



DAILY ENERGY COMPLEX COMMENTARY

Tuesday May 07, 2024

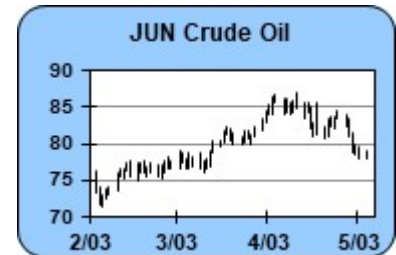
DAILY ENERGY COMPLEX COMMENTARY

5/7/2024

No support from an Israeli attack favors the bear camp

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
CRUDE -30, HEATING OIL -86, UNLEADED GAS -223

CRUDE OIL MARKET FUNDAMENTALS: Despite the launch of the Israeli offensive, a trade almost exclusively in positive territory yesterday, a Reuters poll predicting a 1.2 million barrel decline in EIA crude oil stocks, and a jump in Indian April fuel consumption, oil prices remain near two-month lows! However, word of a US/Saudi Arabia defense agreement has apparently reduced concerns of major supply disruptions in the Middle East and was reportedly the source of the massive early May washout in prices. Sentiment is so bearish that the trade has discounted predictions from Goldman that OPEC+ production restraint will extend beyond the June expiration. We also think building oversupply in the US is set to weigh further on prices this week and a jump in Indian April oil demand is being discounted by the trade. In a sign of increased volatility ahead the CME has recorded demand for weekly oil options! News that Russia has instructed its military to begin practicing the use of tactical nuclear missiles could be a demand negative or a supply positive. If Russia shows signs of using tactical nuclear weapons, that will likely result in many countries complying with sanctions and not buying Russian oil. On the other hand, anxiety of the potential for World War III would be a demand crushing issue. From a technical perspective, the crude oil spec and fund long has been moderated but without signs of sensitivity to the launch of the anticipated Israeli attack, the bear camp retains the edge. Obviously, critical support is at \$77.50 in June crude oil with a trade back above \$79.63 needed to signal a return to a bull market status.



PRODUCT MARKET FUNDAMENTALS: While the gasoline market has not posted a lower low in the early trade, this week's Reuters poll expects a 1.4 million barrel decline in EIA gasoline inventories and is likely seeing support from a 14% jump in Indian gasoline consumption, the path of least resistance remains down. In fact, with crude oil prices showing ongoing weakness this morning and China issuing another round of fuel export quotas, the bear track has been fortified. Adding into the bearish track is the downside extension yesterday, disappointing US high-frequency gasoline demand news and a significantly overbought spec and fund positioning. On the other hand, Bloomberg traffic congestion high-frequency data continues to show improvement in China and that could be a bigger impact on demand assumptions than the US demand data. In a longer-term negative, Reuters indicated that longer-term gasoline demand was going to decline consistently as it gives way to electric vehicles. However, interest in US electric vehicles has softened, and users are having difficulty recharging because of infrastructure shortages of charging stations. While June gasoline might try to build a consolidation low around the recent low of \$2.5481, open interest remains at a lofty level suggesting ongoing long liquidation is likely.

NATURAL GAS: The natural gas market surprised the trade with the strong range up move yesterday, but the rally was supported by steady Asian buying and perhaps accentuated by several "talking heads" on CNBC Monday promoting natural gas as a very important bridge to cleaner energy. However, overnight there were reports that Asian buyers stepped back as prices approached \$11.00 in the region. On the other hand, US demand news has shifted positive with a troubled Texas export facility showing signs of expanding export flows. With the natural gas market heavily net spec and fund short, the buying yesterday likely sparked by noted technical stop loss buying. Furthermore, Bloomberg overnight carried a forecast that US cooling degree days would run 11 degrees above normal this week. It is also possible that Russian intentions to practice deployment of tactical nuclear weapons could result in a halt

of European purchases of pipeline gas from Russia.

TODAY'S MARKET IDEAS:

While the path of least resistance is pointing down, it appears that the June crude oil contract is attempting to build a measure of support at a double low of \$77.91. However, solid support is not seen until \$77.50 in June crude oil with a trade back above \$79.63 needed to signal a return to bull market status.

