



## DAILY ENERGY COMPLEX COMMENTARY

Wednesday May 24, 2023

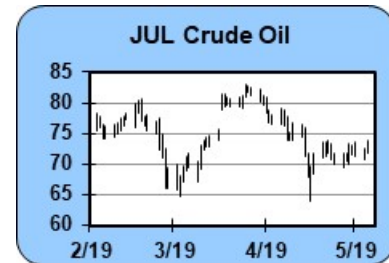
### DAILY ENERGY COMPLEX COMMENTARY

5/24/2023

#### Sharp declines in API stocks & very bullish charts

**OVERNIGHT CHANGES THROUGH 6:06 AM (CT):**  
**CRUDE +118, HEATING OIL +278, UNLEADED GAS +326**

**CRUDE OIL MARKET FUNDAMENTALS:** The crude oil market continues to rally with fresh higher highs for the move posted early today. Apparently, escalating big picture macroeconomic fears from disappointing data, looming US default, a significant jump in US interest rates and ongoing strength in the dollar are being aggressively discounted by the trade. Even more surprising is the market's ability to discount fresh concerns of a 2nd Covid wave in China. However, with the Saudis threatening short sellers into the OPEC+ meeting and massive declines in API energy inventories yesterday the bull track is likely to extend. In fact, the 6.79-million-barrel decline in API crude oil stocks combined with a similar massive decline in API gasoline inventories rekindles supply tightness concerns and in turn is sparking speculative and hedge buying. However, the market has been presented with bearish developments with a moderation of threatening conditions from wildfires in Canada and indications from France that it has already restocked 70% of oil reserve stocks dispensed during its prolonged refinery strike. 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. This week's Reuters poll projects EIA crude oil stocks to fall by a very minimal 500,000 barrels and predicts the US refinery operating rate to increase by 0.7%. However, as indicated already the massive outflow from API crude oil inventory yesterday likely has traders expecting a very large draw in EIA crude oil stocks later this morning. While we do not deny the potential for a sudden big picture macroeconomic inspired reversal in July crude oil, the market looks to regain and settle above \$75.00 in the near-term.



**PRODUCT MARKET FUNDAMENTALS:** With another higher high extension in gasoline overnight, a US refinery glitch, and the market regaining psychologically important \$2.60 pricing, the gasoline contract looks to extend its leadership role. While there have been conflicting reports regarding Russia limiting/banning gasoline and diesel exports, that development would obviously add significantly to the bull case in the product markets. Furthermore, a massive 6.3-million-barrel decline in API gasoline stocks from yesterday afternoon adds to the pre-existing fear of very tight supplies into the strongest demand period of the year. However, the gasoline market is presented with a slightly negative development from headlines indicating France has rebuilt its gasoline supply released during the French refinery strike. With the gasoline market displaying significant volatility with a range of \$0.13 this week, the prospect of ongoing volatility is extremely high. However, seasonal demand is on the rise, and we suspect middlemen in the fuel supply area are already ramping up deliveries to local gas stations for the long holiday ahead. On the other hand, as mentioned already, global refiners are ramping up their runs which is likely to expand production of products. However, the ultimate signal for gasoline prices this summer likely dominated by the market's ability or inability to build supply into the kickoff of the summer driving season upcoming inventory data is paramount. This week's Reuters poll projects EIA gasoline stocks this week to decline by 1.1 million barrels. With the trade seeing TSA checkpoint readings escalate, the diesel market should begin to benefit surging jet fuel consumption. However, even though air travel and security checkpoint numbers are surging, the big question is, will airlines add back significant flights discontinued during the pandemic. In other words, simply flying at capacity will limit the growth in jet fuel consumption unless more flights are flying. While the weekly outflow of distillates from API inventories this week of 1.7 million barrels is less robust than seen in crude oil and gasoline inventories, tighter supply should benefit the bull camp in diesel today. 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 markets on the downside in the face of risk off conditions and expect the market to lag the rest of the petroleum markets during risk on conditions.

