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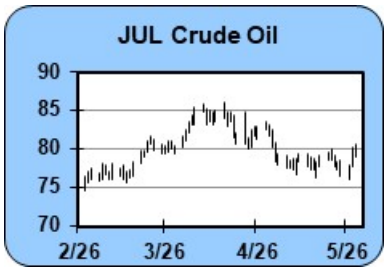
Friday May 31, 2024

DAILY ENERGY COMPLEX COMMENTARY
5/31/2024

The bias in energy markets remains down



OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
CRUDE +5, **HEATING OIL** +79, **UNLEADED GAS** +155

CRUDE OIL MARKET FUNDAMENTALS: We see a negative bias extending in crude oil today from a slight risk off global economic vibe, disappointing Chinese PMI data overnight, and from ongoing weakness in global equity markets. Adding to the bear tilt is news that Japanese April crude oil imports declined by 8.6% on a year over year basis and a 22% rise in weekly Shanghai medium sour crude stockpiles. However, it is possible the market will see sellers discouraged today by the prospect of supportive news from the OPEC+ virtual meeting this weekend. In our opinion, it is very unlikely that production restraint will be expanded with several members already chafing at the restrictions on output. On the other hand, it is possible that a significant extension of restraint into next year could spark renewed tightening fears as efforts to end fossil fuel use will likely lower production outside of OPEC. While the weekly decline did not match the size of the API survey, US EIA crude stocks reached a 5-week low this week as refinery utilization reached its highest level since August and US refinery net input climbed above 17 million bpd for the first time since December 2019. US crude oil production has been stable around the 13.1 million bpd level since March while US crude oil exports have tapered off from their mid-April highs, both of which reflect lukewarm global demand. EIA crude stocks fell 4.156 million barrels and are 4.968 million barrels below year ago levels. Also, crude stocks stand 19.242 million barrels below the five-year average. Crude oil imports for the week stood at 6.769 million barrels per day compared to 6.663 million barrels the previous week.

PRODUCT MARKET FUNDAMENTALS: Both product markets outperformed crude oil to the downside yesterday with RBOB reaching a 3 1/2 month low and ULSD falling to a 4 1/2 month low. Sizable weekly builds in gasoline stocks (to a 9-week high) and distillate stocks (to a 13-week high) were a major source of pressure across the energy complex. Implied gasoline demand and implied distillate demand both had weekly declines that also weighed on product prices. The refinery operating rate was 94.3%, up 2.6% from last week compared to 93.1% last year and the five-year average of 87.0%. EIA gasoline stocks rose 2.022 million barrels and are 12.774 million barrels above last year and 1.854 million below the five-year average. Average total gasoline demand for the past four weeks was down 1.7% compared to last year. Gasoline imports came in at 1.092 million barrels per day compared to 773,000 barrels the previous week. EIA distillate stocks rose 2.544 million barrels and stood at 12.631 million barrels above last year and 6.964 million below the five-year average. Distillate imports came in at 165,000 barrels per day compared to 98,000 barrels the previous week. Average total distillate demand for the past four weeks was down 3.95% compared to last year.

Weekly EIA Petroleum Report							In Million Barrels
CRUDE OIL	Stocks				Imports	Refinery Capacity(%)	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago

5/24/2024	454.689	-4.156	-4.968	473.931	6.769	94.3	
DISTILLATES	**Stocks**				**Imports**	**Demand**	
Week Of	**Current**	**Weekly Change**	**Yearly Change**	**5 Year Average**	**Current**	**Current**	**Year Ago**
5/24/2024	119.288	+2.544	+12.631	126.252		3.795	
GASOLINE	**Stocks**				**Imports**	**Demand**	
Week Of	**Current**	**Weekly Change**	**Yearly Change**	**5 Year Average**	**Current**	**Current**	**Year Ago**
5/24/2024	228.844	+2.022	+12.774	230.698	1.092	9.148	

NATURAL GAS: Natural gas prices extended this week's pullback overnight and have reached a 2-week low with the market pressured by lukewarm demand and rising supply. The EIA's weekly natural gas storage report showed an injection of 84 bcf which was higher than trade forecasts. Total storage stands at 2,795 bcf, or 26.5% above the 5-year average. Over the last four weeks natural gas storage has increased 311 bcf.
Furthermore, US dry gas production remains well below its record highs but has climbed back above the 98 bcf per day level, and that has added to the pressure on natural gas prices this week. US LNG exports have climbed back above the 13 bcf per day level, but that provided little support to the natural gas market. The latest 6 to 10 day outlook has above-normal temperatures on the East Coast, Gulf Coast and Rockies west to the Pacific Coast, and that may ramp up power plant and air conditioning demand over the next few weeks. Unfortunately for the bull camp power to the very critical Freeport LNG export plant in Texas has seen interruptions with capacity yesterday at only 81% which will back up supply in the US. Fortunately for the bull camp Indian LNG imports for May are projected to be the highest since 2020 following a pattern of extreme heat. Near-term resistance for July Gas is $2.60 while support is down at $2.520.

