DAILY ENERGY COMPLEX COMMENTARY
04/03/20

10 million barrel reduction will not offset demand losses

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
CRUDE +125, HEATING OIL +518, UNLEADED GAS +345

CRUDE OIL MARKET FUNDAMENTALS: Certainly yesterday's historic rally was justified by the prospect of a major shift in supply fundamentals from ideas that a very large amount of oil could be removed from the world market following a conference call among major world oil producers on Monday. However as indicated by Brian Sullivan on CNBC there will not be enough oil removed from the world equation to offset the magnitude of demand destruction without concerted output cuts from the US. The President has indicated a 10 million barrel reduction figure from major non-US producers might be seen but that would not seem to offset the worst case demand destruction estimates hovering in the 14 million to 15 million barrel per day range. However until the final tally is known it would appear as if prices are set to hold near $30 in June crude but in the near term we see the risk to longs at current levels to be higher than the risk to fresh shorts. On the other hand it would not be surprising to see oil prices make further gains off production cut promises from US producers even if the production cuts would have been seen because of economic reality. In short we doubt this week's gains will hold especially if US payrolls shift global equities into a noted downward gear again.

PRODUCT MARKET FUNDAMENTALS: RBOB charged higher in sync with crude yesterday as the overwhelming threat of crushing crude supply has been tempered for the time being. Unfortunately, to remove bear market status will require some light at the end of the tunnel on the demand side of the equation with the removal of very large amounts of crude oil or from some positive shift in virus headlines. In fact it should be noted that California fuel sales in Cities declined by 60% as of March 27th. On the other hand, last week's 5% decline in the refinery operating rate does offer some hope that refiners will be able to keep supplies from exploding upward which in turn could mean summer driving demand will still be capable of supporting prices. However if the lockdown continues into the 2nd half of May exploding gas inventories will probably not be avoided. Unlike crude oil, the rally in gasoline yesterday was not accompanied by a noted uptick in trading volume or open interest and that could make the gains less sustainable. In the ULSD market, the flare on the upside yesterday was also massive but ultimately the market failed to hold the majority of the rally. In fact, June ULSD at times fell back by $0.10 from its highs as if it is set to remain glued to the one dollar level.

NATURAL GAS: The natural gas market ranged down into new contract lows as supply fundamentals continue to overwhelm demand. In fact, this week's inventory report posted a minimal withdrawal of 19 BCF which in turn pushed the surplus 25 year average inventory level up to 17.2%. Adding into the negative environment is a forecast from Goldman that US gas exports will remain "Uneconomic" for the whole summer! While the market is becoming technically oversold again, the last positioning report showed the net spec and fund short to have been reduced dramatically from levels seen one month ago. Therefore, gas might be short-term oversold on classic chart measures but from a spec positioning perspective, the market retains selling fuel. Unfortunately for the bull camp, the US weather forecast out to the middle of April shows half the country normal to above normal with the western half of the country showing only an isolated pocket of much below normal temperatures. Therefore, it is difficult to take control away from the bear camp without a noted shift into a major big picture risk on environment.
The weekly natural gas storage report showed a draw of 19 bcf. Total storage stands at 1,986 bcf or 17.2% above the 5 year average. Over the last four weeks, natural gas storage has declined 105 bcf.

**EIA Natural Gas Storage Report Summary**

<table>
<thead>
<tr>
<th>Week Of</th>
<th>Week Change</th>
<th>Total Storage</th>
<th>Change From Last Year</th>
<th>4 Week Combined Weekly Change</th>
<th>Percent Change vs 5 Year Average</th>
<th>Percent Change vs 10 Year Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>3/27/2020</td>
<td>-19</td>
<td>1986</td>
<td>863</td>
<td>-105</td>
<td>17.2%</td>
<td>18.8%</td>
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**TODAY’S MARKET IDEAS:**

It is premature to suggest the bear market has come to an end, but a pause in the selling is likely with major oil producers creating some doubt in the minds of the sellers. Unfortunately, the threat of demand destruction lives on and resistance should continue to hang heavy over the top of crude oil and gasoline. In fact, it would be surprising to see crude oil and gasoline traverse through the US nonfarm payroll report without some measure of liquidation selling, especially following the massive Thursday flare up.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

**OTHER ENERGY CHARTS:**

**ENERGY COMPLEX TECHNICAL OUTLOOK:**

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**CRUDE OIL (MAY) 04/03/2020:** A bullish signal was given with an upside crossover of the daily stochastics. The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The market's short-term trend is positive on the close above the 9-day moving average. 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 31.18. The next area of resistance is around 28.34 and 31.18, while 1st support hits today at 21.72 and below there at 17.93.

**HEATING OIL (MAY) 04/03/2020:** Momentum studies are declining, but have fallen to oversold levels. The market's close below the 9-day moving average is a negative short-term trend remains negative. The market setup is supportive for early gains with the close over the 1st swing resistance. The next downside target is 81.84. The next area of resistance is around 109.89 and 121.88, while 1st support hits today at 89.88 and below there at 81.84.

