DAILY ENERGY COMPLEX COMMENTARY
Friday May 26, 2023

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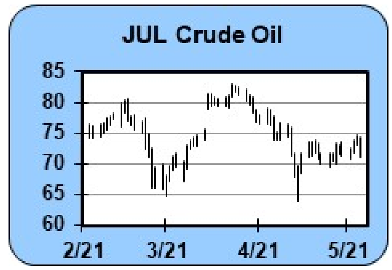
5/26/2023

Petroleum markets pause as macro fundamentals impact prices



OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
CRUDE +64, **HEATING OIL** +182, **UNLEADED GAS** +187

CRUDE OIL MARKET FUNDAMENTALS: While we think crude oil has settled into a $75.00/$70.00 trading range, both supply and demand fundamentals have been fluctuating wildly. However, we leave the near-term edge with the bear camp given evidence of a rise in Chinese Covid infections, increased Nigerian supply flow to Europe and most importantly because of an 8.3% year-over-year decline in Indian crude oil imports in April. According to Reuters the year-over-year decline in Indian April crude oil imports was the largest decline in more than 2 years! Another bearish issue operating in the markets today came from Russian Deputy Prime Minister Novak views that OPEC+ would not add additional production cuts in their next meeting. However, traders should not forget warnings from the Saudi oil minister earlier this week of the potential for severe pain of those short into the OPEC+ meeting. It should be noted that OPEC+ exports are running 1.4 million barrels per day lower this month relative to the previous month thereby showing improved compliance to their supply reducing scheme. On the other hand, the trade has yet to see evidence that Russia is reducing its production even if it is attempting to restrict exports. Yet another negative (but less important) force for crude oil today is the threat of even higher US interest rates. On the other hand, as of this writing there was word the two sides in the US debt ceiling negotiations are getting closer, with politicians even providing a Dollar value of the differences between the two parties. Furthermore, given this week's massive decline in EIA crude oil stocks, an expansion of the US EIA gasoline deficit to year ago levels, plans of lower Chinese fuel exports and weekly declines in ARA product inventories (except for jet fuel) the bull camp does have several arguments in place. Without a significant risk on extension in equity gains today or further evidence a debt ceiling deal is in the works, we give the edge to the bear camp.

PRODUCT MARKET FUNDAMENTALS: Like the crude oil market, the gasoline market failed to claw into positive territory yesterday and recoiled from the initial highs in a fashion that gives the bear camp the edge into the last trading session of the week. Fortunately for the bull camp, ARA gasoline, naphtha, gas oil, and fuel oil stocks declined on a week over week basis. It should also be noted that China has indicated they plan to reduce fuel exports ahead due to tightness in crude for processing. Apparently, European demand for jet fuel has yet to ramp up at the same pace as expected in the US. In the end, the bull camp should be emboldened by the beginning of the summer gasoline demand window especially with the year-over-year EIA gasoline inventory deficit sitting at 3.4 million barrels and the US implied gasoline demand reading this week lofty at 9.43 million barrels per day. If it were not for the short-term overbought condition of gasoline this week, we would expect closer support in July gasoline to hold but uptrend channel support yesterday at $2.5202 was violated setting the stage for a decline below $2.49 today. With the crude oil and gasoline markets providing pressure instead of support for diesel at the end of the week, the bull camp is fortunate to have seen very optimistic US jet fuel demand projections from the airline industry. Unfortunately for the bull camp, this week's ARA jet fuel inventories increased by 24,000 tonnes which in turn was the only major inventory level to show an increase in supplies this week. Nonetheless the path of least resistance is down with initial targeting now seen at $2.2936.

NATURAL GAS: With US temperature forecasts showing mixed regions of modest heat, normal, and cooler than normal temperatures, we see near term energy demand as negative for natural gas prices. Furthermore, the rally off the May low of $0.28 could facilitate a month ending washout back to $2.20 next week. As in the petroleum complex, natural gas should see negative demand pressure from Chinese Covid infection headlines. Furthermore, a major Chinese national oil company has reportedly signed a deal with the Netherlands to accept Chinese LNG shipments following a terminal agreement. A sign of fundamental vulnerability surfaced yesterday following the weekly EIA storage report as prices fell despite a lower end of the range of expectations injection. The weekly natural gas storage report showed an injection of 96 bcf. Total storage stands at 2,336 bcf or 17.0% above the 5-year average. Over the last four weeks, natural gas storage has increased 327 bcf. An issue that could facilitate the near-term slide to $2.20 are reports of record US production again and an expansion of Canadian LNG exports. As indicated already, we see the path of least resistance pointing down with unreliable support at $2.2739 and a possible decline down to $2.20 seen before the end of the month next week.

EIA Natural Gas Storage Report Summary

In Billion Cubic Feet

Week Of	Week Change	Total Storage	Change From Last Year	4 Week Combined Weekly Change	Percent Change vs 5 Year Average	Percent Change vs 10 Year Average
5/19/2023	96	2336	529	327	17.0%	#REF!

