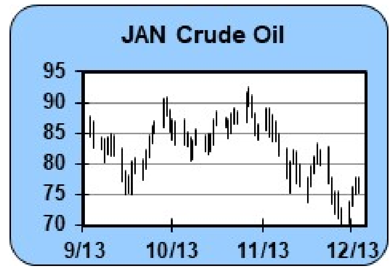
DAILY ENERGY COMPLEX COMMENTARY

12/16/2022

Sagging economic views equal softer demand hurting crude & RBOB



OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
CRUDE -138, **HEATING OIL** -458, **UNLEADED GAS** -247

CRUDE OIL MARKET FUNDAMENTALS: With many markets rushing to factor in significant global slowing possibly culminating in recession, energy analysts are rushing to reduce crude price forecasts. Not surprisingly, Bloomberg has noted a reduction in Chinese road congestion in a reversal of expanding congestion signals earlier this week which is very likely the result of the Covid explosion. Even supply developments are bearish as India is continuing to import significant supply from Russia at prices under the price cap. In retrospect, a higher high for the move yesterday, a significant fund outflow from USO and a downside extension this morning on the charts shifts the near term track down. Obviously, extremely concerning economic data from China, generally disappointing US data, a stronger dollar and a wave of central bank rate hikes served up outside market fundamental headwinds for energy prices. Fortunately for the bull camp, indications are that China is buying for strategic reserves as industrial production and retail sales readings from China earlier this week foster Chinese energy demand concerns. While news that China's November daily crude oil refinery throughput reached a 12-month high is a sign of good Chinese demand for foreign oil imports, a large portion of that refinery activity was destined for product exports. On the other hand, China is indeed consuming crude oil and the crude oil consumption for foreign product sales still 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 and outflows which is a factor that should increase volatility. However, this week the US refinery operating rate fell by 3.3% which in turn should reduce the call on cash crude oil ahead and therefore the distinctly supportive pattern of declining EIA crude oil stocks has likely come to an end. Going forward, the brunt of visible fundamental conditions favors the bear camp, with several threats against energy demand and lingering pressure from this week's surprise 10.2-million-barrel inflow to EIA crude oil stocks.

PRODUCT MARKET FUNDAMENTALS: As indicated in crude oil coverage this morning, Bloomberg has seen a shift in Chinese traffic congestion readings from increasing to decreasing (likely because of Covid). In a minimally supportive development (more so for diesel) Russian refinery activity in the latest monthly figures declined by 3%. In retrospect, the gasoline market failed to make a fresh higher high yesterday and has produced fresh damage on the charts this morning. Obviously, the gasoline market should be concerned about a softening gasoline demand outlook in the wake of very soft Chinese data, very aggressive central bank rate hikes and disappointing US retail sales. Fortunately for the bull camp this week, Amsterdam, Rotterdam, and Antwerp weekly gasoline inventories declined and last week's multi-week high in ARA stocks drifts into the background. The November US retail sales report showed a 0.1% decline in US gasoline sales, which is very disappointing considering the recent decline in pump prices and the ongoing holiday shopping season. From a technical perspective, the early rally this week was forged on solid trading volume but ultimately saw open interest decline at higher prices. Therefore, the trade for the time being might see the $2.20 level in January gasoline as an overvalued zone. Unless risk on psychology returns to force today, a normal retracement of the early December rally in gasoline projects to $2.1365. With diesel futures failing to post a higher high for the move yesterday and showing only minimal weakness this morning, the market looks to continue to lag crude oil and RBOB on the downside. Perhaps the diesel market is drafting ongoing buying interest from speculation of consistent declines in temperatures in

Europe in the US into the end of the year and perhaps the market is deriving support from news of lower Russian refinery activity. This week's ARA gas oil stocks increased, fuel oil stocks declined, and jet fuel stocks increased. Unfortunately for the bull camp, support in diesel is a long way down at $3.1650 due in large part to the massive rally early this week.

NATURAL GAS: The latest natural gas weather forecast favors the bear camp with short-term forecasts predicting temperatures throughout the US to be 2 to 5 degrees above normal. However, colder weather is expected to return to northern Europe later next week. Other fresh negatives for natural gas prices are less near-term buying interest in Asia and Europe overnight. In a potential wildcard event Russian leadership indicates they are close to finishing their Price Cap Response as that could or could not involve natural gas. We also suggest that this week's EIA storage report should keep pressure on natural gas prices as the US storage deficit to 5-year average storage levels has returned to a very minimal deficit condition. However, US natural gas exports are likely to post a 6 month high given the amount of physical flowing to export terminals. The weekly natural gas storage report showed a draw of 50 bcf. Total storage stands at 3,412 bcf or 0.4% below the 5-year average. Over the last four weeks natural gas storage has declined 232 bcf. Despite a downward tilt on the charts January natural gas appears to have respected support produced by the bottom of a recent gap at $6.391. However, big picture short-term demand signals favor the bear camp and pushed into the market today we favor the downside.

