DAILY ENERGY COMPLEX COMMENTARY
Thursday December 15, 2022

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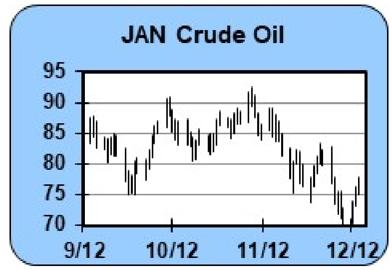
12/15/2022

Petroleum prices continue to discount soft Chinese #'s



OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
CRUDE +3, **HEATING OIL** -402, **UNLEADED GAS** -108

CRUDE OIL MARKET FUNDAMENTALS: With a higher high in crude oil this morning in the face of very discouraging Chinese economic data, a flurry of central bank rate hikes and a stronger dollar bullish control is evident. While news that China's November daily crude oil refinery throughput reached a 12-month high is a sign of demand for foreign oil imports, a large portion of that refinery activity was destined for export in the form of products. On the other hand, China is using crude oil and the crude oil consumption for foreign product demand serves to offset softer domestic consumption. Overall, Chinese January through November crude oil runs were reported to be down 3.9% versus year ago levels and their January through November oil output increased by 3%. In a development that is becoming a "trend" Brent crude oil ETFs continue to see record inflows which is a factor that could help the bull camp sustain control. In other words, crude oil prices might not take direction from actual consumption levels, and instead prices might take direction from soaring long interest in WTI and Brent crude futures from ETF's offsetting investor obligations. Two other supportive but perhaps short-term developments are a reduction in Canadian supply to the US and announced delays in restarting the Keystone pipeline (weather and environmental regulation). It should be noted that portions of the Keystone pipeline have restarted. The weekly EIA crude oil stock jump yesterday was the biggest weekly inflow in 20 months and that did not discourage the bull camp. Another seemingly ignored and definitively bearish reading from the weekly EIA report was a 5th straight weekly increase in gasoline stocks and the lowest implied gasoline demand reading since early July. In the end, bearish supply news yesterday was apparently overwhelmed by improved 2023 demand forecasts from the International Energy Agency. However, many 2023 demand forecasts think first quarter demand will be disappointing followed by a strong rebound in the 2nd half! From a shorter-term perspective, the EIA pegged November OPEC oil output to decline by 770,000 barrels per day with Saudi Arabia contributing a drop of 420,000 barrels per day. According to Bloomberg, OPEC oil forecasts have been consistently better than forecast from the International Energy Agency and OPEC believes that Brent crude prices have found solid fundamental value at $80.00 per barrel. EIA crude stocks rose 10.231 million barrels and are 4.157 million barrels below year ago levels. Also, crude stocks stand 26.504 million barrels below the five-year average. Crude oil imports for the week stood at 6.867 million barrels per day compared to 6.012 million barrels the previous week. The refinery operating rate was 92.20% down, 3.30% from last week compared to 89.80% last year and the five-year average of 89.80%.