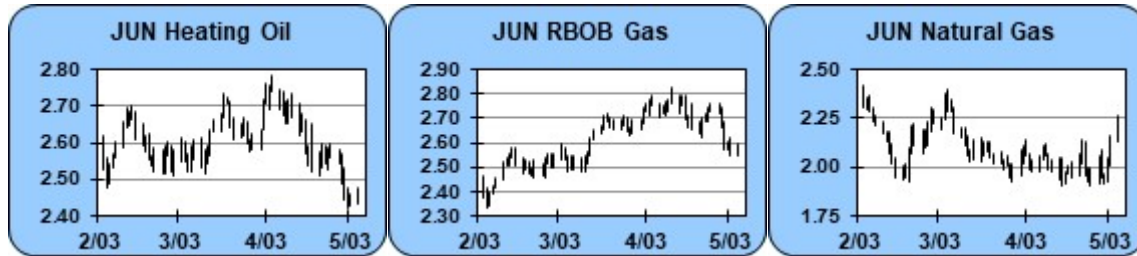
NEW RECOMMENDATIONS:

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 (JUN) 05/07/2024: Momentum studies are declining, but have fallen to oversold levels. A negative signal for trend short-term was given on a close under the 9-bar moving average. The daily closing price reversal up on the daily chart is somewhat positive. The market has a slightly positive tilt with the close over the swing pivot. The next downside target is 77.36. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 79.16 and 79.71, while 1st support hits today at 77.98 and below there at 77.36.

HEATING OIL (JUN) 05/07/2024: 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. A positive setup occurred with the close over the 1st swing resistance. The next downside objective is now at 241.72. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 248.64 and 250.32, while 1st support hits today at 244.34 and below there at 241.72.

RBOB GAS (JUN) 05/07/2024: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. A negative signal for trend short-term was given on a close under the 9-bar moving average. The daily closing price reversal up on the daily chart is somewhat positive. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside target is now at 252.63. The next area of resistance is around 260.79 and 262.51, while 1st support hits today at 255.85 and below there at 252.63.

NATURAL GAS (JUN) 05/07/2024: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The market's close above the 9-day moving average suggests the short-term trend remains positive. The close over the pivot swing is a somewhat positive setup. The next upside target is 2.327. The next area of resistance is around 2.264 and 2.327, while 1st support hits today at 2.136 and below there at 2.070.

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	78.57	28.89	35.77	17.47	10.11	78.66	81.05	82.24	81.57	80.38
CLAN24	78.22	29.74	36.36	17.55	10.40	78.23	80.46	81.63	80.92	79.76
HOAM24	246.49	29.22	33.96	12.86	12.21	2.45	2.51	2.56	2.61	2.61
HOAN24	247.70	28.39	33.84	13.13	11.64	2.46	2.52	2.57	2.61	2.60
RBAM24	258.32	34.72	39.24	23.66	15.67	2.58	2.66	2.69	2.67	2.63
RBAN24	255.32	35.09	39.68	23.67	15.87	2.55	2.62	2.65	2.63	2.59
NGAM24	2.200	66.09	60.57	51.36	67.77	2.08	2.02	2.02	2.06	2.08
NGAN24	2.466	62.63	58.11	48.11	60.97	2.37	2.35	2.34	2.38	2.37

Calculations based on previous session. Data collected 05/06/2024
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	77.35	77.97	78.53	79.16	79.71
CLAN24	Crude Oil	77.05	77.66	78.17	78.78	79.29
HOAM24	Heating Oil	241.72	244.34	246.02	248.64	250.32
HOAN24	Heating Oil	243.13	245.63	247.26	249.76	251.39
RBAM24	RBOB Gas	252.63	255.85	257.57	260.79	262.51
RBAN24	RBOB Gas	249.93	252.98	254.60	257.65	259.27
NGAM24	Natural Gas	2.069	2.135	2.198	2.264	2.327
NGAN24	Natural Gas	2.337	2.403	2.462	2.528	2.587

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