Energy Brief

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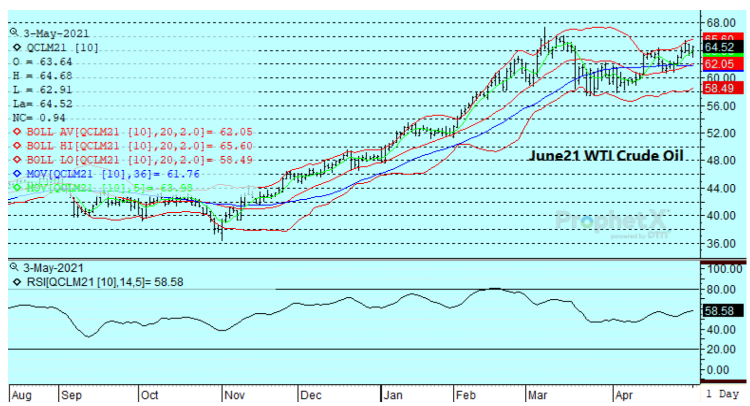
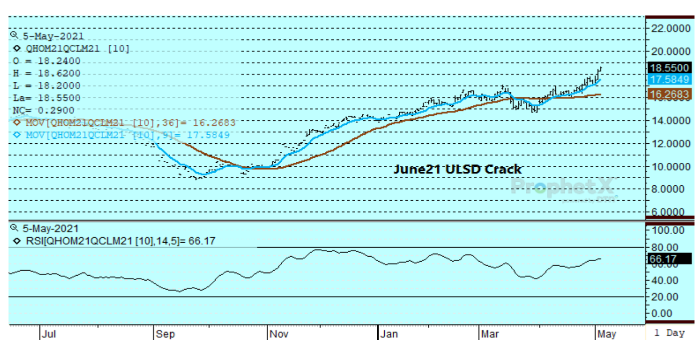
Price Overview



The petroleum complex failed to follow through on strength linked to a bullishly construed inventory report. Instead, good resistance built near the 67.00 area basis June on active profit taking late in the session. The weakness appeared to reflect caution amid the high infection rates in India. Good buying interest had developed early in the day in response to the API and DOE reports, which helped garner ideas that inventories were moving lower. Additional support was evident from optimism with respect to demand recovering in the US and Europe. The increase in economic activity looks to be accelerating into summer as driving picks up, people return to work and vacation travel accelerates following the easing of lockdowns.



The DOE report showed a sharper than expected decline in commercial crude inventories of 8 mb, compared to expectations of 2.2. Gasoline stocks increased by .7 mb while distillates were off by 2.9. Total stocks including products fell by 5.6 mb. Domestic crude production languished at 10.9 mb/d, compared to 12.1 last year. Refinery utilization increased to 86.5 percent compared to 85.4 in the prior week and 70.5 last year. Net crude imports fell by 2.8 mb/d as exports surged to 4.1 mb/d, the highest level since March 2020. The decline in distillate inventories along with impressive disappearance due to the expansion in freight and construction activity continues to underpin the 2 oil crack, with values gaining today in response to the decline in distillate stocks.

Resistance in crude rests near 67.00 basis June, with support down near 62.00. Reports of progress in the Nuclear negotiations with Iran along with additional supplies coming to market by OPEC+ in May and news that the force majeure is being lifted by Libya should provide overhead resistance.

Natural Gas

Prices have recoiled from two attempts at cracking the 3 dollar level basis June. The recent rally peaked early yesterday at 3.001, and another run today topped out at 2.991 before failing, with the market ending the day 3 cents lower at 2.938. Fundamental factors have remained mostly unchanged, with cooler temperatures expected into mid-month supporting slightly improved demand hopes, while LNG flows and production show some inconsistencies due to seasonal maintenance. Tomorrow's storage report is estimated to show a build of 64 bcf, which compares to the 5 year average increase of 81. The past few releases have brought some decent price volatility, so any surprises likely push us out of our recent range. The 2.80 to 2.85 area should hold the bottom on a higher than expected number, while the February high at 3.082 is likely the most we can expect from the June on a lower than expected build.

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