Weekly EIA Petroleum Estimates - Week Ending 5/19/2023 - In Million Barrels				
	High Estimate	Low Estimate	Stocks Last Week	Stocks Change Last Week
Crude Oil	0.7	0.3	467.6	5
Distillates	0.7	0.3	106.2	0.1
Gasoline	-0.9	-1.3	218.3	-1.4

**NATURAL GAS:** With near term weather forecast predicting slightly cooler than normal temperatures throughout the southern US (a very key cooling demand region), a rise in US gas production yesterday of 2.7% and a 2.2% year-over-year decline in lower 48 gas demand yesterday the bias in natural gas prices is down. From a technical perspective, the recent rally in natural gas has likely moderated a long-held net spec and fund short position somewhat which could result in a wave of extremely aggressive fresh selling if there is a macro economic meltdown ahead. This week's Reuters poll pegs EIA natural gas in storage to expand by 94 BCF to 102 BCF. If there is a triple digit injection this week that will be the first triple digit injection this year and that will likely rekindle oversupply fear. We see even number support at \$2.50 unreliable and see a near term downside target of \$2.417 unless the US temperature forecast becomes much hotter, wider spread and longer than expected in duration.

**TODAY'S MARKET IDEAS:**

It is certainly possible that petroleum prices will weave their way through increasingly more anxious debt ceiling negotiations without a major selloff. However, in the near-term tight US inventories, very bullish chart action, little concern for weakening economic conditions and discounting of surging interest rates leaves the bull camp in full control. The July crude oil contract now has key support at \$72.97 while July gasoline should have higher key support at \$2.564.

**NEW RECOMMENDATIONS:**

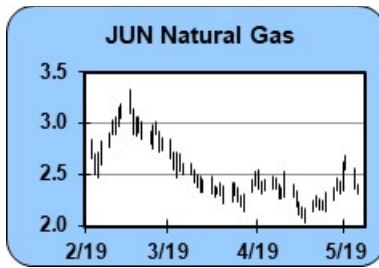
None.

**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) 05/24/2023:** Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. The market setup is supportive for early gains with the close over the 1st swing resistance. The near-term upside target is at 74.99. The next area of resistance is around 74.17 and 74.99, while 1st support hits today at 72.13 and below there at 70.90.

**HEATING OIL (JUL) 05/24/2023:** Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. A positive signal for trend short-term was given on a close over the 9-bar moving average. The close over the pivot swing is a somewhat positive setup. The near-term upside objective is at 241.37. The next area of resistance is around 238.27 and 241.37, while 1st support hits today at 233.25 and below there at 231.32.

**RBOB GAS (JUL) 05/24/2023:** Momentum studies are trending higher but have entered overbought levels. The close above the 9-day moving average is a positive short-term indicator for trend. The close over the pivot swing is a somewhat positive setup. The next upside objective is 262.71. The next area of resistance is around 259.61 and 262.71, while 1st support hits today at 253.29 and below there at 250.08.

**NATURAL GAS (JUL) 05/24/2023:** The major trend has turned down with the cross over back below the 40-day moving average. The daily stochastics gave a bearish indicator with a crossover down. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close below the 9-day moving average is a negative short-term indicator for trend. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is 2.433. The next area of resistance is around 2.548 and 2.600, while 1st support hits today at 2.465 and below there at 2.433.

**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	73.15	53.05	49.41	64.08	74.37	72.21	71.62	71.99	74.95	74.83
CLAQ23	73.10	53.78	49.98	63.47	74.28	72.13	71.49	71.80	74.63	74.52
HOAN23	235.76	46.91	45.03	70.05	73.68	2.36	2.36	2.35	2.46	2.50
HOAQ23	235.83	46.05	44.45	69.82	73.52	2.36	2.36	2.35	2.46	2.50
RBAN23	256.45	65.38	58.20	78.17	87.09	2.53	2.47	2.44	2.53	2.53
RBAQ23	249.39	63.00	56.48	76.79	86.61	2.46	2.42	2.39	2.48	2.48
NGAN23	2.507	48.42	47.99	60.52	59.38	2.62	2.54	2.47	2.57	2.71
NGAQ23	2.582	48.39	48.09	61.21	59.26	2.69	2.62	2.55	2.64	2.77

Calculations based on previous session. Data collected 05/23/2023

Data sources can & do produce bad ticks. Verify before use.

## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>ENERGY COMPLEX</b>						
CLAN23	Crude Oil	70.89	72.12	72.94	74.17	74.99
CLAQ23	Crude Oil	70.84	72.09	72.87	74.11	74.89
HOAN23	Heating Oil	231.31	233.24	236.34	238.27	241.37
HOAQ23	Heating Oil	231.43	233.36	236.37	238.30	241.31
RBAN23	RBOB Gas	250.07	253.29	256.39	259.61	262.71
RBAQ23	RBOB Gas	243.80	246.76	249.06	252.02	254.32
NGAN23	Natural Gas	2.432	2.464	2.516	2.548	2.600
NGAQ23	Natural Gas	2.513	2.543	2.591	2.621	2.669

Calculations based on previous session. Data collected 05/23/2023

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