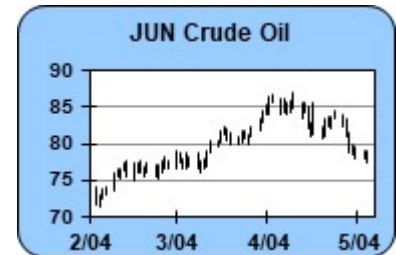




DAILY ENERGY COMPLEX COMMENTARY
5/8/2024

A downside extension and higher API supply to extend weakness

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
CRUDE -111, HEATING OIL -306, UNLEADED GAS -480



CRUDE OIL MARKET FUNDAMENTALS: With yesterday's API oil stocks inflow (although minimal) crossing up the trade's expectation for a moderate decline, the trade has embraced views that current supply is "ample". Another fresh bearish development overnight surfaced from a report of Russian crude oil flow in the seven days ending May 5th reaching the highest level seen last year. On the other hand, weekly crude oil storage in Europe declined by 6.1% and gains in global equity markets have helped cushion energy demand fears. However, fresh damage on the charts overnight at the psychological support level of \$77.50, and fears of a build in EIA crude oil inventories later this morning, leave the bear camp in control. In fact, after a prediction from a private source that EIA inventories later today would see a larger than expected decline, a slight inflow could add downside price momentum. However, we see the net spec and fund long in crude oil falling quickly and already at mostly liquidated standing and the "ample" supply view is countered by current EIA oil inventories at a massive 12.8 million barrels below the 5-year average inventory level for this time of the year. Yesterday the EIA probably put the brakes bargain hunting buying with a minimal 30,000 barrel per day lowering of their 2024 World Oil Demand "growth". Unfortunately for the bull camp, the EIA also revised their 2024 US production higher by 270,000 barrels per day versus a previous expansion forecast of 280,000 barrels per day. However, price direction today will see at least temporary direction from the headline EIA crude oil inventory change and to a lesser degree from the weekly implied gasoline demand reading. After the close, the API survey said that US crude oil stocks had a weekly increase of 509,000 barrels, contrasting with trade forecasts calling for a moderate weekly decline. Apparently, the aggressive washout off the late April highs was the result of a US/Saudi defense agreement which we think was not initially widely known by most traders. We suspect Congress took advantage of the surprise policy decision! Nonetheless, seeing the US commit to protecting Saudi Arabia in the event of an escalation of fighting in the Middle East certainly lowers the risk of lost supply, especially with the Saudis one of the most critical exporters in the world. Pushed into the market, we leave the trend bias pointing down but think June crude might be headed to a recent consolidation low support price at \$76.27.

PRODUCT MARKET FUNDAMENTALS: While we think the crude oil market is nearing value on the charts with the overnight downside extension, we are not as confident of a value zone is approaching in gasoline. Keep in mind, the last COT positioning report in gasoline showed a lofty net spec and fund long of 79,584 contracts. Fortunately for the bull camp, gasoline prices have declined \$0.18 from the COT report and the overbought condition has probably been moderated. Furthermore, this week's Reuters poll projects EIA gasoline inventories to decline by 1.4 million barrels and current gasoline inventories are running 7 million barrels below five-year average levels for this time of the year. However, in today's action we think the gasoline market will see residual pressure from the API gasoline stock inflow which crossed up expectations for a noted outflow. The bear camp is also benefiting from the lack of growth in implied gasoline demand which should be on the rise from seasonal patterns, but instead implied demand has basically stagnated over the past weeks at 8.61 million barrels per day. The API survey said that US gasoline stocks had a weekly increase of 1.46 million barrels while US distillate stocks had a weekly increase of 1.71 million barrels, both of which contrasted sharply with market expectations for moderate weekly declines. While the June gasoline contract might see temporary support at \$2.50, we will not rule out the potential test of the next lower level of support at \$2.4795.

Weekly EIA Petroleum Estimates - Week Ending 5/3/2024 - In Million Barrels

	High Estimate	Low Estimate	Stocks Last Week	Stocks Change Last Week
Crude Oil	-1	-1.4	460.9	7.3
Distillates	-1	-1.4	115.9	-0.7
Gasoline	-1.2	-1.6	227.1	0.3

NATURAL GAS: Apparently, the bull camp in natural gas continues to display resiliency as the aggressive gains over the prior three trading sessions have held in the June contract and the market is showing signs of building a consolidation pattern around and perhaps above \$2.20. Limiting the upside track in natural gas are suggestions from Asia that buyers have backed off with gas prices reaching \$11.00, news that Chinese hydroelectric power generation is set to jump off significant rains and from expectations of a significant inflow to EIA inventories tomorrow. Fortunately for the bull camp US cooling degree days are expected to run 11 degree days above normal into this weekend and we see the prospect of further stop loss buying from a very large net spec and fund short. Key support moves up to \$2.16 with the potential for \$2.20 becoming value as buyers rebuild inventories off fears of paying even higher prices.