**RBOB GAS (MAY) 04/03/2020:** Daily momentum studies are on the rise from low levels and should accelerate a move higher on a push through the 1st swing resistance. The close above the 9-day moving average is a positive short-term indicator for trend. 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 objective is 85.24. The next area of resistance is around 75.71 and 85.24, while 1st support hits today at 56.69 and below there at 47.19.
NATURAL GAS (MAY) 04/03/2020: The market made a new contract low on the break. 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. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is 1.458. The 9-day RSI under 30 indicates the market is approaching oversold levels. The next area of resistance is around 1.600 and 1.663, while 1st support hits today at 1.498 and below there at 1.458.

**DAILY TECHNICAL STATISTICS**

<table>
<thead>
<tr>
<th>ENERGY COMPLEX</th>
<th>CLAK20</th>
<th>CLAM20</th>
<th>HOAK20</th>
<th>HOAM20</th>
<th>RBK20</th>
<th>RBAM20</th>
<th>NGK20</th>
<th>NGAM20</th>
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<tr>
<td>CLOSE</td>
<td>25.03</td>
<td>27.63</td>
<td>99.89</td>
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<td>72.03</td>
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<td>14 DAY SLOW STOCH D</td>
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<td>33.47</td>
<td>34.80</td>
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<tr>
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<td>4 DAY M AVG</td>
<td>17.54</td>
<td>27.00</td>
<td>19.36</td>
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<td>22.77</td>
<td>24.68</td>
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<td>1.25</td>
<td>1.26</td>
<td>1.83</td>
<td>1.91</td>
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Calculations based on previous session. Data collected 04/02/2020
Data sources can & do produce bad ticks. Verify before use.

**DAILY SWING STATISTICS**

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<th>Pivot</th>
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<td>NGK20</td>
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<td>1.683</td>
<td>1.717</td>
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**DAILY COCOA COMMENTARY 04/03/20**

Asia demand may recover 1st and help ease demand concerns

While cocoa's near-term demand issues are not going away anytime soon, a rebound in global risk sentiment has helped to soothe those concerns for now. Cocoa is now on-track for a second positive weekly result in a row and may be setting up for an extended recovery move. The buying was impressive as the market experienced the highest close since March 17th. Strong gains in US stocks and moderate gains in European equity markets provided cocoa with carryover support as they reflect optimism that cocoa demand will improve by the end of the second quarter. China is already coming back on-line after their coronavirus shutdowns, and that should benefit Asian demand which has been the engine for global cocoa demand growth and had its 5 highest quarterly grindings totals occur during the past five quarters. As a result, this was able to offset this week's sizable pullback in the Eurocurrency that will impact the ability of Euro zone grinders to acquire near-term cocoa bean supply. Cameroon's cocoa exports last month fell by 48% from last year's total and while they are later in their growing season, this was due to sectarian violence in growing areas and smuggling of cocoa beans into neighboring Nigeria. West African growing areas are expected to see daily rainfall starting early next week as the

[Graph of MAY Cocoa]
region finishes its "dry season".

**TODAY'S MARKET IDEAS:**
Fears of a deepening recession have helped to pressure the market in recent weeks as the selloff left the market in a technically oversold condition, so cocoa could see short covering ahead. July cocoa close in support is at 2251, with 2365 as initial 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 (MAY) 04/03/2020: Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. A positive signal for trend short-term was given on a close over the 9-bar moving average. 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 2332. The next area of resistance is around 2315 and 2332, while 1st support hits today at 2255 and below there at 2212.

**DAILY COFFEE COMMENTARY**
*

**Buyers are a little more active; turn up in outsides?**

A volatile uptrend looks to continue. Coffee prices have stayed within a 6.75 cent trading range so far this week which would be the smallest weekly range since early February. While the market is far below last week's 3-month high, coffee remains on-track for a positive weekly result and will benefit further if global risk sentiment continues to mend. A rebound in global equity markets gave a boost to coffee's demand outlook, and that helped to offset pressure from another new record low in the Brazilian currency. Coffee prices were able to withstand headwinds from reports that the Chinese firm Luckin Coffee had inflated their 2019 sales figures as that would cast a shadow over China's demand growth outlook. The International Coffee Organization said that February global coffee exports came in at 11.11 million bags which was up 2.6% from last year's total. However, October through February exports came in at 50.97 million bags which was 3.45% behind last season's pace. Honduras coffee exports last month were 7.1% below last year's total which is more evidence of lower Central American output this season. ICE exchange coffee stocks fell by 275 bags on Thursday to reach a new multi-year low and while there are more than 44,000 bags waiting to be graded in Antwerp, ICE exchange stocks would stay under 2 million bags when they are graded.

**TODAY'S MARKET IDEAS:**
Continued tightening of deliverables stocks plus ideas that end-user buyers will store a little "extra" inventory than normal has helped to provide strong underlying support. Outside market forces have a bullish tilt and are adding to the positive tone. Close in support for July coffee is at 117.95 with 123.80 as next resistance. At this point, don't rule out a rally all the way to 134.20.

