DAILY ENERGY COMPLEX COMMENTARY
Monday May 22, 2023

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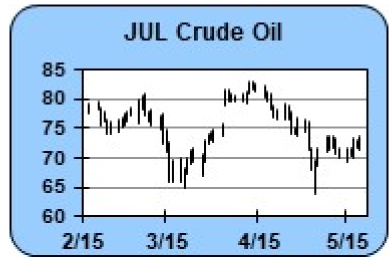
5/22/2023

Upbeat demand temporarily threatened off debt ceiling fighting



OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
CRUDE +11, **HEATING OIL** -2, **UNLEADED GAS** -28

CRUDE OIL MARKET FUNDAMENTALS: In the days ahead, the energy markets are likely to be hyper focused on demand signals primarily arising from the ebb and flow of the US debt ceiling negotiations. In fact, at times last week, the trade saw broad-based big picture physical commodity market selling despite market buzz of a possible US debt deal. Certainly, the market continues to draft minimal support from headlines touting ongoing OPEC+ production cuts. Over the weekend, the Iraqi oil minister apparently reaffirmed the country's commitment to the Russian oil minister via telephone that the country would stick to the agreement to discourage oversupply. The Russian president over the weekend indicated oil production cuts need to be enforced to support prices. While the Russian president also indicated his country has been cutting production and was at the agreed-upon level, signs of Russian export from storage has kept India and China well supplied. However, while Chinese apparent demand for April increased by 25% over year ago levels and reached a fresh record at 15.09 million barrels per day, Indian April crude oil imports declined 8.3% versus year ago levels. It should be noted that OPEC will be meeting on June 4th! In a very positive longer-term development, the weekly Baker Hughes rig operating count fell 11 rigs, reaching the lowest level since June 2022 and perhaps more importantly posting the first year-over-year decline since April 2021. In another longer-term supportive development, G7 officials continued to press for the phasing out of fossil fuels and that should discourage exploration. In the short-term, strong US refinery operating rates are needed to build seasonal fuel supplies to meet rising demand especially with residually tight US inventories. In fact, the need to rebuild inventories is already high amid signs US gasoline demand is running hot early in the season and that should result in solid refinery demand for US crude supplies. However, recent strength in the US dollar is a potential limiting issue for the bull camp. Fortunately for the bull camp the net spec and fund long positioning in crude oil has been moderated with recent downside action and from sideways chop on the charts. Crude Oil positioning in the Commitments of Traders for the week ending May 16th showed Managed Money traders are net long 160,293 contracts after net selling 11,632 contracts. Non-Commercial & Non-Reportable traders reduced their net long position by 25,066 contracts to a net long 265,188 contracts. As indicated, the market's focus will likely be on the direction of global demand which in turn will see a huge impact from the ebb and flow of US debt ceiling talks. We suspect the initial bias will be down as US debt ceiling negotiations produce last-ditch position demands from both sides which will likely delay a deal closer to the point where the US runs out of cash. Therefore, a retest of consolidation support around $70.00 is likely, but a return to that level could be considered an opportunity to purchase July crude oil call spreads.

PRODUCT MARKET FUNDAMENTALS: As indicated already, US gasoline stocks remain tight into the strongest seasonal demand period of the year. While the US deficit is not significant on a year over basis at 1.8 million barrels, it should be noted that gasoline stocks have been below a year ago and well below the five-year average every week in 2023. It should also be noted that ARA gasoline stocks declined again last week mostly because of strong exports to the US. Total European gasoline in storage dropped 3% on the week! In addition to tight stocks, US implied gasoline demand readings have posted very significant weekly readings above 9 million barrels per day in what is considered the shoulder season. While the most recent COT positioning report understates the magnitude of the net spec and fund long, the net spec and fund long was near the lowest levels since July of last year! The Commitments of Traders report for the week ending May 16th showed Gas (RBOB) Managed Money traders added 5,209 contracts to their already long position and are now net long 44,542. Non-Commercial &

Non-Reportable traders net bought 2,513 contracts and are now net long 45,108 contracts. The bias is up, and we expect gasoline to lead upside moves in the petroleum complex and hold up better early tis week than other markets. On a deficit ceiling risk off event a return to $2.40, we suggest traders consider buying July gasoline bull call spreads. Without strong jet fuel demand, the diesel market would be in a very vulnerable condition as the US debt debate reaches a fever pitch. Last week European fuel oil supplies declined as did jet fuel supplies thereby increasing the odds the July diesel contract will test $2.30. The Commitments of Traders report for the week ending May 16th showed Heating Oil Managed Money traders net bought 7,117 contracts which moved them from a net short to a net long position of 6,854 contracts. Non-Commercial & Non-Reportable traders have 17,440 net long contracts after net buying 5,362 contracts.

NATURAL GAS: While the technical trend remains up in natural gas from the extension of the rally and the trade above $2.75, we are concerned with the significant open interest gains in the face of ample supply and ongoing strong production in the US. In fact, the Russian gas oil company confirmed their intentions to continue to ship gas to Europe via the Ukraine and that combined with cool temperatures over the weekend throughout most of the US should erode bullish confidence. However, significant heat returns to the central portion of the United States this week with hot temperatures seen along the southern border and up through Nebraska to the Canadian border. Therefore, demand prospects should help underpin a short-term overbought market. Adding into the potential demand support for natural gas early this week, is the return of hot temperatures in North Africa and central Europe by the end of this week. Natural Gas positioning in the Commitments of Traders for the week ending May 16th showed Managed Money traders were net short 43,450 contracts after decreasing their short position by 11,083 contracts. Non-Commercial & Non-Reportable traders were net short 95,078 contracts after decreasing their short position by 11,386 contracts. While the natural gas market is short-term overbought internal demand should support, while big picture global macroeconomic influences could temporarily knock prices down early this week.