EIA Natural Gas Storage Report Summary

In Billion Cubic Feet

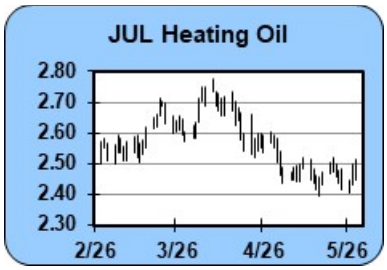
Week Of	Week Change	Total Storage	Change From Last Year	4 Week Combined Weekly Change	Percent Change vs 5 Year Average	Percent Change vs 10 Year Average
5/24/2024	84	2795	380	311	26.5%	

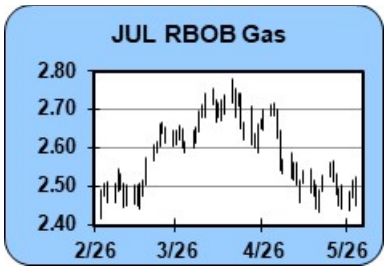
TODAY'S MARKET IDEAS:
We leave the edge with the bear camp going into month-end as demand concerns continue to weigh heavily on sentiment. If global markets shift into a full on "risk off" mood, crude oil and the products could see a wave of month-end long liquidation. Near-term resistance for July crude oil is at $79.25 while support is down at $77.47. Near-term resistance for July RBOB is at $2.4250 with support at $2.3878.

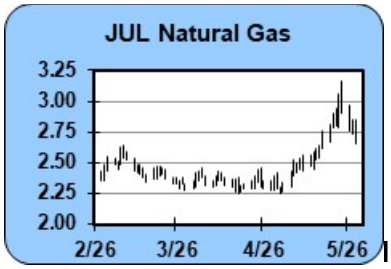
NEW RECOMMENDATIONS:
None.

PREVIOUS RECOMMENDATIONS:
None.

OTHER ENERGY CHARTS:







IICAL OUTLOOK:

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CRUDE OIL (JUL) 05/31/2024: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The intermediate trend has turned down with the cross over back below the 18-day moving average. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next upside target is 79.99. The next area of resistance is around 78.78 and 79.99, while 1st support hits today at 77.00 and below there at 76.42.

HEATING OIL (JUL) 05/31/2024: The moving average crossover down (9 below 18) indicates a possible developing short-term downtrend. The daily stochastics have crossed over down which is a bearish indication. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close below the 9-day moving average is a negative short-term indicator for trend. The close below the 2nd swing support number puts the market on the defensive. The next downside objective is 233.70. The next area of resistance is around 242.23 and 247.26, while 1st support hits today at 235.46 and below there at 233.70.

RBOB GAS (JUL) 05/31/2024: 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. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next downside objective is 234.99. The next area of resistance is around 243.02 and 247.70, while 1st support hits today at 236.66 and below there at 234.99.

NATURAL GAS (JUL) 05/31/2024: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside objective is now at 2.475. The next area of resistance is around 2.627 and 2.715, while 1st support hits today at 2.508 and below there at 2.475.

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										

CLAN24	77.89	43.99	44.20	49.07	51.92	78.67	78.52	78.40	80.81	80.35
CLAQ24	77.52	44.44	44.59	49.62	52.77	78.23	78.09	77.96	80.18	79.72
HOAN24	238.85	32.50	34.75	40.76	32.74	2.44	2.46	2.46	2.55	2.57
HOAQ24	241.01	33.36	35.56	41.50	33.80	2.46	2.47	2.48	2.56	2.57
RBAN24	239.84	31.52	34.76	26.96	20.52	2.46	2.48	2.49	2.60	2.59
RBAQ24	238.57	33.28	36.28	30.87	24.21	2.44	2.46	2.47	2.56	2.55
NGAN24	2.568	42.71	47.79	60.24	41.73	2.71	2.82	2.68	2.48	2.46
NGAQ24	2.645	42.76	47.70	58.18	39.71	2.76	2.86	2.74	2.57	2.55

Calculations based on previous session. Data collected 05/30/2024
Data sources can & do produce bad ticks. Verify before use.