PRODUCT MARKET FUNDAMENTALS: Like the crude oil market, the gasoline market charged higher yesterday despite negative internal developments in the EIA report. However, the gasoline market should continue to benefit from "relief" that the rate of gain in US interest rates might moderate and because the less aggressive Fed has increased the odds of a persistent downside extension in the dollar. As indicated in yesterday's coverage, Bloomberg news showed an increase in Chinese a traffic congestion figures and that combined with an upward revision in International Energy Agency 2023 demand expectations provides gasoline with a supportive demand set up. Unfortunately for the bull camp in gasoline increased Chinese traffic congestion signals are heavily discounted because of extremely soft Chinese economic data overnight. Furthermore, the gasoline supply situation in the US continues to repair with this week's much larger than expected weekly inflow of gasoline stocks putting inventories at almost a 5-million-barrel surplus. Going forward, the US refinery operating rate of 92.2 remains high enough to help rebuild supplies to more comfortable levels. Furthermore, US implied gasoline demand continues to run 1.2 million barrels per day below year-ago levels and is near the lowest implied demand reading of the year! EIA gasoline stocks rose 4.496 million barrels and are 4.998 million barrels above last year and 6.946 million below the five-year average. Average total gasoline demand for the past four weeks was down 9.05% compared to last year. Gasoline imports came in at 790,000 barrels per day compared to 519,000 barrels the previous week. In the end, the bull camp might have a short-term technical edge from the charts and from a shift into an inflation inspired risk on environment, but we see significant overhead resistance in January gasoline at $2.30. Obviously, the diesel market exploded relative to other energy markets yesterday and that is likely the result of evidence of cold in the US and Europe. However, the forecasts are expected to turn milder into the weekend and US implied distillate demand is running 1.1 million barrels a day below year ago levels! While the weekly inflows to distillate and diesel inventories at the EIA were not as dramatic as the inflow into crude oil inventories deficits relative to year ago levels continue to narrow significantly. EIA distillate stocks rose 1.364 million barrels and stand at 3.587 million barrels below last year and 9.601 million below the five-year average. Distillate imports came in at 277,000 barrels per day compared to 372,000 barrels the previous week. Average total distillate demand for the past four weeks was down 13.21% compared to last year. While the 44-cent rally in diesel prices in 3 days smacks of an overbought technical condition, the trade appears to be moving to insert a normal winter premium into prices. However, it should be noted that the January diesel contract has already charged through two retracement targets and could be headed to 3rd up at $3.35.

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**
12/9/2022	424.129	10.231	-4.157	450.633	6.867	92.2	89.8
DISTILLATES	**Stocks**				**Imports**	**Demand**	
Week Of	**Current**	**Weekly Change**	**Yearly Change**	**5 Year Average**	**Current**	**Current**	**Year Ago**
12/9/2022	120.171	1.364	-3.587	129.772	0.277	3.768	4.896
GASOLINE	**Stocks**				**Imports**	**Demand**	
Week Of	**Current**	**Weekly Change**	**Yearly Change**	**5 Year Average**	**Current**	**Current**	**Year Ago**
12/9/2022	223.583	4.496	4.998	230.529	0.79	8.255	9.472

NATURAL GAS: With the natural gas trade looking beyond recent cold temperatures to this morning's weekly EIA inventory report, the path of least resistance looks to remain down. Adding into the initial bearish view is evidence that the Russian national gas company Gazprom posted record daily supply flow to China. According to Chinese sources Chinese buyers are securing supply for 2023! In a potential supportive but highly suspect headline overnight the trade thinks the Freeport export facility could still restart before the end of the year. Apparently, the natural gas trade continues to look beyond the current cold bursts in the US and Europe to a period of milder temperatures this weekend. From a technical perspective the January natural gas contract yesterday filled the gap left by the very strong opening early this week and therefore yesterday's low of $6.337 could be considered initial support today. However, we favor the bear tilt today as the weekly EIA report is unlikely to support the bull case. A limiting factor going forward is news from Bloomberg that French gas consumption between August 1st and December 11th dropped 12% relative to pre-pandemic conditions. This week's Reuters poll projects natural gas inventories today to decline less than normal with a draw around 45 BCF. From a longer-term perspective we think the US inventory deficit relative to 5-year average storage level is the primary fundamental factor capable of driving prices sharply higher in the coming winter. In other words, US natural gas inventories need to tighten thereby increasing bullish sensitivity to stretches of much below normal temperatures. In conclusion, we give the edge to the bear camp today with the weekly EIA storage report capable of prompting a retest of the $6.00 level in the January natural gas contract.

