



DAILY ENERGY COMPLEX COMMENTARY

Thursday May 25, 2023

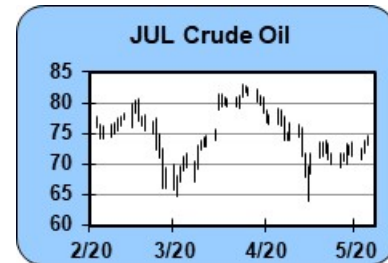
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5/25/2023

Tightening supply and residual demand confidence bullish

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
CRUDE -150, HEATING OIL -397, UNLEADED GAS -596

CRUDE OIL MARKET FUNDAMENTALS: While crude oil did not forge a fresh higher high overnight and prices have recoiled from the initial highs, the path of least resistance from the charts remains up. In fact, uptrend channel support in July crude oil today is \$72.36 and that uptrend channel support line increases tomorrow to \$72.92. On the other hand, internal supply side fundamentals remain very supportive of both crude oil and gasoline following noted contractions in US inventories this week. Other bullish developments from supply-side of the equation this week are warnings from the Saudi Oil Minister threatening shorts ahead of next week's OPEC+ meeting. Also from the supply side, the markets yesterday were presented with precipitous weekly declines in EIA and API crude oil and gasoline inventories. EIA crude stocks fell 12.456 million barrels and are 35.367 million barrels above year ago levels. Also, crude stocks stand 14.275 million barrels below the five-year average. Crude oil imports for the week stood at 5.85 million barrels per day compared to 6.860 million barrels the previous week. The refinery operating rate was 91.7%, down 0.3% from last week compared to 93.2% last year and the five-year average of 86.1%. Going forward, the looming OPEC+ meeting next week should provide the energy markets with consistent "buy the rumor" support even though there are several potential undermining macroeconomic demand threats. Dampening the supportive vibe into the OPEC+ meeting are Russian predictions that no cuts will be added next week. While it does not seem like the reports of a 2nd Chinese Covid outbreak are real, the importance of Chinese energy demand in the world equation remains very significant with Chinese traffic levels remaining strong and fresh stories of surging Russian exports to meet demand in Asia. It should also be noted that there could be a future supply disruption from Norway with drilling unions seeking mediation after a failure in negotiations. From a technical perspective, the most recent COT positioning report showed a very modest net spec and fund long in crude oil and yesterday the RSI in crude oil was only 59 versus the high at the beginning of April at 76. In today's action psychological resistance at \$75.00 could become support if macroeconomic optimism surfaces and or the dollar retrenches.



PRODUCT MARKET FUNDAMENTALS: While the gasoline market is significantly short-term overbought, Bloomberg reports of strong Chinese traffic patterns should help cushion the market against temporary corrective action. Adding to the bullish storyline in gasoline are reports overnight of a 9-month low in Singapore fuel oil inventories. Even though the gasoline market fell back significantly from yesterday's initial high, a pattern of higher highs and higher lows recently leaves the bull camp with positive technical momentum. Obviously the larger than expected decline in EIA gasoline inventories this week increases the likelihood of tight summer gasoline supplies in the US, which in turn justifies the insertion of a tightness premium. It should be noted that the US saw a slight refinery glitch in Oklahoma earlier this week and given the prospects of significant supply tightness this summer, even small refinery problems could become major issues. Furthermore, with this week's EIA implied gasoline demand reading posting an unusually high seasonal reading of 9.43 million barrels per day, it is likely that a record weekly implied gasoline demand reading will be registered before demand peaks out in August. EIA gasoline stocks fell 2.053 million barrels and are 3.430 million barrels below last year and 18.182 million below the five-year average. Average total gasoline demand for the past four weeks was up 2.5% compared to last year. Gasoline imports came in at 763,000 barrels per day compared to 844,000 barrels the previous week. Because of the steep climb in gasoline prices off the early May low, uptrend channel support is far down on the charts today at \$2.52 in the July contract. Initial resistance is the previous day's high at \$2.6239 and a short-term trend failure

is seen with a decline below \$2.5080. Not surprisingly, fundamental developments in the distillate markets remain less bullish than in the gasoline market with the weekly declines in distillates and diesel stocks this week the smallest of the key inventory numbers released. However, this week's implied distillate demand reading was the highest reading since late March which in turn was the highest reading of 2023. Underpinning diesel prices are predictions that holiday air traffic will run 5% above pre-pandemic levels with 3.2 million people getting on airplanes this weekend. EIA distillate stocks fell 561,000 barrels and stand at 1.249 million barrels below last year and 21.980 million below the five-year average. Distillate imports came in at 156,000 barrels per day compared to 128,000 barrels the previous week. Average total distillate demand for the past four weeks was up 2.76% compared to last year. Uptrend channel support in the diesel market is right on the early trade today at \$2.36 with a pivot point/failure price seen down at \$2.3191.

