DAILY ENERGY COMPLEX COMMENTARY
Tuesday May 23, 2023

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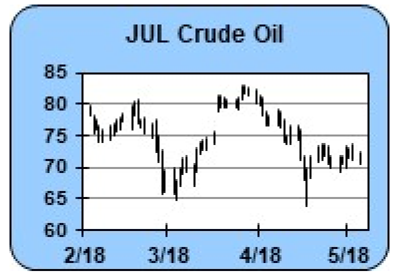
5/23/2023

Expect crude and gasoline to rally while natural gas falters



OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
CRUDE +50, **HEATING OIL** +84, **UNLEADED GAS** +261

CRUDE OIL MARKET FUNDAMENTALS: We see an extension of energy demand concerns from big picture macroeconomic developments directly ahead. Furthermore, hedge funds continue to add to bearish bets, the dollar continues to show strength and the latest news on the Chinese economy is disappointing. However, the Saudi oil minister today has indicated short sellers are likely to experience significant losses from the upcoming OPEC+ meeting. Minor supportive issues are widespread evidence of expanding global jet fuel demand, extreme heat in Asia and signs that China is showing strong demand for fuel. This week's Reuters poll projects EIA crude oil stocks to increase by a minimal 500,000 barrels but that slightly negative projection is offset by predictions of another notable weekly increase in US refinery runs of 0.7%. According to Goldman Sachs the oil markets are nearing a very critical turning point with OPEC+ output showing evidence of declining because of Russian output cuts. From the demand front, the trade remains hopeful a debt ceiling deal will be reached this week and that would create a wave of demand inspired optimism later this week. While big picture macroeconomic developments today will likely undermine energy demand expectations, internal market demand signals remain generally supportive. In fact, China, Europe, and the US have all seen signs of increased refinery activity, and we expect that strong refinery activity will continue to rise to meet increased seasonal demand for gasoline and jet fuel. Another major underpin for energy prices is a record April Chinese apparent oil demand reading. It should also be noted that Chinese refinery throughput posted the 2nd highest reading on record last month with traders suggesting the Chinese government is anticipating its economy to gather some momentum. From a historical perspective, seasonal refinery operating rates should rise consistently over the coming 2 months before peaking at the end of July. We see the refinery operating rate rising consistently until fewer than 5% of US refinery capacity is idled. We see July crude oil in the coming 2 sessions restricted to a range bound by $73.81 on the upside and by $70.00 on the downside.

PRODUCT MARKET FUNDAMENTALS: With a fresh upside breakout to the highest level since April 25th overnight, hope for improved seasonal gasoline demand remains eternal. Certainly, fuel demand from China generally favors the bull camp and the gasoline market yesterday aggressively rejected a 3-day low with a strong recovery close. With seasonal demand on the rise and expected to increase aggressively into the coming holiday weekend, we suspect middlemen in the fuel supply area are already ramping up deliveries to local gas stations. On the other hand, as mentioned already, global refiners are ramping up their runs which is likely to expand production of fuel. Therefore, if the US displays an inability to build supply prior to the brunt of the US summer driving season that could launch prices sharply higher. This week's Reuters poll projects EIA gasoline stocks this week to decline by 1.1 million barrels. Countervailing the somewhat tight US EIA gasoline inventory situation is news that European refineries in April saw their gasoline output increase by 6.3% from March and by 1.4% versus year ago levels and that could mean more gasoline supply will be headed toward the US. The near-term upside target in July gasoline is $2.59 with key support at $2.4850 allowing for significant volatility. The distillate and diesel markets should be benefited by soaring TSA checkpoint readings as that is expected to expand jet fuel consumption in the weeks and months ahead. However, even though air travel and security checkpoint numbers are surging, the big question is, will airliners add back in flights discontinued during the pandemic? In other words, simply flying at capacity will limit the growth in jet fuel consumption unless more flights are added. This week's Reuters poll projects EIA distillate stocks to decline by 500,000 barrels. In the near term, we expect the diesel market to lead the petroleum market on the downside in the face of risk off conditions and expect the market to lag the rest of the petroleum markets on the upside. Unfortunately for the bull camp, the diesel trade on Monday damaged the charts and this morning the market has shown no positive correlation with surging gasoline prices.

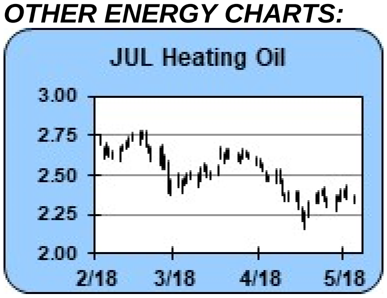
NATURAL GAS: The path of least resistance in natural gas has shifted down with both supply and demand news yesterday patently bearish. Apparently, US temperature forecasts now call for normal temperatures through June 6th and with US dry lower 48 gas production expected to rise from last week the bears have control. In retrospect, the natural gas market was overbought from last week's rally and with the market initially respecting support at $2.50 several times recently the trade is likely facing a key junction. A shorter-term supportive development came from a Bloomberg estimate that LNG on floating tankers declined by 6.9% versus last week. In a longer-term supportive development, Chevron is forecasting improved US LNG demand as gas gains market share over coal and crude oil. From a technical perspective, the recent rally in natural gas has likely moderated a long-held net spec and fund short position which could result in a wave of extremely aggressive fresh selling if there is a macro economic meltdown later this week. Weather for most of Europe shows hot temperatures isolated along the Mediterranean through Thursday but should not be supportive of prices. This week's Reuters poll pegs EIA natural gas in storage to expand by 94 BCF to 102 BCF. In the end, natural gas charts have broken down and that combined with the potential for macroeconomic selling from tense US debt ceiling negotiations should give the bear camp a near term edge. In fact, we see even number support at $2.50 violated and see a near term downside target of $2.49 unless the US temperature forecast becomes hotter and wider spread.

