



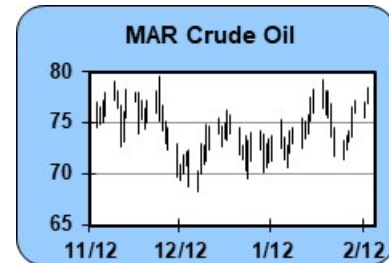
DAILY ENERGY COMPLEX COMMENTARY Wednesday February 14, 2024

DAILY ENERGY COMPLEX COMMENTARY 2/14/2024

Petroleum significantly overbought but the bulls retain control

**OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
CRUDE +4, HEATING OIL +32, UNLEADED GAS -34**

CRUDE OIL MARKET FUNDAMENTALS: The ability to hold yesterday's upside extension in the face of a dramatic 8.5-million-barrel increase in API crude oil stocks, and in the face of expectations a weekly increase in EIA crude oil stocks of 2.6 million barrels highlights residual bullish control. After the close, the API survey said that US crude oil stocks had a weekly increase of 8.52 million barrels which was a much larger increase than trade forecasts. The ability for March crude oil to hold above the \$77.00 level in the face of the much larger than expected inflow to API crude oil stocks yesterday is made more impressive by overnight news that crude oil storage in ARA facilities increased by 5.1% last week. Furthermore, ongoing strength in the US dollar, delayed US rate cut timing, and lingering doubt over positive 2024 OPEC global oil demand projections should dramatically increase overhead resistance in March crude oil at the \$78.16 level. OPEC's February oil market report kept their world demand growth estimates unchanged at 2.25 million barrels per day (bpd) for 2024 and 1.85 million bpd for 2025, while they increased their economic growth forecasts from 2.6% to 2.7% in 2024 and from 2.8% to 2.9% in 2025. OPEC also said their cumulative crude oil production during January fell by 350,000 bpd down to 26.35 million bpd, which also provided support to the energy markets. With US crude oil production and crude oil imports returning to pre-cold weather levels in last week's EIA report, and crude oil refinery throughput breaking out down last week, the crude bulls will need very strong product implied demand readings later today. In today's action the \$77.29 level in March crude becomes a key pivot point which could signal a reversal of the February uptrend.



PRODUCT MARKET FUNDAMENTALS: The gasoline market is significantly overbought from the explosive \$0.30 February rally, especially with open interest approaching 390,000 contracts and the last COT positioning report showing a net spec and fund long of 71,602 contracts. Therefore, the net spec and fund long in gasoline has likely reached the highest levels since January 2023, with the March contract from the COT report into yesterday's high rally up another \$0.20. Expectations for today's EIA gasoline inventories call for decline of 1.2 million which could help cushion the market from a badly needed corrective setback. It should be noted the product markets saw divergent price action on Tuesday as RBOB continued to outperform ULSD to the upside. Average US retail "pump" prices for regular unleaded gasoline reached their highest levels since November and are 20 cents a gallon above their January lows perhaps from anticipation that warmer weather will give a boost to North American driving demand. The API survey said that US gasoline stocks fell by 7.23 million barrels which was a much larger decline than market expectations and if EIA gasoline stocks fall by more than expected we see the market respecting support at \$2.3738. With the diesel market losing upside momentum quicker than other sectors of the petroleum markets, a failure to hold \$2.8845 today could be seen unless today's EIA diesel inventories fall by more 1.6 million barrels! The API survey said that US distillate stocks fell by 4.02 million barrels which was a much larger decline than trade forecasts. Implied gasoline demand and implied distillate demand both reached 6-week highs in last week's EIA report, and continued recovery in both data points would bode well for what is normally a shoulder season product demand.

Weekly EIA Petroleum Estimates - Week Ending 2/9/2024 - In Million Barrels

	High Estimate	Low Estimate	Stocks Last Week	Stocks Change Last Week
Crude Oil	2.8	2.4	427.4	5.5
Distillates	-1.4	-1.8	127.6	-3.2
Gasoline	-1	-1.4	251	-3.1

NATURAL GAS: Natural gas prices overnight remained near yesterday's latest new contract low move and have now declined by more than 20% in value since the end of January. Unfortunately for the bull camp the net spec and fund short positioning in natural gas is not excessive yet with the latest reading showing a net spec and fund short 7,000 contracts below the largest spec short of 2024. However, March natural gas has lost nearly \$0.35 since the COT report was measured potentially inflating the net spec and fund short to the largest level since April of last year. Therefore, mild US temperatures, a higher US dollar and a Reuters poll projecting EIA working gas in storage to decline minimally (-76 to -53 bcf) should leave the bear camp confident. The latest 6-to-10 and 8-to-14-day forecasts project above normal temperatures across many parts of the US. This should weaken near-term heating and power plant demand, and that has kept natural gas prices on the defensive this week. Furthermore, warmer weather has helped US dry gas production return close to record high levels while US gas in storage and European gas storage remain well above average for this time of the year, both of which continue to weigh on natural gas prices. Lastly a portion of the Freeport LNG export terminal remains offline, and that has kept overall US LNG exports more than 1 bcf per day below their record high of late last year. More lows anticipated as fundamentals are patently bearish and the market is not excessively oversold yet!