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
12/9/2022	-50	3412	-18	-232	-0.4%	#REF!

TODAY'S MARKET IDEAS:

We see the potential for divergence between crude oil prices and diesel prices directly ahead with ULSD holding up against a liquidation bias. Along those lines the diesel market held gains impressively yesterday despite a moderation of temperatures in the US and Europe after the current cold wave. On the other hand, crude oil prices should be more vulnerable than diesel/distillate prices because softening cyclical demand, but that impact should be moderated in ULSD by the seasonal march lower in temperatures. Today we favor the downside as petroleum markets remain overbought and signs of softening global energy demand are everywhere. In short, look for further week-ending Profit-taking selling.

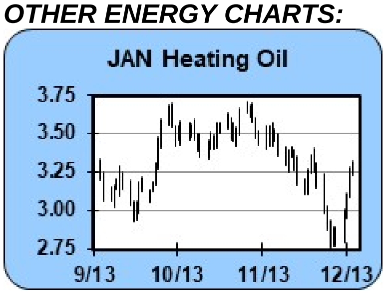
NEW RECOMMENDATIONS:

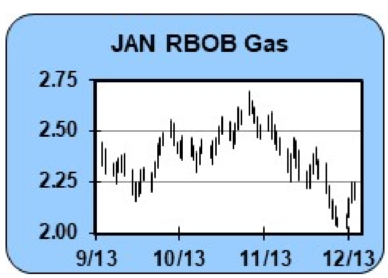
None.

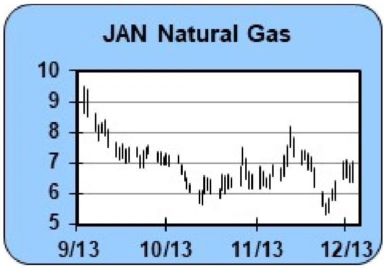
PREVIOUS RECOMMENDATIONS:

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 (FEB) 12/16/2022: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The intermediate trend has turned down with the cross over back below the 18-day moving average. The downside closing price reversal on the daily chart is somewhat negative. The market's close below the pivot swing number is a mildly negative setup. The next upside target is 78.85. The next area of resistance is around 77.46 and 78.85, while 1st support hits today at 75.04 and below there at 74.02.

HEATING OIL (FEB) 12/16/2022: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The market's short-term trend is positive on the close above the 9-day moving average. The daily closing price reversal down is a negative indicator for prices. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside target is 329.43. The next area of resistance is around 325.13 and 329.43, while 1st support hits today at 317.20 and below there at 313.56.

RBOB GAS (FEB) 12/16/2022: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. The close below the 1st swing support could weigh on the market. The next upside objective is 228.33. The next area of resistance is around 223.11 and 228.33, while 1st support hits today at 215.17 and below there at 212.46.

NATURAL GAS (FEB) 12/16/2022: The major trend could be turning up with the close back above the 60-day moving average. 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 is an indication the intermediate-term trend has turned positive. A positive setup occurred with the close over the 1st swing resistance. The next upside objective is 6.975. The next area of resistance is around 6.822 and 6.975, while 1st support hits today at 6.340 and below there at 6.010.

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										
CLAG23	76.25	47.80	45.19	28.78	37.73	75.57	74.32	76.75	81.38	81.35
CLAH23	76.23	47.81	45.47	29.10	37.69	75.65	74.46	76.81	80.76	80.59
HOAG23	321.17	58.32	53.27	37.52	56.77	3.11	2.97	3.08	3.27	3.26
HOAH23	310.07	56.46	51.82	35.46	52.99	3.02	2.89	3.01	3.18	3.17
RBAG23	219.14	44.53	43.06	24.21	33.79	2.18	2.14	2.24	2.37	2.36
RBAH23	220.50	44.34	42.97	24.17	33.56	2.19	2.16	2.25	2.38	2.37
NGAG23	6.581	54.93	52.53	37.70	47.14	6.49	6.04	6.49	6.34	6.50
NGAH23	5.828	52.87	51.34	39.75	46.76	5.83	5.49	5.85	5.70	5.81

Calculations based on previous session. Data collected 12/15/2022

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						
CLAG23	Crude Oil	74.01	75.04	76.43	77.46	78.85
CLAH23	Crude Oil	74.12	75.07	76.44	77.39	78.76
HOAG23	Heating Oil	313.56	317.20	321.50	325.13	329.43
HOAH23	Heating Oil	303.27	306.70	310.01	313.44	316.75
RBAG23	RBOB Gas	212.46	215.17	220.40	223.11	228.33
RBAH23	RBOB Gas	214.38	216.88	221.61	224.11	228.84
NGAG23	Natural Gas	6.009	6.339	6.492	6.822	6.975
NGAH23	Natural Gas	5.406	5.639	5.782	6.015	6.159

Calculations based on previous session. Data collected 12/15/2022

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