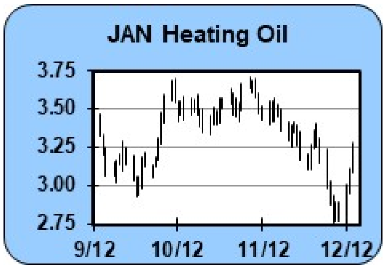
TODAY'S MARKET IDEAS:
In addition to a definitive improvement in overall market economic psychology the energy markets have received (albeit temporary) lift from cold weather, signs of renewed weakness in the dollar and from stop loss buying as markets broke out through key resistance. While we would not stand in the way of additional upside follow-

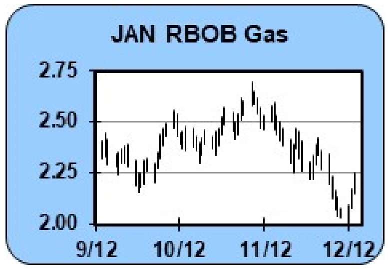
through potential today January crude oil prices above $80 should be considered expensive into a significant thinning of trading conditions.

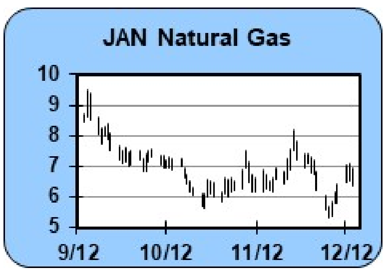
NEW RECOMMENDATIONS:
None.

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 (JAN) 12/15/2022: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. Market positioning is positive with the close over the 1st swing resistance. The next upside objective is 79.71. The next area of resistance is around 78.82 and 79.71, while 1st support hits today at 75.98 and below there at 74.02.

HEATING OIL (JAN) 12/15/2022: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The intermediate trend could be turning up with the close back above the 18-day moving average. There could be more upside follow through since the market closed above the 2nd swing resistance. The next upside objective is 342.68. The next area of resistance is around 336.61 and 342.68, while 1st support hits today at 316.33 and below there at 302.13.

RBOB GAS (JAN) 12/15/2022: The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The cross over and close above the 18-day moving average is an indication the intermediate-term trend has turned positive. The market's close above the 2nd swing resistance number is a bullish indication. The near-term upside objective is at 232.78. The next area of resistance is around 229.86 and 232.78, while 1st support hits today at 219.40 and below there at 211.85.

NATURAL GAS (JAN) 12/15/2022: The market back below the 60-day moving average suggests the longer-term trend could be turning down. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The close under the 18-day moving average indicates the intermediate-term trend could be turning down. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next upside target is 7.135. The next area of resistance is around 6.685 and 7.135, while 1st support hits today at 6.061 and below there at 5.887.

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										
CLAF23	77.40	51.69	47.23	24.11	33.97	74.25	74.62	76.90	82.20	82.21
CLAG23	77.42	51.96	47.66	24.40	33.95	74.34	74.76	76.95	81.54	81.42
HOAF23	326.46	58.16	52.83	27.01	44.42	3.03	2.98	3.14	3.36	3.34
HOAG23	322.09	59.65	54.12	27.90	46.19	3.00	2.96	3.09	3.28	3.26
RBAF23	224.63	51.83	47.26	17.90	29.22	2.14	2.14	2.25	2.39	2.38
RBAG23	225.40	52.52	47.95	19.42	31.42	2.15	2.16	2.25	2.38	2.37
NGAF23	6.373	48.19	47.83	32.62	39.66	6.54	6.13	6.65	6.54	6.74
NGAG23	6.170	48.29	48.03	32.97	39.45	6.36	5.99	6.48	6.34	6.52

Calculations based on previous session. Data collected 12/14/2022
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						
CLAF23	Crude Oil	74.01	75.97	76.86	78.82	79.71
CLAG23	Crude Oil	74.09	76.02	76.89	78.82	79.69
HOAF23	Heating Oil	302.12	316.33	322.40	336.61	342.68
HOAG23	Heating Oil	299.01	312.54	318.10	331.63	337.19
RBAF23	RBOB Gas	211.84	219.39	222.31	229.86	232.78
RBAG23	RBOB Gas	213.34	220.43	223.28	230.37	233.22
NGAF23	Natural Gas	5.887	6.061	6.511	6.685	7.135
NGAG23	Natural Gas	5.694	5.861	6.312	6.479	6.930

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