The bias is up but the bulls need positive restart news flow

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
CRUDE +86, HEATING OIL +63, UNLEADED GAS +133

CRUDE OIL MARKET FUNDAMENTALS: The energy complex appears to be "an energizer bunny" with prices making another new high for the move this morning in the face of a rise in API crude oil inventories of 8.4 million barrels yesterday afternoon. However the markets this morning are seeing a measure of economic optimism from equities, from the reopening of Shanghai Disney and from more and more regions restarting activity. While not a significant reading, it should be noted that Amsterdam Rotterdam and Antwerp crude storage on the week declined by 1% which tempers the fear of "tank top" and could be seen as a very minimal sign of improved demand. Furthermore declining tanker rates on all major global routes posted another day of declines yesterday which also tempers "tank top" fears. Unfortunately the European declining supply news is more than offset by a 3.4% rise in weekly Singapore fuel stockpiles and by fears that today's EIA data will post a larger than expected jump in crude oil inventories. Obviously broadening restart activity is pulling up demand views and therefore the daily surplus is probably coming down fast and is accentuated by reports that Saudi crude oil exports this month are likely to be only 6 million barrels per day and at the lowest level in a decade! In short, both supply and demand fundamentals are moving in favor of the bull camp even if the current daily supply/demand condition remains in a very troublesome condition. After all the job of the futures markets is to look forward into the future and the peak bear case in fundamentals has probably past and the April lows are likely to be major lows. After the close, the API showed a weekly increase in US crude oil stocks of 8.4 million barrels which was above trade forecasts. In retrospect, news of a sharp decline in Saudi exports is a major shift in global supply figures especially if the Saudis establish a pattern of decade low exports as that could clean up the oversupply quicker than many would have expected. While the trade was not expecting the Texas Railway Commission to implement production cuts, the commission officially decided not to mandate oil cuts for Texas producers.

PRODUCT MARKET FUNDAMENTALS: Like the crude oil market, both product markets have also forged fresh higher highs for the move this morning and appear to have settled into upward trends. Holding back the initial gains today is word that Singapore weekly fuel stockpiles increased by 3.4% and but also by the potential for a slight uptick in the US refinery operating rate from the EIA later this morning. In addition to a reduction of output at a Port Arthur, Texas refinery, the gasoline market continues to see evidence of economic restart from a growing list of different geographical areas and that should escalate demand. In fact, the most significant bullish driving force for RBOB prices is a forecast this week predicting a record US gasoline season ahead. Apparently the record season demand forecast sees a noted expansion in business travel by car, obviously at the expense of air travel. It goes without saying that the record gasoline demand season prediction will require steady and uninterrupted expansion of restart activities. With the gasoline market short-term overbought from a technical perspective, it will be important for the bull camp to see a smaller than expected EIA gasoline stocks reading, an uptick in implied gasoline demand figures and smaller than expected expansion of US refinery activity. A Reuter's survey suggested that US gasoline stocks at the EIA would build by less than 500,000 barrels. The API survey showed a decline in US gasoline supply of 2.2 million barrels that was in contrast to market expectations for a modest weekly increase. However, the API survey also showed a weekly increase in US distillate stocks of 6.1 million barrels which was more than double trade forecasts. The bias is up in RBOB with a likely return to $1.00,
but the RSI has now risen to the highest level since December 27th and key support at $0.8790 in the June contract must hold to avoid a noted profit-taking setback.

Weekly EIA Petroleum Estimates - Week Ending 5/1/2020 - In Million Barrels

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<th>Low Estimate</th>
<th>Stocks Last Week</th>
<th>Stocks Change Last Week</th>
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<td>259.6</td>
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**NATURAL GAS:** As in the crude oil market, the action in the natural gas market this week has been astounding. In fact the July natural gas contract soared above the 200-day moving average which for many indicates a major turn up in the trend. In the near term, the 200 day moving average at $2.2420 could become a critical support/pivot point with the natural gas market heavily dependent on forward progress of widespread economic restarts without a definitively negative infection development. As in the petroleum markets, the gas trade is clearly embracing the idea that US shale oil production is coming down fast and that in turn will drag down US gas production. Even late season cool temperatures in the US are serving to boost demand hopes slightly which in turn have been boosted by ideas that electric generating demand for gas will rise in sync with restart activity. While we suspect the natural gas market has seen its net spec and fund short of 26,362 contracts brought down aggressively by the recent rally, we can't rule out further short covering buying ahead after a slight corrective balancing today. Expectations for this week's natural gas storage report from Reuters pegs a build of just under 100 BCF to as high as 112 BCF. While we think the trend has shifted up in the natural gas market with yesterday's charge through the 200 day moving average, the market is significantly short-term overbought from a 4 day low to high rally of $0.31!

