



DAILY ENERGY COMPLEX COMMENTARY

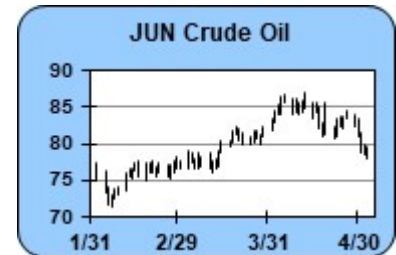
Monday May 06, 2024

DAILY ENERGY COMPLEX COMMENTARY

5/6/2024

Fundamental evidence and trade sentiment favors the bear camp

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
CRUDE +83, HEATING OIL +16, UNLEADED GAS +52



CRUDE OIL MARKET FUNDAMENTALS: Despite the large slide in prices over the last week many global oil exporters have raised June prices to customers. Saudi hikes are typically the most important price signal, but several other Middle East exporters and the Brazilian national oil company have raised prices for June delivery. With the crude oil net spec and fund long positioning already modest before last week's \$6.00 washout, the crude oil market should see stop loss selling slow or halt. In fact, with international aid agencies preparing for an Israeli attack of a southern Gaza city, the dollar falling aggressively at the end of last week, and June crude oil reaching what has been a notable consolidation support level at \$78.00 in the past the risk to fresh shorts has increased. On the other hand, talk of supply tightness has been punctured severely by news that US Gulf Coast crude supplies have reached a one-year high especially with weekly EIA and API crude oil inventories jumping dramatically last week. Certainly, strong US crude oil exports from earlier this year could resurface if the dollar continues lower, but in the near-term US domestic supply issues are likely to favor the bear camp. In a minimally but widely anticipated development, OPEC+ is expected to extend their production restraint agreement next month, but that supportive storyline is partially undermined by Iraq and Kazakhstan plans to compensate the cartel for overproduction. In other words, production restraint could become less supportive of prices next month. As indicated already, the net spec and fund long position in crude oil prior to last week's washout was near the middle of the last 18 months positioning range and therefore the market should become progressively less vulnerable to waves of stop loss selling. The Commitments of Traders report for the week ending April 30th showed Crude Oil Managed Money traders are net long 172,689 contracts after net selling 6,957 contracts. Non-Commercial & non-reportable traders are net long 321,082 contracts after net selling 1,196 contracts. While we see the \$78.00 level as the beginning of a value zone, the bottom of the value zone is further down at \$76.00 basis the June contract.

PRODUCT MARKET FUNDAMENTALS: With a wild two-sided range on Friday culminating with a very poor close and little in the way of solid support until \$2.50, the gasoline market remains vulnerable to more aggressive selling. In fact, recent US high frequency gasoline demand indicators showed disappointing gasoline consumption is likely unfolding because of the 20% rise in retail pump prices since January. Furthermore, the last COT positioning report in gasoline showed a net spec and fund long in the upper quarter of the spec positioning range of the last three years. However, since the last COT positioning report was measured, gasoline prices fell \$0.14 which will probably result in less aggressive declines. The April 30th Commitments of Traders report showed Gas (RBOB) Managed Money traders were net long 67,786 contracts after decreasing their long position by 5,176 contracts. Non-Commercial & non-reportable traders net sold 5,671 contracts and are now net long 79,584 contracts. Fortunately for the bull camp, northern hemisphere seasonal demand should be on the rise, US refinery operating activity last week posted the lowest reading in eight weeks and implied gasoline demand has been falling despite what should be typical expansion of seasonal activity patterns. Near-term downside targeting is \$2.50 in the June gasoline contract. Heating Oil positioning in the Commitments of Traders for the week ending April 30th showed Managed Money traders went from a net long to a net short position of 1,641 contracts after net selling 5,001 contracts. Non-Commercial & non-reportable traders net sold 6,430 contracts and are now net long 16,695 contracts.

NATURAL GAS: Clearly, last week's talk of lower US production combined with warmer northern hemisphere temperatures and expanded US LNG export activity provided some spark for last Friday's impressive rally. In fact, a major US gas exporter (Cheniere) saw profits rise on its export volumes, which is a clear break with their flows over the last several years. Perhaps the trade is also benefiting from long-term production reduction views after the US oil and gas rig count fell to the lowest level since January 2022 at the end of last week. However, this morning gas prices are plummeting despite signs of increased Asian LNG buying from Pete in the region. It should be noted the net spec and fund short at the end of last month was the largest net spec and fund short since the end of February 2020 (the zenith of the initial panic liquidation from Covid) with the market at times trading \$0.08 lower than where the report was measured. The Commitments of Traders report for the week ending April 30th showed Natural Gas Managed Money traders were net short 103,768 contracts after increasing their already short position by 15,377 contracts. Non-Commercial & non-reportable traders are net short 133,459 contracts after net selling 17,549 contracts. Therefore, a large portion of the rallies last Thursday and Friday were likely exaggerated by short covering. First resistance in June natural gas today is \$2.19 with a failure seen on a trade back below \$2.147.