TODAY'S MARKET IDEAS:

As indicated several times this morning the petroleum markets are dramatically short-term and intermediate term overbought, with the diesel market likely to be the most vulnerable to a corrective slide if today's EIA report is not patently supportive. The API's wide disparity with a sizable crude build and sizable product draws may indicate US refinery utilization remains subdued, which could mean the markets have already anticipated a tightening of fuel supplies. However, if implied gasoline demand and implied distillate demand show weekly increases again, that may help the energy markets hold their ground near Tuesday's highs. In today's action the \$77.29 level in March crude becomes a key pivot point which could signal a reversal of the February uptrend if that level is violated.

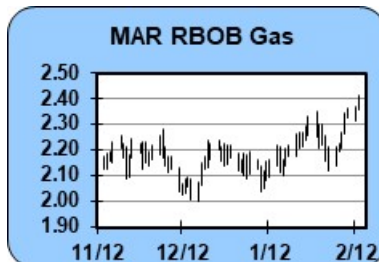
NEW RECOMMENDATIONS:

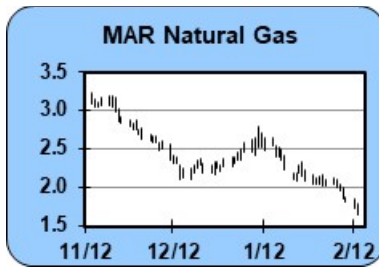
None.

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 (MAR) 02/14/2024: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market's short-term trend is positive on the close above the 9-day moving average. Market positioning is positive with the close over the 1st swing resistance. The next upside target is 79.31. The next area of resistance is around 78.56 and 79.31, while 1st support hits today at 76.97 and below there at 76.12.

HEATING OIL (MAR) 02/14/2024: 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 outside day down is a negative signal. The market tilt is slightly negative with the close under the pivot. The next upside target is 298.94. The next area of resistance is around 293.33 and 298.94, while 1st support hits today at 285.29 and below there at 282.85.

RBOB GAS (MAR) 02/14/2024: Momentum studies are trending higher but have entered overbought levels. A positive signal for trend short-term was given on a close over the 9-bar moving average. The close over the pivot swing is a somewhat positive setup. The near-term upside objective is at 244.03. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 241.19 and 244.03, while 1st support hits today at 235.67 and below there at 232.98.

NATURAL GAS (MAR) 02/14/2024: 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 swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside target is now at 1.565. More downside action may be limited by the RSI under 20 putting the market in extremely oversold territory. The next area of resistance is around 1.740 and 1.829, while 1st support hits today at 1.608 and below there at 1.565.

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										
CLAH24	77.77	65.51	60.55	54.85	65.08	76.94	74.87	75.39	73.68	73.99
CLAJ24	77.43	65.12	60.24	55.10	65.08	76.84	74.84	75.31	73.72	74.02
HOAH24	289.31	65.02	63.89	78.70	81.85	2.92	2.81	2.77	2.65	2.65
HOAJ24	282.55	68.03	65.79	80.15	84.11	2.84	2.74	2.70	2.59	2.60
RBAH24	238.43	70.98	65.81	74.70	86.27	2.36	2.28	2.27	2.19	2.18
RBAJ24	260.99	73.14	67.83	76.14	87.27	2.58	2.50	2.49	2.39	2.38
NGAH24	1.674	15.53	22.65	6.50	5.13	1.80	1.93	2.04	2.25	2.36
NGAJ24	1.729	15.42	22.83	6.79	6.12	1.84	1.95	2.07	2.25	2.35

Calculations based on previous session. Data collected 02/13/2024

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						
CLAH24	Crude Oil	76.12	76.97	77.72	78.56	79.31
CLAJ24	Crude Oil	76.10	76.76	77.43	78.09	78.76
HOAH24	Heating Oil	282.84	285.28	290.89	293.33	298.94
HOAJ24	Heating Oil	276.92	279.23	283.53	285.85	290.15
RBAH24	RBOB Gas	232.97	235.66	238.50	241.19	244.03
RBAJ24	RBOB Gas	255.82	258.46	260.88	263.52	265.94
NGAH24	Natural Gas	1.565	1.608	1.697	1.740	1.829
NGAJ24	Natural Gas	1.628	1.669	1.747	1.788	1.866

Calculations based on previous session. Data collected 02/13/2024

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