TODAY'S MARKET IDEAS:

Without a 180-degree sentiment improvement in macro sentiment from rising hopes of a US debt ceiling deal, crude oil, gasoline, and diesel prices look to slide again today. In fact, bullish supply news has been overshadowed by an expansion of Chinese energy demand fears prompted by Covid infections. It also goes without saying that several outside market forces (surging dollar and rising US interest rates) will also add to the corrective track in petroleum prices today.

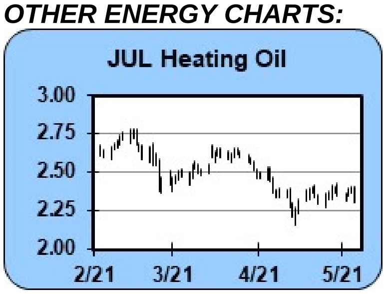
NEW RECOMMENDATIONS:

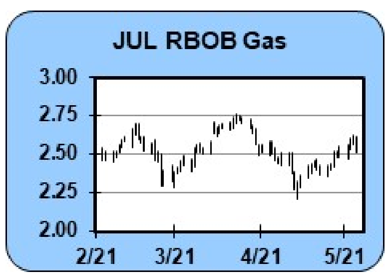
None.

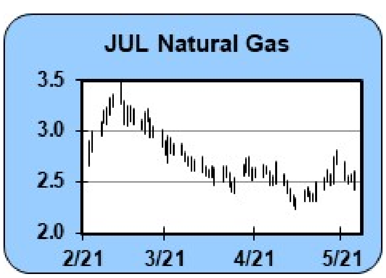
PREVIOUS RECOMMENDATIONS:

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) 05/26/2023: Momentum studies are trending higher but have entered overbought levels. The market's short-term trend is negative as the close remains below the 9-day moving average. The close below the 2nd swing support number puts the market on the defensive. The near-term upside objective is at 75.66. The next area of resistance is around 73.56 and 75.66, while 1st support hits today at 70.18 and below there at 68.89.

HEATING OIL (JUL) 05/26/2023: The daily stochastics gave a bearish indicator with a crossover down. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The intermediate trend has turned down with the cross over back below the 18-day moving average. The market is in a bearish position with the close below the 2nd swing support number. The next downside target is now at 224.92. The next area of resistance is around 237.99 and 243.89, while 1st support hits today at 228.51 and below there at 224.92.

RBOB GAS (JUL) 05/26/2023: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's short-term trend is positive on the close above the 9-day moving average. The close below the 1st swing support could weigh on the market. The next upside target is 266.40. The next area of resistance is around 260.33 and 266.40, while 1st support hits today at 249.87 and below there at 245.47.

NATURAL GAS (JUL) 05/26/2023: The market back below the 40-day moving average suggests the longer-term trend could be turning down. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. A negative signal was given by the outside day down. The market is in a bearish position with the close below the 2nd swing support number. The next downside target is 2.312. The next area of resistance is around 2.550 and 2.667, while 1st support hits today at 2.372 and below there at 2.312.

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	71.87	46.04	45.80	69.44	71.16	72.79	72.18	71.65	75.07	74.69
CLAQ23	71.95	47.08	46.58	69.38	71.80	72.77	72.09	71.50	74.76	74.39
HOAN23	233.25	43.50	43.42	70.47	67.32	2.36	2.37	2.34	2.45	2.49
HOAQ23	233.45	43.44	43.33	70.91	68.19	2.36	2.37	2.35	2.46	2.49
RBAN23	255.10	57.71	54.89	83.19	85.61	2.57	2.52	2.45	2.53	2.53
RBAQ23	247.78	55.64	53.25	82.07	84.57	2.50	2.45	2.39	2.48	2.48
NGAN23	2.461	45.24	46.07	56.00	49.20	2.52	2.56	2.47	2.56	2.69
NGAQ23	2.547	46.72	47.15	56.74	50.49	2.60	2.64	2.55	2.63	2.75

Calculations based on previous session. Data collected 05/25/2023

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	68.88	70.17	72.27	73.56	75.66
CLAQ23	Crude Oil	69.00	70.29	72.31	73.60	75.62
HOAN23	Heating Oil	224.91	228.50	234.40	237.99	243.89
HOAQ23	Heating Oil	225.34	228.84	234.55	238.05	243.76
RBAN23	RBOB Gas	245.46	249.86	255.93	260.33	266.40
RBAQ23	RBOB Gas	238.63	242.75	248.69	252.81	258.75
NGAN23	Natural Gas	2.311	2.372	2.489	2.550	2.667
NGAQ23	Natural Gas	2.404	2.463	2.572	2.631	2.740

Calculations based on previous session. Data collected 05/25/2023

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