TODAY'S MARKET IDEAS:

While the markets may have additional downside follow-through capacity, the prospect of a middle East supply disruption have increased with Israel ordering the evacuation of civilians from the southern Gaza city of Rafah. Yet another potential supply threat surfacing in the market is the potential for buyers to shift away from Russian supply if the Russian tactical nuclear weapons practices prompts the trade to fear their use against Ukraine!

NEW RECOMMENDATIONS:

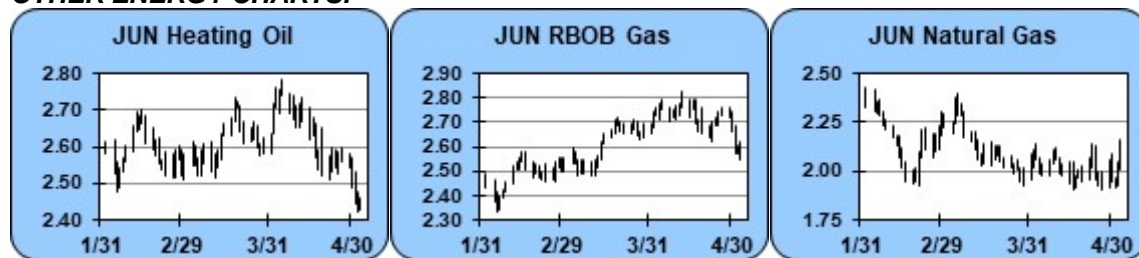
None.

PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 4/23/2024 - 4/30/2024						
	Non-Commercial		Net Position	Commercial		Non-Reportable
	Net Position	Weekly Net Change		Weekly Net Change	Net Position	
Energies						
Crude Oil	274,000	-2,783	-321,081	+1,197	47,082	+1,587
Heating Oil	3,235	-4,681	-16,694	+6,431	13,460	-1,749
Natural Gas	-151,455	-17,613	133,458	+17,549	17,996	+64
Gas (RBOB)	67,665	-4,938	-79,583	+5,672	11,919	-733

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 (JUN) 05/06/2024: Momentum studies are declining, but have fallen to oversold levels. The market's short-term trend is negative as the close remains below the 9-day moving average. The market setup is somewhat negative with the close under the 1st swing support. The next downside objective is now at 76.82. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around

78.88 and 80.07, while 1st support hits today at 77.26 and below there at 76.82.

HEATING OIL (JUN) 05/06/2024: Momentum studies are declining, but have fallen to oversold levels. The market's short-term trend is negative as the close remains below the 9-day moving average. The market tilt is slightly negative with the close under the pivot. The next downside objective is 241.20. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 245.74 and 247.59, while 1st support hits today at 242.55 and below there at 241.20.

RBOB GAS (JUN) 05/06/2024: Momentum studies are declining, but have fallen to oversold levels. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The outside day down is somewhat negative. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside objective is 249.37. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 258.98 and 264.42, while 1st support hits today at 251.46 and below there at 249.37.

NATURAL GAS (JUN) 05/06/2024: The cross over and close above the 60-day moving average is an indication the longer-term trend has turned positive. The moving average crossover up (9 above 18) indicates a possible developing short-term uptrend. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The close above the 9-day moving average is a positive short-term indicator for trend. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The near-term upside target is at 2.266. The next area of resistance is around 2.224 and 2.266, while 1st support hits today at 2.076 and below there at 1.970.

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										
CLAM24	78.07	24.10	32.97	21.03	10.60	79.49	81.57	82.62	81.56	80.33
CLAN24	77.70	24.69	33.37	21.01	10.79	78.98	80.94	81.98	80.90	79.72
HOAM24	244.15	20.67	29.46	13.18	9.65	2.47	2.52	2.57	2.61	2.61
HOAN24	245.42	21.04	29.89	13.74	9.41	2.48	2.53	2.58	2.61	2.60
RBAM24	255.22	27.50	34.70	27.52	15.07	2.60	2.67	2.70	2.67	2.63
RBAN24	252.32	28.08	35.35	27.57	15.53	2.57	2.63	2.66	2.63	2.59
NGAM24	2.150	62.69	57.89	43.52	58.07	2.03	2.01	2.01	2.06	2.08
NGAN24	2.418	58.57	55.07	41.69	50.00	2.33	2.34	2.33	2.38	2.37

Calculations based on previous session. Data collected 05/03/2024

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						
CLAM24	Crude Oil	76.81	77.25	78.44	78.88	80.07
CLAN24	Crude Oil	76.51	76.93	78.05	78.47	79.59
HOAM24	Heating Oil	241.20	242.55	244.40	245.74	247.59
HOAN24	Heating Oil	242.69	243.91	245.71	246.93	248.73
RBAM24	RBOB Gas	249.36	251.45	256.89	258.98	264.42
RBAN24	RBOB Gas	246.93	248.84	253.90	255.80	260.86
NGAM24	Natural Gas	1.970	2.076	2.118	2.224	2.266
NGAN24	Natural Gas	2.267	2.355	2.392	2.480	2.517

Calculations based on previous session. Data collected 05/03/2024

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