DAILY SWING STATISTICS

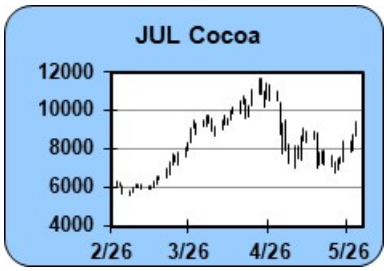
Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
ENERGY COMPLEX						
CLAN24	Crude Oil	76.41	76.99	78.20	78.78	79.99
CLAQ24	Crude Oil	76.15	76.68	77.82	78.35	79.49
HOAN24	Heating Oil	233.70	235.45	240.48	242.23	247.26
HOAQ24	Heating Oil	236.18	237.84	242.52	244.18	248.86
RBAN24	RBOB Gas	234.99	236.66	241.35	243.02	247.70
RBAQ24	RBOB Gas	234.07	235.61	239.99	241.53	245.91
NGAN24	Natural Gas	2.474	2.507	2.594	2.627	2.715
NGAQ24	Natural Gas	2.570	2.598	2.664	2.692	2.758

Calculations based on previous session. Data collected 05/30/2024
Data sources can & do produce bad ticks. Verify before use.

DAILY COCOA COMMENTARY

5/31/2024

Ivory Coast supplies critically low.



With global risk sentiment taking a negative shift, July cocoa may be vulnerable to end of month profit-taking today, but downside may be limited ahead of the ICCO quarterly update, which is due out any day. The market closed above the 50-day moving average for a second day in a row yesterday but settled back on that line overnight. The Ivory Coast Coffee and Cocoa Board has told exporters that the usual 10-cent per kilo discount for the mid-crop will not be offered for deferred contracts. The discount is designed to compensate for tougher grading during the mid-crop season when beans are smaller and more acidic. With the severe supply shortage, roughly 150,000 tonnes of main crop purchases were deferred into the mid-crop production period.

TODAY'S MARKET IDEAS:
We look for rangebound action in the cocoa market, as the May low was probably low enough until the market gets a better handle on mid-crop production, and the April all high was high enough given the chances for improvement with the departure of El Nino. Initial support for July coffee comes in at 9025, followed by 8431. Look for resistance at 8931.

NEW RECOMMENDATIONS:
None.

PREVIOUS RECOMMENDATIONS:
None.

COCOA TECHNICAL OUTLOOK:

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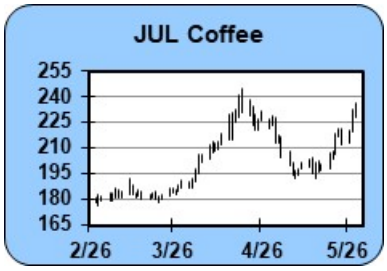
COCOA (JUL) 05/31/2024: The upside crossover (9 above 18) of the moving averages suggests a developing short-term uptrend. Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's close above the 9-day moving average suggests the short-term trend remains positive. The daily closing price reversal down puts the market on the defensive. The close over the pivot swing is a somewhat positive setup. The near-term upside target is at 9775. The next area of resistance is around 9505 and 9775, while 1st support hits today at 9009 and below there at 8784.

DAILY COFFEE COMMENTARY
5/31/2024

USDA expects a 28 million-bag Vietnam robusta crop.



July NY coffee extended this week's rally overnight to trade to its highest level since April 19, but it is slightly lower this morning. London July coffee is also lower after trading to a new contract high overnight. A USDA attache report yesterday projected Vietnam's robusta crop at 27.85 million bags for the 2024/25 marketing year, down from 28.00 million in 2023/24 but up from 27.30 million in 2022/23. This compares to a recent trade house projection of only 24 million bags. USDA raised its estimate for 2023/24 by 1.4 million bags and 2022/23 by 1 million, saying higher prices have encouraged growers to apply better crop care. Indonesia exported 3,946.1 tonnes of robusta beans from the island of Sumatra in April, down 46.4% from the same month last year, according to the trade office in Lampung province. January-April exports are down 69% from last year. Brazil's major Arabica growing regions have mostly dry weather in the forecast through the end of next week. This will help with harvesting, but it could also have a negative impact on late-harvested beans. ICE exchange coffee stocks fell by 2,000 bags yesterday, but they are still more than 126,000 higher for the month.

TODAY'S MARKET IDEAS:
Longs may be tempted to take profits today, especially if they start to focus on USDA's somewhat bearish reports on Vietnam's upcoming crop. End-of-month may play a part as well. If the selling takes hold, we may see a break to 220.00. Look for resistance at 238.90.

NEW RECOMMENDATIONS:
None.

PREVIOUS RECOMMENDATIONS:
None.