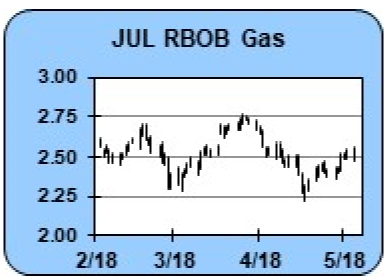
TODAY'S MARKET IDEAS:
It is certainly possible that petroleum prices will weave their way through this week's anxious debt ceiling negotiations without a major risk-on selloff in physical commodities. In fact, energy demand expectations continue to show resiliency despite several troublesome issues in the form of a surging US dollar, fears of a US debt default and rising interest rates. The July crude oil contract has key support at $70.58 while July gasoline should have key support at $2.47.

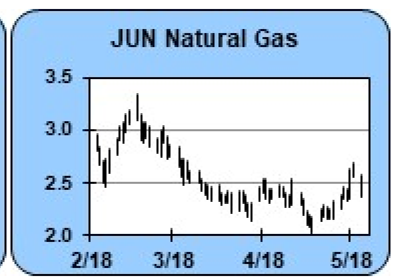
NEW RECOMMENDATIONS:
None.

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) 05/23/2023: 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 upside daily closing price reversal gives the market a bullish tilt. The close over the pivot swing is a somewhat positive setup. The next upside objective is 73.72. The next area of resistance is around 73.05 and 73.72, while 1st support hits today at 71.20 and below there at 70.01.

HEATING OIL (JUL) 05/23/2023: Momentum studies are trending higher but have entered overbought levels. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The upside closing price reversal on the daily chart is somewhat bullish. It is a slightly negative indicator that the close was under the swing pivot. The near-term upside target is at 240.26. The next area of resistance is around 238.43 and 240.26, while 1st support hits today at 233.35 and below there at 230.09.

RBOB GAS (JUL) 05/23/2023: The market now above the 60-day moving average suggests the longer-term trend has turned up. Momentum studies are trending higher but have entered overbought levels. The market's short-term trend is positive on the close above the 9-day moving average. The outside day up is somewhat positive. A positive setup occurred with the close over the 1st swing resistance. The next upside objective is 263.18. The next area of resistance is around 260.56 and 263.18, while 1st support hits today at 251.16 and below there at 244.38.

NATURAL GAS (JUL) 05/23/2023: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. A positive signal for trend short-term was given on a close over the 9-bar moving average. The close below the 2nd swing support number puts the market on the defensive. The near-term upside objective is at 2.774. The next area of resistance is around 2.647 and 2.774, while 1st support hits today at 2.453 and below there at 2.385.

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	72.13	47.66	46.13	59.02	66.70	72.16	71.56	72.07	74.84	74.87
CLAQ23	72.02	47.89	46.35	58.06	66.02	72.05	71.41	71.86	74.51	74.56
HOAN23	235.89	46.56	44.81	68.24	73.52	2.38	2.36	2.35	2.46	2.51
HOAQ23	235.91	46.32	44.60	67.97	73.54	2.37	2.36	2.35	2.46	2.50
RBAN23	255.86	64.45	57.59	74.36	86.26	2.52	2.46	2.43	2.52	2.53
RBAQ23	248.33	59.20	53.87	71.88	82.62	2.45	2.41	2.38	2.47	2.48
NGAN23	2.550	51.84	50.10	61.07	66.00	2.62	2.52	2.47	2.58	2.72
NGAQ23	2.621	51.66	50.12	62.19	66.18	2.69	2.60	2.55	2.65	2.78

Calculations based on previous session. Data collected 05/22/2023
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	70.00	71.19	71.86	73.05	73.72
CLAQ23	Crude Oil	69.90	71.09	71.75	72.94	73.60
HOAN23	Heating Oil	230.08	233.34	235.17	238.43	240.26
HOAQ23	Heating Oil	230.21	233.45	235.12	238.36	240.03
RBAN23	RBOB Gas	244.38	251.16	253.78	260.56	263.18
RBAQ23	RBOB Gas	238.93	244.49	246.60	252.16	254.27
NGAN23	Natural Gas	2.384	2.452	2.579	2.647	2.774
NGAQ23	Natural Gas	2.467	2.529	2.650	2.712	2.833

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