TODAY'S MARKET IDEAS:

Even though it is premature to suggest petroleum prices will soon find value on the charts, the bull camp will clearly need a large outflow of EIA crude oil, gasoline, and distillates inventories today to begin to temper entrenched bearish sentiment.

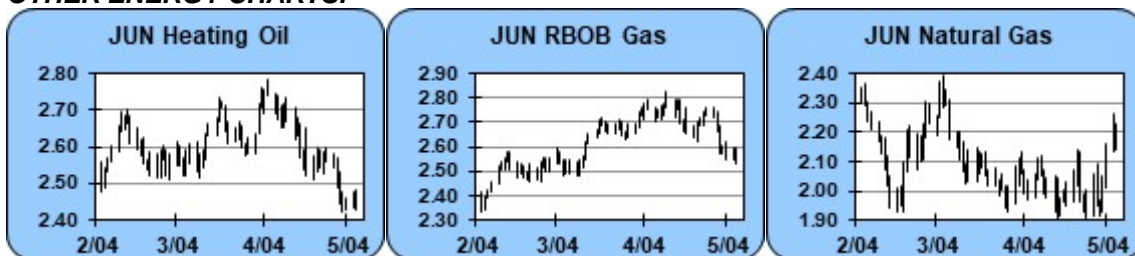
NEW RECOMMENDATIONS:

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) 05/08/2024: Daily stochastics are trending lower but have declined into oversold territory. A negative signal for trend short-term was given on a close under the 9-bar moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is 76.84. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 79.37 and 80.08, while 1st support hits today at 77.75 and below there at 76.84.

HEATING OIL (JUN) 05/08/2024: The daily stochastics gave a bullish indicator with a crossover up. Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. The market's short-term trend is negative as the close remains below the 9-day moving average. The daily closing price reversal up on the daily chart is somewhat positive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside objective is at 251.57. With a reading under 30, the 9-

day RSI is approaching oversold levels. The next area of resistance is around 249.57 and 251.57, while 1st support hits today at 244.13 and below there at 240.70.

RBOB GAS (JUN) 05/08/2024: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The close below the 9-day moving average is a negative short-term indicator for trend. The downside closing price reversal on the daily chart is somewhat negative. The market setup is somewhat negative with the close under the 1st swing support. The next downside objective is 248.82. The next area of resistance is around 258.14 and 262.15, while 1st support hits today at 251.48 and below there at 248.82.

NATURAL GAS (JUN) 05/08/2024: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's short-term trend is positive on the close above the 9-day moving average. The market has a slightly positive tilt with the close over the swing pivot. The next upside target is 2.289. The next area of resistance is around 2.260 and 2.289, while 1st support hits today at 2.172 and below there at 2.113.

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	78.56	27.60	34.93	14.86	9.90	78.48	80.54	81.90	81.58	80.41
CLAN24	78.22	28.58	35.60	14.97	10.08	78.11	80.01	81.30	80.94	79.80
HOAM24	246.85	29.66	34.16	13.12	13.96	2.45	2.50	2.55	2.61	2.60
HOAN24	248.15	30.50	34.96	13.35	13.80	2.47	2.51	2.56	2.61	2.60
RBAM24	254.81	30.62	35.92	20.30	13.10	2.57	2.64	2.68	2.67	2.63
RBAN24	252.22	31.04	36.44	20.32	13.30	2.54	2.61	2.64	2.63	2.59
NGAM24	2.216	67.18	61.43	59.06	74.87	2.15	2.05	2.03	2.06	2.08
NGAN24	2.479	63.98	59.12	55.26	69.54	2.42	2.36	2.35	2.37	2.37

Calculations based on previous session. Data collected 05/07/2024
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	76.84	77.75	78.46	79.37	80.08
CLAN24	Crude Oil	76.62	77.46	78.13	78.97	79.64
HOAM24	Heating Oil	240.69	244.13	246.13	249.57	251.57
HOAN24	Heating Oil	242.12	245.47	247.47	250.82	252.82
RBAM24	RBOB Gas	248.81	251.47	255.48	258.14	262.15
RBAN24	RBOB Gas	246.62	249.12	252.81	255.31	259.00
NGAM24	Natural Gas	2.113	2.172	2.201	2.260	2.289
NGAN24	Natural Gas	2.398	2.444	2.468	2.514	2.538

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