TODAY'S MARKET IDEAS:
We see the petroleum markets vulnerable early in the week, but we advise against attempting to capitalize on a downside move as a US debt ceiling deal combined with some spending cuts could create a mini euphoria wave in physical commodities. Therefore, as indicated already, we suggest traders prepare to buy bull call spreads in crude oil and gasoline on any noted setbacks early this week.

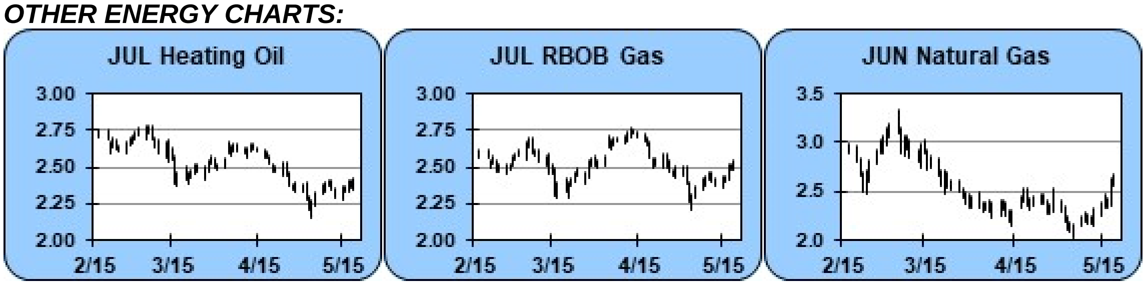
NEW RECOMMENDATIONS:
None.

PREVIOUS RECOMMENDATIONS:
None.

Commitment of Traders - Futures and Options - 5/9/2023 - 5/16/2023

	Non-Commercial Net Position	Non-Commercial Weekly Net Change	Commercial Net Position	Commercial Weekly Net Change	Non-Reportable Net Position	Non-Reportable Weekly Net Change
Energies						
Crude Oil	234,272	-26,787	-265,188	+25,066	30,916	+1,721
Heating Oil	9,416	+6,582	-17,440	-5,363	8,024	-1,220
Natural Gas	-125,187	+15,750	95,078	-11,386	30,109	-4,364
Gas (RBOB)	40,484	+903	-45,108	-2,513	4,624	+1,610

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) 05/22/2023: Positive momentum studies in the neutral zone will tend to reinforce higher price action. A positive signal for trend short-term was given on a close over the 9-bar moving average. The daily closing price reversal down puts the market on the defensive. It is a slightly negative indicator that the close was lower than the pivot swing number. The near-term upside objective is at 74.53. The next area of resistance is around 73.09 and 74.53, while 1st support hits today at 70.70 and below there at 69.74.

HEATING OIL (JUL) 05/22/2023: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. A negative signal for trend short-term was given on a close under the 9-bar moving average. The outside day down is a negative signal. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next upside objective is 245.55. The next area of resistance is around 239.81 and 245.55, while 1st support hits today at 231.41 and below there at 228.74.

RBOB GAS (JUL) 05/22/2023: Rising stochastics at overbought levels warrant some caution for bulls. A positive signal for trend short-term was given on a close over the 9-bar moving average. The daily closing price reversal down puts the market on the defensive. It is a slightly negative indicator that the close was under the swing pivot. The near-term upside objective is at 257.68. The next area of resistance is around 253.46 and 257.68, while 1st support hits today at 246.82 and below there at 244.39.

NATURAL GAS (JUL) 05/22/2023: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The close above the 9-day moving average is a positive short-term indicator for trend. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside objective is at 2.866. The next area of resistance is around 2.783 and 2.866, while 1st support hits today at 2.649 and below there at 2.599.

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										
CLAN23	71.90	46.17	45.23	55.36	60.96	71.89	71.74	72.20	74.73	74.94
CLAQ23	71.80	46.74	45.65	54.27	60.29	71.77	71.59	71.98	74.41	74.63
HOAN23	235.61	45.95	44.42	65.60	73.61	2.37	2.36	2.35	2.47	2.51
HOAQ23	235.60	45.49	44.08	65.18	73.29	2.37	2.36	2.35	2.47	2.51
RBAN23	250.14	56.67	52.18	68.42	79.77	2.49	2.45	2.43	2.52	2.52
RBAQ23	244.07	54.94	51.06	66.51	77.98	2.43	2.40	2.38	2.47	2.48
NGAN23	2.716	68.16	59.40	58.80	73.13	2.62	2.51	2.47	2.59	2.73
NGAQ23	2.782	67.19	59.07	60.41	73.93	2.69	2.59	2.55	2.65	2.79

Calculations based on previous session. Data collected 05/19/2023
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	69.74	70.70	72.14	73.09	74.53
CLAQ23	Crude Oil	69.70	70.63	72.05	72.97	74.39
HOAN23	Heating Oil	228.73	231.40	237.14	239.81	245.55
HOAQ23	Heating Oil	229.02	231.62	236.98	239.58	244.94
RBAN23	RBOB Gas	244.38	246.81	251.03	253.46	257.68
RBAQ23	RBOB Gas	238.62	240.87	245.02	247.27	251.42
NGAN23	Natural Gas	2.598	2.649	2.732	2.783	2.866

NGAQ23	Natural Gas	2.675	2.719	2.802	2.845	2.928

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