**TODAY’S MARKET IDEAS:**
It is likely that crude oil and gasoline will continue to re-inflate as the market embraces growing hopes of a steady improvement in global energy demand. While we see gasoline as the primary leadership market, short-term technical indicators in both crude oil and ULSD are not as overbought as gasoline heading into the 3rd trading session of the week. Unfortunately, we suspect the markets will see a bit of two-sided volatility and temporary corrective action through this week's EIA inventory data and through the US jobs data. However, from a bigger picture perspective, the July crude oil contract yesterday climbed above a 5 month old downtrend channel resistance line and for some that shifts the trend to the upside.

**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
CRUDE OIL (JUN) 05/06/2020: The major trend could be turning up with the close back above the 40-day moving average. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. Since the close was above the 2nd swing resistance number, the market’s posture is bullish and could see more upside follow-through early in the session. The next upside target is 27.50. The next area of resistance is around 26.43 and 27.50, while 1st support hits today at 22.71 and below there at 20.06.

HEATING OIL (JUN) 05/06/2020: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The cross over and close above the 18-day moving average is an indication the intermediate-term trend has turned positive. The market has a bullish tilt coming into today’s trade with the close above the 2nd swing resistance. The next upside target is 96.33. The next area of resistance is around 94.00 and 96.33, while 1st support hits today at 85.70 and below there at 79.72.

RBOB GAS (JUN) 05/06/2020: The upside crossover (9 above 18) of the moving averages suggests a developing short-term uptrend. 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. A positive setup occurred with the close over the 1st swing resistance. The next upside target is 96.44. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 94.14 and 96.44, while 1st support hits today at 86.28 and below there at 80.71.

NATURAL GAS (JUN) 05/06/2020: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market’s close above the 9-day moving average suggests the short-term trend remains positive. Since the close was above the 2nd swing resistance number, the market’s posture is bullish and could see more upside follow-through early in the session. The next upside target is 2.262. The next area of resistance is around 2.182 and 2.262, while 1st support hits today at 2.002 and below there at 1.901.

DAILY TECHNICAL STATISTICS

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<th>9 DAY RSI</th>
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Calculations based on previous session. Data collected 05/05/2020
Data sources can & do produce bad ticks. Verify before use.

DAILY SWING STATISTICS

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DAILY COCOA COMMENTARY
05/06/20

Weak action as demand tone still sluggish; 2313 support

Cocoa prices have failed to climb above last Friday's high this week and continues to face near-term demand concerns. Supply issues remain a source of strength, however, and should help to keep cocoa well supported on near-term pullbacks. Sizable gains by European and US stock were a source of carryover support, but they were more than offset by a significant pullback in the Eurocurrency. Euro zone grinders account for more than 30% of all global cocoa processing and need to import all of their cocoa beans. As a result, currency weakness will have a negative impact on acquiring near-term cocoa supplies. There are reports that at least 30,000 tonnes of Nigerian cocoa exports have been delayed by coronavirus restrictions, as that follows reports earlier this week that Ecuador's cocoa exports may decline more than 4,000 tonnes each during April and May. Ivory Coast cocoa bean exports during the first half of the 2019/20 season were ahead of last season's pace, but there have been supply bottlenecks in the major port city of Abidjan, while news that their Prime Minister has flown to France for medical exams could fuel additional supply anxiety.

TODAY’S MARKET IDEAS:
Ivory Coast and Ghana are showing signs of lower production this season, so the bottlenecks with Ecuadorian and Nigerian exports may create some near-term supply issues. With Asian demand starting to improve as their coronavirus restrictions are lifted, cocoa has a good chance of holding support. Near-term support for July cocoa comes in at 2313, with 2408 and 2482 as resistance.

NEW RECOMMENDATIONS:
None.

PREVIOUS RECOMMENDATIONS:
Long the July Cocoa 2300 call and short the July 2600 call and short the July 2000 put for a net premium paid of +30 points. Use an objective of +195 points on the three-way spread and risk a total of 40 points from entry.

COCOA TECHNICAL OUTLOOK:
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COCOA (JUL) 05/06/2020: Rising stochastics at overbought levels warrant some caution for bulls. The market's short-term trend is positive on the close above the 9-day moving average. The downside closing price reversal on the daily chart is somewhat negative. The market tilt is slightly negative with the close under the pivot. The near-term upside objective is at 2443. The next area of resistance is around 2407 and 2443, while 1st support hits today at 2349 and below there at 2327.

