



## DAILY ENERGY COMPLEX COMMENTARY

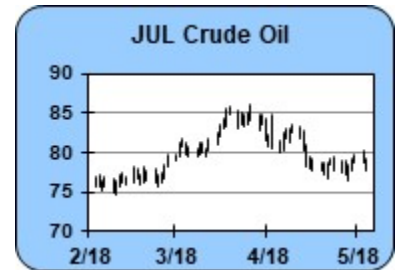
Wednesday May 22, 2024

### DAILY ENERGY COMPLEX COMMENTARY

5/22/2024

**The petroleum and N-Gas bias is down**

**OVERNIGHT CHANGES THROUGH 6:06 AM (CT):**  
**CRUDE -41, HEATING OIL -94, UNLEADED GAS -237**



**CRUDE OIL MARKET FUNDAMENTALS:** The bear camp starts today's action with the edge following a surprise and notable inflow to API crude oil stocks, the decision to sell 1 million barrels of the US gasoline strategic reserve, a bit of negative macro pressure from market perceptions of "higher US rates for longer), and news of a 5.2% week over week increase in ARA crude oil stocks. While petroleum prices ranged down sharply and managed to reject a large portion of the initial wash yesterday, a five-day low early today shifts the technical condition back in favor of the bear camp. Furthermore, signs of softening global demand from the IEA and EIA should leave pressure on prices directly ahead. Apparently, Brent crude oil prices versus Dubai reached the lowest premium since December yesterday, and that suggests demand for Brent is indeed softening. This week's Reuters poll projects oil stocks to decline by 3.1 million barrels which would be the third straight week of declines. Therefore, a theme of tightening North American supplies could emerge today which in turn could temper what has been a prevailing bearish attitude this week. It should also be noted that very active fighting in Gaza seems to have become less impacting of daily price action. In fact, the oil markets have largely discounted Iranian claims that the deadly helicopter crash of the top Iranian military leader was caused by Israel and that also highlights a prevailing bearish bias. Consolidation low support in July crude oil today is \$77.25 and then again down at \$76.36. To shift the tide back in favor of the bull camp probably requires a close above \$80.11.

**PRODUCT MARKET FUNDAMENTALS:** In a vote seeking move the Biden administration has announced the sale of 1 million barrels of gasoline from northeastern strategic storage and for good measure they have announced the closure of the facility holding that supply which will keep gasoline supply in circulation in the heaviest populated sector of the US. Apparently, strategic supply has become strategic political supply. The bear camp should be emboldened by the range down/five-day low early today especially with the net spec and fund long in gasoline likely remaining very large and subject to additional stop loss selling. Yet another bearish overnight development came from the API gasoline inventory increase of 2.08 million barrels which in turn detracts from the prospects of a jump in seasonal demand in the coming weeks. It should also be noted that Chinese gasoline production increased and there were reports of Russian gasoline exports despite an ongoing Russian gasoline export ban. This week's Reuters poll projects EIA gasoline stocks to decline by 1.6 million barrels which should be slightly supportive. However, the bull camp will need a jump in US implied gasoline demand readings to prevent a slide in July gasoline to the next support level down at \$2.458. With recent chart damage in diesel, implied distillate demand will need to expand from airlines preparing for the beginning of the summer travel season or more declines should be expected. In fact, last week's EIA implied distillate was the highest in six weeks and was the first reading above year ago levels in many weeks. This week's Reuters poll projects EIA distillate stocks to decline by 100,000 barrels, which would extend a trend of minimal inventory changes to a 4th week. Therefore, we see near-term downside consolidation support and targeting in July diesel at \$2.4335.

#### Weekly EIA Petroleum Estimates - Week Ending 5/17/2024 - In Million Barrels

	High Estimate	Low Estimate	Stocks Last Week	Stocks Change Last Week
--	---------------	--------------	------------------	-------------------------

Crude Oil	-2.9	-3.3	457	-2.5
Distillates	0.1	-0.3	116.4	0
Gasoline	-1.4	-1.8	227.8	-0.2

**NATURAL GAS:** In retrospect, the recent run-up in gas prices was probably from the concern of a Russian disruption of gas flow to the EU and Austria through Ukraine. However, overnight analysts have discounted the threat of supply shortages in Europe as short-term in nature. A longer-term bearish development is the rapid buildout of Chinese solar capacity as that will certainly cut into Chinese imports of feedstocks to generate electricity. With July natural gas aggressively rejecting the latest higher high for the move (the 10th straight daily higher high) that suggests the market is short-term overbought and showing signs of corrective action. However, seeing US cooling degree days continue to run above normal and given elevating risk of pipeline flow disruptions through Ukraine, the bull camp should remain somewhat confident. This week's Reuters poll pegged the EIA natural gas in storage by 82 bcf to 91 BCF. Fortunately for the bull camp weekly global LNG on floating storage declined by 7.7% over last week providing some underpin for July natural gas above near-term pivot point support of \$2.785. However, important uptrend channel support in July natural gas is further off the market down at \$2.633.

