2.36	2.48	2.54
HOAN23	233.83	45.20	43.13	48.69	56.99	2.34	2.34	2.36	2.47	2.52
RBAM23	247.64	48.71	46.47	49.46	59.18	2.46	2.44	2.48	2.56	2.57
RBAN23	242.51	47.87	45.90	48.09	57.29	2.41	2.40	2.43	2.51	2.53
NGAM23	2.360	56.83	51.43	44.35	54.33	2.30	2.24	2.29	2.40	2.53
NGAN23	2.520	55.04	49.90	38.73	49.40	2.46	2.40	2.47	2.61	2.74

Calculations based on previous session. Data collected 05/16/2023

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	69.49	69.87	70.83	71.21	72.17
CLAN23	Crude Oil	69.50	69.88	70.82	71.20	72.14
HOAM23	Heating Oil	230.97	232.87	236.26	238.16	241.55
HOAN23	Heating Oil	229.61	231.36	234.53	236.28	239.45
RBAM23	RBOB Gas	242.88	245.48	247.18	249.79	251.48
RBAN23	RBOB Gas	238.32	240.53	242.27	244.48	246.22
NGAM23	Natural Gas	2.253	2.295	2.382	2.424	2.511
NGAN23	Natural Gas	2.420	2.458	2.544	2.582	2.667

Calculations based on previous session. Data collected 05/16/2023

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