



## DAILY ENERGY COMPLEX COMMENTARY

Thursday May 18, 2023

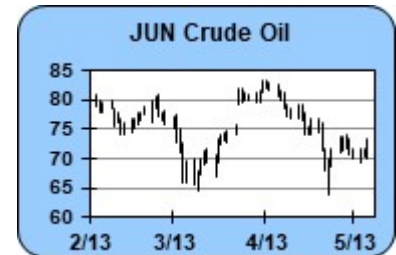
### DAILY ENERGY COMPLEX COMMENTARY

5/18/2023

**Upbeat demand off upbeat debt ceiling prospects**

**OVERNIGHT CHANGES THROUGH 6:06 AM (CT):  
CRUDE +1, HEATING OIL -119, UNLEADED GAS +9**

**CRUDE OIL MARKET FUNDAMENTALS:** Clearly, upbeat macroeconomic psychology off hopes of a solution to the US debt ceiling crisis is providing underpin for petroleum prices over the last 24 hours. Crude oil prices are also likely drafting support from favorable global equity market action, evidence that May Russian oil output fell by 350,000 barrels per day from February and by talk that both the US and India are rebuilding their strategic oil supplies. Other supportive overnight developments came from signs of increased Asian buying of both Russian and US crude oil, talk of an ongoing slide in US rig operating counts and very optimistic upcoming US fuel consumption. While the headline increase in EIA crude oil stocks molded the weekly inventory report into a bearish influence for prices, the July crude oil contract posted significant gains perhaps because of a stronger-than-expected jump in US refinery activity. An increase in US refinery activity should increase the call on US crude supply, especially with refiners looking to build inventories ahead of the increase in seasonal demand. At least part of the unexpectedly large surge in EIA crude oil stocks this week was from the release of oil from the SPR and perhaps not a signal of softening demand. EIA crude stocks rose 5.040 million barrels and are 46.804 million barrels above year ago levels. Also, crude stocks stand 651,000 barrels below the five-year average. Crude oil imports for the week stood at 6.86 million barrels per day compared to 5.553 million barrels the previous week. The refinery operating rate was 92.0%, up 1.0% from last week compared to 91.8% last year and the five-year average of 85.5%. It should also be noted that the G7 meeting in Japan is expected to discuss fresh and or modified sanctions against Russia as the initial sanctions have been ineffective in reducing Russia's capacity to wage war. In a longer-term supportive development, the trade is beginning to pick up on the sharp declines in US rig drilling activity which is partially the result of the April and early May high to low washout in crude oil prices of \$19.00. It is also possible that a portion of the decline in drilling activity in the months ahead will be the result of regional banks backing away from risky loans or simply reducing the size of their loan books. Initial upside targeting in July crude oil is seen at \$73.81 and key support remains at \$70.00.



**PRODUCT MARKET FUNDAMENTALS:** Not surprisingly, the gasoline market exploded yesterday in the wake of a slight improvement in overall macroeconomic sentiment (mainly from gains in equities), but prices were also lifted in the wake of yet another decline in EIA gasoline inventories. It should be noted that US gasoline inventories at 218 million barrels is the lowest stocks reading since November 25th of 2022. While the year-over-year gasoline supply deficit significantly narrowed this week US inventories remain in a deficit to year ago levels with the summer driving season poised to kick off in the coming three weeks. EIA gasoline stocks fell 1.381 million barrels and are 1.859 million barrels below last year and 14.932 million below the five-year average. Average total gasoline demand for the past four weeks was up 2.9% compared to last year. Gasoline imports came in at 844,000 barrels per day compared to 853,000 barrels the previous week. Evidence of improving gasoline demand came from a 2.9% increase in the four-week moving average of implied gasoline demand relative to last year. However, the increase in the moving average of implied gasoline demand was partially countervailed by this week's 8.9 million barrels per day reading coming in under last week and under year ago figures. While the July gasoline contract appeared to pause at a past triple top around \$2.5110 and that level will be a key pivot point today, we see near term upside targeting of \$2.5471 especially if equity market action continues to be positive. While the diesel market forged impressive upside action on its charts yesterday, the range up move was nowhere near as impressive as in the gasoline market. Initial resistance and a key pivot point price today in July diesel is \$2.4158, but diesel should have difficulty expanding without ongoing strong gains in

gasoline prices as distillate and diesel stock readings are not as tight as in gasoline. EIA distillate stocks rose 80,000 barrels and stand at 969,000 barrels above last year and 20.822 million below the five-year average. Distillate imports came in at 128,000 barrels per day compared to 111,000 barrels the previous week. Average total distillate demand for the past four weeks was down 0.08% compared to 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
5/12/2023	467.624	+5.040	+46.804	468.275	6.860	92.0	
DISTILLATES	Stocks				Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
5/12/2023	106.233	+0.080	+0.969	127.055		3.736	
GASOLINE	Stocks				Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
5/12/2023	218.330	-1.381	-1.859	233.262	0.844	8.908	