COFFEE TECHNICAL OUTLOOK:
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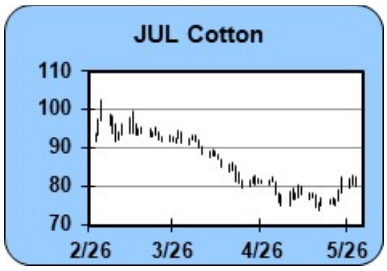
COFFEE (JUL) 05/31/2024: Momentum studies are trending higher but have entered overbought levels. The close above the 9-day moving average is a positive short-term indicator for trend. The daily closing price reversal up on the daily chart is somewhat positive. The market has a slightly positive tilt with the close over the swing pivot. The next upside target is 241.68. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 237.97 and 241.68, while 1st support hits today at 228.03 and below there at 221.79.

DAILY COTTON COMMENTARY
5/31/2024

US crop prospects look good, but it's early.



In the past four sessions, July cotton has given up more than half of its gains from earlier this month when it bounced off 18-month lows. The prompt arrival of the Indian monsoon points to better crops this year, and although it is still early in season, US crop conditions are strong. The US drought monitor indicated that only 5% of US cotton production was in an area experiencing drought as of May 28, down from 6% the previous week, 28% a year ago, and 51% two years ago. The market may need a strong export sales report today to reverse this week's pullback. Last week's report showed net sales of 250,805 bales for the week ending May 16 versus a four-week average of 273,051. The May lows could hold until the US crop gets further along. The USDA Acreage report on June 30 could be a major decision point.

TODAY'S MARKET IDEAS:
The cotton market may have difficulty pressing too much lower until it gets a better idea on plantings and the crop is further along. Round number support for July cotton comes in at 75.00, with resistance at 81.90.

NEW RECOMMENDATIONS:
None.

PREVIOUS RECOMMENDATIONS:
None.

COTTON TECHNICAL OUTLOOK:

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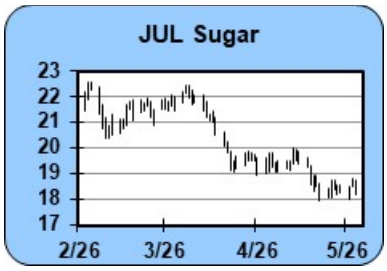
COTTON (JUL) 05/31/2024: The close below the 40-day moving average is an indication the longer-term trend has turned down. The daily stochastics have crossed over down which is a bearish indication. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. The market is in a bearish position with the close below the 2nd swing support number. The next downside objective is now at 73.77. The next area of resistance is around 80.23 and 83.68, while 1st support hits today at 75.28 and below there at 73.77.

COTTON (DEC) 05/31/2024: The close below the 40-day moving average is an indication the longer-term trend has turned down. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. A negative signal for trend short-term was given on a close under the 9-bar moving average. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The near-term upside objective is at 79.62. The next area of resistance is around 77.94 and 79.62, while 1st support hits today at 75.08 and below there at 73.89.

DAILY SUGAR COMMENTARY

5/31/2024

UNICA report could spark a breakout.



The UNICA Brazil sugar production report for the first half of May is scheduled to be released today, and it could be the key driving force for the market. The 2024/25 marketing year officially began on April 1, and so far, Brazil Center South production has gotten off to a strong start. As of May 1, cumulative production was 66% ahead of last year. Second-half April production was 84% higher. A pre-report survey of analysts conducted by S&P Global called for a more modest 6.3% gain for the first half of May. A low number could inspire short covering after the recent decline in July sugar to its lowest level in 14 months, while another high number could spark a resumption of the downtrend. Dry weather earlier this season is expected to pull yields down, eventually. Monsoon rains hit the coast of India's state of Karala on Thursday, two days earlier than expected. Monsoon rainfall is expected to be 106% of the long-term average this year, which should support cane yields next fall. Ukraine said it will ban sugar exports to the EU for the remainder of the year because their quota has been met.

TODAY'S MARKET IDEAS:
Eyes will be on the Unica report today, and another strong showing could spark a resumption of the downtrend, while a low number could support short covering. A move below 17.95 in July sugar would leave a downside target of 16.94, and a move above 18.96 would leave an upside target of 19.97.

NEW RECOMMENDATIONS:
None.

PREVIOUS RECOMMENDATIONS:
Long an August sugar 20.00/23.00 bull call spread at 0.32 with an objective of 2.50. *Exit the position at the market.

SUGAR TECHNICAL OUTLOOK:

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SUGAR (JUL) 05/31/2024: A bearish signal was triggered on a crossover down in the daily stochastics. Daily stochastics are trending lower but have declined into oversold territory. The market's short-term trend is negative as the close remains below the 9-day moving average. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is 18.01. The next area of resistance is around 18.30 and 18.44, while 1st support hits today at 18.08 and below there at 18.01.