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

COFFEE TECHNICAL OUTLOOK:
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COFFEE (MAY) 04/03/2020: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market's close below the 9-day moving average is an indication the short-term trend remains negative. A positive setup occurred with the close over the 1st swing resistance. The next downside objective is now at 115.35. The next area of resistance is around 121.10 and 122.35, while 1st support hits today at 117.60 and below there at 115.35.

DAILY COTTON COMMENTARY
04/03/20

In position to bounce with stock market; oversold

A sharp rally in crude oil and a higher stock market lent support to the cotton market as May cotton closed sharply higher yesterday. US cotton export sales for the week ending March 26 came in at 147,500 bales for the current marketing year and 111,400 for the next marketing year for a total of 258,900. This was the lowest weekly total for the current marketing year since December 19. This may feed ideas that the coronavirus is starting to eat into export demand. In addition, traders remain fearful that some of the sales on the books will be re-negotiated and cancelled. Cumulative sales have reached 15.292 million bales, which is the highest total for this time of year back to at least 2008. Sales have reached 99.7% of the USDA forecast for the marketing year versus a 5 year average of 93.3%. The largest buyers for the current marketing year this week were Vietnam at 77,546 bales, China at 24,488, South Korea at 14,970 and Japan at 14,029. Turkey bought 11,200 for the current marketing year and 36,080 for 2020/21 for a total of 47,280. The countries with largest commitments for 2019/20 are Vietnam at 3.415 million bales, China at 2.300 million, Pakistan at 2.145 million, Turkey at 1.749 million, and Bangladesh at 1.200 million. ICE warehouse stocks were unchanged for the sixth session in a row on April 1st at 28,446 tonnes.

TODAY’S MARKET IDEAS:
July cotton close-in support is at 48.26 and technical indicators are extremely oversold. The market is in position to follow the stock market. Chart resistance for July cotton is at 52.11 and downtrend channel resistance is at 54.53 today.

NEW RECOMMENDATIONS:
None.

PREVIOUS RECOMMENDATIONS:
Long December cotton 55.00 call/short the December cotton 63.00 call and short the December cotton 46.00 put from a net premium paid of 56 points. Use an objective of +460 points on the three-way spread and risk a total of 120 points from entry.

COTTON TECHNICAL OUTLOOK:
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COTTON (MAY) 04/03/2020: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's short-term trend is negative as the close remains below the 9-day moving average. The market setup is supportive for early gains with the close over the 1st swing resistance. The next downside target is 47.11. Some caution in pressing the downside is warranted with the RSI under 30.
The next area of resistance is around 51.44 and 52.91, while 1st support hits today at 48.54 and below there at 47.11.

COTTON (JUL) 04/03/2020: Momentum studies are declining, but have fallen to oversold levels. The close below the 9-day moving average is a negative short-term indicator for trend. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next downside objective is 46.91. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 51.16 and 52.50, while 1st support hits today at 48.36 and below there at 46.91.

DAILY SUGAR COMMENTARY
04/03/20

Brazil production increase may not be as much as feared

The market needed a "game-changer" to avoid sliding down into single-digit price territory and the catalyst for sugar's turnaround was a tweet by President Trump saying that he expects Saudi Arabia and Russia to cut 10 million barrels per day of crude oil production. While there is some skepticism over yesterday's developments, the prospect of stronger energy prices may help sugar prices to lift clear of Wednesday's contract low. While plenty of details still need to be worked out, crude oil and gasoline prices finished Thursday far above their recent lows. Center-South mills are still likely to increase sugar's share of crushing this season due in part to lower ethanol demand and a Brazilian currency that reached another new record low on Thursday, but a longer-term recovery for energy prices can dial back the size of that increase which in turn will decrease overall sugar production. Egypt tendered for 100,000 tonnes of Brazilian sugar as that nation is building up their strategic reserves of commodities to a 6 month supply. The USDA has increased the US 2020 fiscal year tariff-rate import quota for raw sugar imports by 28.4% and for refined sugar imports by 94.5%. Some traders see the sharp break from the February high of 15.09 to the April low of 10.05 as pricing in much of the bearish energy news, so a sustained recovery in crude oil prices should take sugar well clear of its recent lows.

TODAY'S MARKET IDEAS:
While a positive weekly result remains unlikely, sugar may be able to sustain upside momentum if global risk sentiment continues to improve. Close-in support for July sugar moves up to 10.21, with 10.95 and 11.37 as resistance.

NEW RECOMMENDATIONS:
None.

PREVIOUS RECOMMENDATIONS:
None.

SUGAR TECHNICAL OUTLOOK:
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SUGAR (MAY) 04/03/2020: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The close below the 9-day moving average is a negative short-term indicator for trend. The market setup is supportive for early gains with the close over the 1st swing resistance. The next downside objective is 9.57. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 10.69 and 11.18, while 1st support hits today at 9.89 and below there at 9.57.

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