**NATURAL GAS:** From a longer-term perspective further evidence of declining rig operating counts and tighter EPA rules on toxic coal ash could provide natural gas with support from supply and demand perspectives. Another intermediate supportive development for gas came from Spain's energy minister who suggested the EU will move to ban Russian LNG soon. It should also be noted that the G7 agenda in the meeting in Japan includes discussions on modifying or introducing new sanctions against Russia to reduce their ability to finance the war against Ukraine. Therefore, natural gas could see a wave of short covering buying from the net spec and fund short of 106,464 contracts. While the top of the range of estimates for this week's EIA working gas in storage report project an injection of 116 BCF, the whisper number is calling for a bigger injection. However, much above normal temperatures are expected on Friday throughout the US Gulf states reaching as far north as Oklahoma, Arkansas, Tennessee, and North Carolina. While the natural gas market has managed to hold the gains off the early May lows, the bull camp could be tested today following US storage readings. However, hot temperatures are expected in the lower Southeast of the US on Friday and though they will narrow to only the Gulf states on Saturday, the natural gas market should see modest support from the weather. On the other hand, we expected supply issues to provide headwinds for prices today.

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

While we give the edge to the bull camp, further gains are heavily reliant on positive vibes flowing from global equity markets. Unfortunately for the bull camp, a strengthening dollar will discourage US exports leaving the bulls heavily dependent on improving seasonal demand. However, given the significant washout last week, fresh stop loss buying could be seen if the May 11th highs are breached at \$73.81 in July crude oil, at \$2.4158 in July ULSD and if July RBOB regains \$2.53.

#### **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 (JUL) 05/18/2023:** 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 outside day up is somewhat positive. There could be more upside follow through since the market closed above the 2nd swing resistance. The next upside target is 75.47. The next area of resistance is around 74.40 and 75.47, while 1st support hits today at 71.16 and below there at 68.98.

**HEATING OIL (JUL) 05/18/2023:** The moving average crossover up (9 above 18) indicates a possible developing short-term uptrend. 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 somewhat positive. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The next upside objective is 247.58. The next area of resistance is around 244.98 and 247.58, while 1st support hits today at 236.22 and below there at 230.07.

**RBOB GAS (JUL) 05/18/2023:** Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The intermediate trend could be turning up with the close back above the 18-day moving average. The market's close above the 2nd swing resistance number is a bullish indication. The near-term upside objective is at 259.64. The next area of resistance is around 256.53 and 259.64, while 1st support hits today at 245.87 and below there at 238.31.

**NATURAL GAS (JUL) 05/18/2023:** Positive momentum studies in the neutral zone will tend to reinforce higher price action. The market's close above the 9-day moving average suggests the short-term trend remains positive. It is a slightly negative indicator that the close was under the swing pivot. The near-term upside objective is at 2.636. The next area of resistance is around 2.572 and 2.636, while 1st support hits today at 2.458 and below there at 2.407.

## 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>										
CLAN23	72.78	50.35	47.73	49.57	56.06	71.21	71.80	72.84	74.57	75.04
CLAQ23	72.67	50.92	48.15	48.09	54.85	71.04	71.61	72.59	74.24	74.72
HOAN23	240.60	54.45	49.50	55.24	68.33	2.35	2.36	2.36	2.47	2.52
HOAQ23	240.41	53.90	49.13	54.82	67.78	2.35	2.36	2.36	2.47	2.52
RBAN23	251.20	59.56	53.81	55.30	69.72	2.44	2.42	2.43	2.51	2.52
RBAQ23	245.90	58.81	53.25	53.36	67.76	2.39	2.38	2.39	2.46	2.48
NGAN23	2.515	54.32	49.56	43.95	53.73	2.51	2.43	2.46	2.60	2.74
NGAQ23	2.592	53.41	49.32	45.95	55.39	2.59	2.51	2.54	2.66	2.80

Calculations based on previous session. Data collected 05/17/2023

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						
CLAN23	Crude Oil	68.97	71.15	72.22	74.40	75.47
CLAQ23	Crude Oil	68.89	71.06	72.10	74.27	75.31
HOAN23	Heating Oil	230.06	236.22	238.82	244.98	247.58
HOAQ23	Heating Oil	229.98	236.08	238.64	244.74	247.30
RBAN23	RBOB Gas	238.30	245.86	248.97	256.53	259.64
RBAQ23	RBOB Gas	233.46	240.79	243.67	251.00	253.88
NGAN23	Natural Gas	2.406	2.457	2.521	2.572	2.636
NGAQ23	Natural Gas	2.480	2.533	2.597	2.650	2.714

Calculations based on previous session. Data collected 05/17/2023

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