DAILY COFFEE COMMENTARY
05/06/20

Impressive bounce off low from oversold

Coffee has been pressured by a significant drop in global demand, a potentially record high Brazilian crop and sluggish producer currencies as it has been unable to lift decisively clear of its 2020 lows. July coffee built on early strength as it broke out of its recent consolidation zone and reached a 1 1/2 week high. While the Brazilian currency lost ground, that pressure was offset by a sizable 1.6% rally in the Colombian Peso. The International Coffee Organization (ICO)
adjusted their forecast to the 2019/20 season from a global production deficit of 474,000 to a global production surplus of 1.95 million bags. The ICO kept their global production estimate unchanged at 168.01 million bags (down 1.8% from the 2018/19 season) with global consumption cut to 166.06 million which is still up 0.5% from the 2018/19 season. The ICO also pegged March global coffee exports at 11.06 million bags which were down 3.7% from last year. ICE exchange coffee stocks fell by 12,024 bags on Tuesday and reached a new multi-year low.

**TODAY'S MARKET IDEAS:**
While the ICO forecast may be bearish at first glance, the decline in consumption could have been worse and may reflect some optimism that demand will rebound during the third quarter. Near-term support for July coffee is at 107.50 while resistance is up at 113.20.

**NEW RECOMMENDATIONS:**
None.

**PREVIOUS RECOMMENDATIONS:**
None.

**COFFEE TECHNICAL OUTLOOK:**
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COFFEE (JUL) 05/06/2020: Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. The market's close above the 9-day moving average suggests the short-term trend remains positive. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The near-term upside target is at 113.95. The next area of resistance is around 112.75 and 113.95, while 1st support hits today at 108.55 and below there at 105.55.

**DAILY COTTON COMMENTARY 05/06/20**

Showing relative weakness and demand tone weak

The second close below the uptrend channel off of the April lows turns the chart pattern more negative, and suggests a more significant corrective break. Weakness came in spite of strength in the stock market and a further recovery in the energy markets. July cotton closed lower for the third straight session yesterday and traded to its lowest level since April 22nd. The market is still showing concern that the recent escalation in rhetoric about China's role in the spread of the coronavirus may jeopardize their purchases of US cotton. Prior to this week, traders had been optimistic that China would be buying 1 million tonnes of US cotton (4.6 million bales) as part of the Phase 1 trade agreement. The bankruptcy filing by J. Crew points to the difficulty that clothing retailers find themselves in due to social distancing, and it reminds traders of how cotton demand is being damaged. Traders are hoping this situation will improve as states start to open up their economies. ICE certified stocks fell to 3,579 bales on May 4, down from 3,727 the previous session and the lowest since April 22.

**TODAY'S MARKET IDEAS:**
Short term resistance for July cotton comes in at 54.22 and 54.44, with 51.91 as next support. If support fails to hold, the market looks vulnerable to test the April lows.

**NEW RECOMMENDATIONS:**
None.
**PREVIOUS RECOMMENDATIONS:**

None.

**COTTON TECHNICAL OUTLOOK:**

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COTTON (JUL) 05/06/2020: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market's short-term trend is negative as the close remains below the 9-day moving average. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is 52.12. The next area of resistance is around 54.51 and 55.85, while 1st support hits today at 52.65 and below there at 52.12.

COTTON (DEC) 05/06/2020: 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 close below the 1st swing support could weigh on the market. The next downside objective is now at 54.12. The next area of resistance is around 56.25 and 57.45, while 1st support hits today at 54.59 and below there at 54.12.

**DAILY SUGAR COMMENTARY 05/06/20**

Recovery in crude prices eases supply fears

Sugar has seen coiling price action this week, but the market remains well clear of its late April contract lows as it may be finding some relief from bearish supply developments. Sugar's main source of strength came from a huge rally in energy prices that were highlighted by more than $4.00 gain in crude oil, which more than offset a pullback in the Brazilian currency. The energy markets have climbed far above their late April lows, and that eases pressure on Brazil's Center-South mills to produce more sugar instead of ethanol. The Brazilian government agency Conab forecast their 2020/21 national sugar production at 35.3 million tonnes which would be an 18.5% increase over their 2019/20 output total of 29.8 million. Conab also forecast Brazil's 2020/21 cane crop at 630.7 million tonnes (down 1.9%) with 2020/21 ethanol production coming in at 32 billion liters (down 10.3%) as mills are expected to increase sugar's share of crushing from 34.9% to 42.4%. The USDA forecast 2020/21 EU sugar production at 17.68 million tonnes, and that compares with 17.25 million during the 2019/20 season.

**TODAY'S MARKET IDEAS:**

While Conab's forecast for sugar's share of crushing is lower than many trade estimates, it may reflect expectations for a rebound in energy prices that will strengthen demand. Near-term support for July sugar is at 10.42 while resistance is up at 11.46.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**SUGAR TECHNICAL OUTLOOK:**

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SUGAR (JUL) 05/06/2020: The major trend could be turning up with the close back above the 40-day moving
average. Momentum studies are trending higher but have entered overbought levels. The market's close above the 9-day moving average suggests the short-term trend remains positive. Market positioning is positive with the close over the 1st swing resistance. The next upside target is 11.18. The next area of resistance is around 11.02 and 11.18, while 1st support hits today at 10.54 and below there at 10.21.

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