#### **TODAY'S MARKET IDEAS:**

As indicated already most overnight fundamental developments leaves the bear camp in control of the petroleum complex. Consolidation low support in July crude oil today is \$77.25 and then again down at \$76.36. To shift the tide back in favor of the bull camp probably requires a close above \$80.11. In gasoline the bull camp will need a jump in US implied gasoline demand readings today to prevent a slide in July gasoline to the next support level down at \$2.458. We see near-term downside consolidation support and targeting in July diesel at \$2.4335.

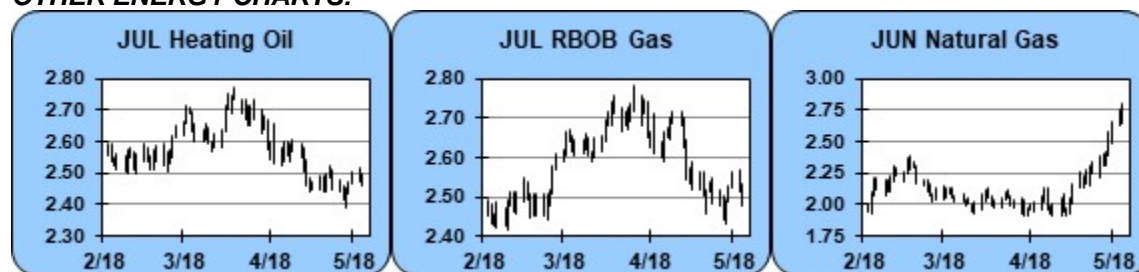
#### **NEW RECOMMENDATIONS:**

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 (JUL) 05/22/2024:** Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. It is a slightly negative indicator that the close was under the swing pivot. The next upside objective is 80.18. The next area of resistance is around 79.41 and 80.18, while 1st support hits today at 77.77 and below there at 76.89.

**HEATING OIL (JUL) 05/22/2024:** Momentum studies are rising from mid-range, which could accelerate 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 close below the 1st swing support could weigh on the market. The near-term upside objective is at 252.13. The next area of resistance is around 250.10 and 252.13, while 1st support hits today at 246.00 and below there at 243.94.

RBOB GAS (JUL) 05/22/2024: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The close below the 9-day moving average is a negative short-term indicator for trend. The market tilt is slightly negative with the close under the pivot. The near-term upside objective is at 255.96. The next area of resistance is around 252.95 and 255.96, while 1st support hits today at 247.37 and below there at 244.79.

NATURAL GAS (JUL) 05/22/2024: Rising stochastics at overbought levels warrant some caution for bulls. A positive signal for trend short-term was given on a close over the 9-bar moving average. The downside closing price reversal on the daily chart is somewhat negative. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next upside objective is 2.996. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 2.904 and 2.996, while 1st support hits today at 2.762 and below there at 2.711.

## 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
<b>ENERGY COMPLEX</b>										
CLAN24	78.59	43.96	43.97	35.86	45.66	79.05	78.58	79.06	81.10	80.21
CLAQ24	78.20	45.36	44.95	36.97	47.74	78.64	78.14	78.57	80.44	79.55
HOAN24	248.05	45.09	42.73	36.85	50.49	2.49	2.47	2.48	2.58	2.58
HOAQ24	249.45	46.05	43.61	37.76	51.87	2.50	2.48	2.50	2.58	2.58
RBAN24	250.16	41.21	41.65	28.40	35.42	2.53	2.51	2.55	2.62	2.60
RBAQ24	247.52	42.79	43.03	31.40	39.91	2.50	2.48	2.51	2.57	2.55
NGAN24	2.833	73.19	69.89	90.03	90.51	2.80	2.67	2.52	2.42	2.43
NGAQ24	2.877	73.63	69.78	89.43	90.58	2.85	2.73	2.61	2.52	2.53

Calculations based on previous session. Data collected 05/21/2024

Data sources can & do produce bad ticks. Verify before use.

## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>ENERGY COMPLEX</b>						
CLAN24	Crude Oil	76.88	77.76	78.53	79.41	80.18
CLAQ24	Crude Oil	76.63	77.43	78.17	78.97	79.70
HOAN24	Heating Oil	243.93	246.00	248.03	250.10	252.13
HOAQ24	Heating Oil	245.43	247.45	249.42	251.44	253.41
RBAN24	RBOB Gas	244.78	247.36	250.37	252.95	255.96
RBAQ24	RBOB Gas	242.58	244.93	247.75	250.10	252.92
NGAN24	Natural Gas	2.710	2.761	2.853	2.904	2.996
NGAQ24	Natural Gas	2.769	2.814	2.895	2.940	3.021

Calculations based on previous session. Data collected 05/21/2024

Data sources can & do produce bad ticks. Verify before use.

\*\*\*This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Opinions expressed are subject to change without notice. Any information or recommendation contained herein: (i) is not based on, or tailored to, the commodity interest or cash market positions or other circumstances or characterizations of particular investors or traders; (ii) is not customized or personalized for any such investor or trader; and (iii) does not take into consideration, among other things, risk tolerance, net worth, or available risk capital. Any use or reliance upon the information or recommendations is at the sole discretion and election of the subscriber. The risk of loss in trading futures contracts or commodity options can be substantial, and traders should carefully consider the inherent risks of such trading in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of Lakefront Futures is strictly prohibited.