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
5/19/2023	455.168	-12.456	+35.367	469.443	5.850	91.7	
DISTILLATES	Stocks				Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
5/19/2023	105.672	-0.561	-1.249	127.652		4.198	
GASOLINE	Stocks				Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
5/19/2023	216.277	-2.053	-3.430	234.459	0.763	9.437	

NATURAL GAS: Natural gas prices this week have basically consolidated despite a negative impact from the weather front. However, we expect temperatures to become more seasonal and supportive in the weeks ahead. However, price impacts from Europe remain bearish with European cash prices declining from signs of softer industrial demand. In fact, overnight projections see European gas demand eroding over the coming 12 months! On the other hand, strategic European gas storage was estimated at only 66% of capacity by Bloomberg this week and without further building of supply before summer cooling demand increases the market might find support from fresh purchasing for storage. Unfortunately for the bull camp, the EIA today is likely to produce the first "triple digit" weekly injection to working gas in storage, and that could psychologically favor the bear camp. On the other hand, the surplus inventory readings versus the 5-year average have declined since the 3rd week in April suggesting demand might be stronger than the market realizes. With seasonal demand rising, the May uptrend channel extending, and the prospects of a Norwegian energy sector strike leaves the bull camp with a minimal edge. Uptrend channel support is somewhat off the market, down at \$2.4480 today but that support level increases to \$2.464 on Friday.

TODAY'S MARKET IDEAS:

While we leave the edge with the bull camp, the markets are short-term overbought as measured by typical technical measures and the market might also be considered slightly overbought from a fundamental perspective. In fact, the markets have seen significant gains throughout this month from unending expectations for improving demand. However, the markets added fresh gains yesterday off fresh bullish supply-side information, meaning both supply and demand are still mostly bullish. In the end, the bias is up but traders should expect a dramatic expansion in volatility as more gains are registered.

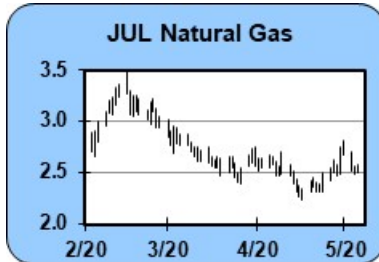
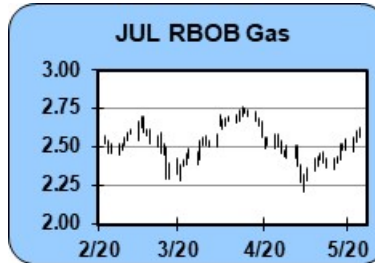
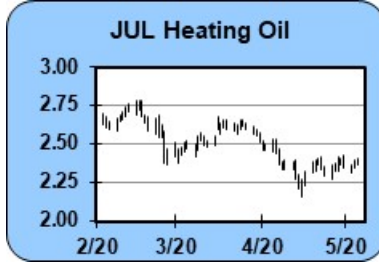
NEW RECOMMENDATIONS:

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) 05/25/2023: The upside crossover of the 9 and 18 bar moving average is a positive signal. 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. The market has a slightly positive tilt with the close over the swing pivot. The next upside target is 75.52. The next area of resistance is around 74.71 and 75.52, while 1st support hits today at 73.11 and below there at 72.32.

HEATING OIL (JUL) 05/25/2023: Rising stochastics at overbought levels warrant some caution for bulls. The market's close above the 9-day moving average suggests the short-term trend remains positive. A positive setup occurred with the close over the 1st swing resistance. The next upside target is 243.42. The next area of resistance is around 241.55 and 243.42, while 1st support hits today at 237.13 and below there at 234.57.

RBOB GAS (JUL) 05/25/2023: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's close above the 9-day moving average suggests the short-term trend remains positive. A positive setup occurred with the close over the 1st swing resistance. The next upside target is 265.94. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 263.79 and 265.94, while 1st support hits today at 258.09 and below there at 254.54.

NATURAL GAS (JUL) 05/25/2023: The major trend could be turning up with the close back above the 40-day moving average. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market's short-term trend is positive on the close above the 9-day moving average. The market setup is supportive for early gains with the close over the 1st swing resistance. The next downside objective is 2.471. The next area of resistance is around 2.607 and 2.631, while 1st support hits today at 2.527 and below there at 2.471.

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	73.91	56.87	51.81	68.08	76.55	72.64	71.93	71.82	75.04	74.77
CLAQ23	73.89	57.68	52.46	67.68	76.76	72.58	71.81	71.65	74.72	74.47
HOAN23	239.34	55.13	50.29	72.05	76.44	2.37	2.36	2.35	2.46	2.50
HOAQ23	239.28	55.08	50.19	72.28	77.19	2.37	2.36	2.35	2.46	2.49
RBAN23	260.94	71.23	62.63	81.98	90.24	2.55	2.50	2.44	2.53	2.53
RBAQ23	253.47	69.10	60.94	80.83	89.77	2.49	2.44	2.39	2.48	2.48
NGAN23	2.567	53.23	51.11	59.42	57.95	2.58	2.56	2.47	2.57	2.70
NGAQ23	2.644	53.38	51.32	59.89	57.96	2.65	2.64	2.55	2.63	2.76

Calculations based on previous session. Data collected 05/24/2023
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	72.31	73.11	73.92	74.71	75.52
CLAQ23	Crude Oil	72.31	73.10	73.88	74.66	75.44
HOAN23	Heating Oil	234.56	237.12	238.99	241.55	243.42
HOAQ23	Heating Oil	234.68	237.10	239.03	241.45	243.38
RBAN23	RBOB Gas	254.54	258.09	260.24	263.79	265.94
RBAQ23	RBOB Gas	247.70	250.89	252.84	256.04	257.98
NGAN23	Natural Gas	2.471	2.527	2.551	2.607	2.631
NGAQ23	Natural Gas	2.549	2.605	2.627	2.683	2.705

Calculations based on previous session. Data collected 05/24/2023
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