



DAILY ENERGY COMPLEX COMMENTARY

Thursday February 15, 2024

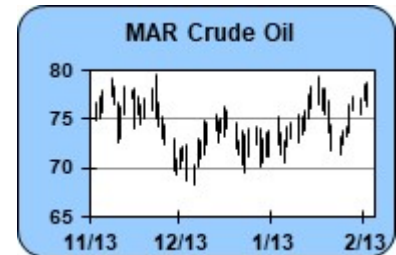
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2/15/2024

Too much petroleum supply and not enough demand

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
CRUDE -7, HEATING OIL +14, UNLEADED GAS -106

CRUDE OIL MARKET FUNDAMENTALS: In our opinion the energy markets were disappointed in the lack of ongoing evidence of improving energy demand and were also injured following a massive 12-million-barrel inflow to weekly EIA crude oil inventories. In another negative supply development, the volume of crude in global floating storage this week increased and reached the highest level since October 22nd and that should entrench the oversupply theme in today's action. Apparently, the trade discounted OPEC predictions of favorable 2024 global oil demand from better economic activity, in favor of downward demand revisions by the International Energy Agency. With OPEC and IEA demand forecasts offsetting, disappointing EIA gasoline and distillate implied demand readings this week leaves demand in favor of the bear camp. However, the substantial weekly inflow to EIA crude oil inventories is partially countervailed by the fact that the EIA crude oil year-over-year deficit expanded from 27.6 million barrels to 31.9 million barrels. As if the bear camp did not have enough evidence in its favor, the demand for US crude will remain very low following yesterday's refinery utilization reading of 80.6% which in turn is the lowest since December 2022. In conclusion, a leadership rotation has taken place in the petroleum markets with crude oil potentially lagging the products on rallies and leading the products on market declines. We suggest the rotation is underway following a trend of increasing EIA crude oil stocks and decreasing product inventories. While the return of production shut down due to extreme cold weather in the US might account for the massive inflow to crude oil inventories, product inventories have narrowed four straight weeks in a row which seems to indicate better demand or at least a reaction to what is an extremely low US refinery operating rate. US refinery utilization is now the lowest since 12/30/22 and is at the second lowest reading since the great Texas freeze/ice storm of 2021. EIA crude stocks rose 12.018 million barrels and are 31.944 million barrels below year ago levels. Also, crude stocks stand 9.595 million barrels below the five-year average. Crude oil imports for the week stood at 6.470 million barrels per day compared to 6.907 million barrels the previous week. The refinery operating rate was 80.6%, down 1.8% from last week and compared to 86.5% last year. In the end, the massive 12-million-barrel inflow to EIA crude oil inventories prompted long profit taking yesterday and have likely resulted in an interim top in prices.



PRODUCT MARKET FUNDAMENTALS: As indicated already, the gasoline market looks to become the leadership market on energy complex rallies and is likely to lag crude and diesel on market declines. In fact, following two straight weeks of gasoline inventory declines and bullish seasonal demand timing, the bull camp should remain confident even if the market forges a larger and badly needed technical correction. EIA gasoline stocks fell 3.658 million barrels and are 5.408 million barrels above last year and are 5.619 million below the five-year average. Average total gasoline demand for the past four weeks was down 1.0% compared to last year. Gasoline imports came in at 436,000 barrels per day compared to 536,000 barrels the previous week. However, given the aggressive reversal and sharp downside extension early today, gasoline prices look to remain under stop loss selling pressure and are unlikely to respect support at \$2.2627 in today's action. A normal retracement of the January/February rally provides a corrective target of \$2.2515. Like the gasoline market, supply fundamentals in diesel have continued to tighten with EIA distillate and diesel inventories declining four straight weeks and in turn narrowing their annual surpluses. However, seasonal demand is likely to fall as the shoulder season between winter and spring draws near, which in turn could make diesel the weakest component of the energy complex. EIA distillate stocks fell 1.915 million barrels and stand at 6.422 million barrels above last year and 10.746 million below the five-year average. Distillate imports came in at 135,000 barrels per day compared to

126,000 barrels the previous week. Average total distillate demand for the past four weeks was down 2.4% 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
2/2/2024	427.432	+5.520	-27.679	444.675	6.907	82.4	
DISTILLATES	Stocks				Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
2/2/2024	127.574	-3.221	+7.052	137.484		3.817	
GASOLINE	Stocks				Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
2/2/2024	250.988	-3.146	+11.382	251.838	0.536	8.807	

NATURAL GAS: Despite a lack of downside extension in the early trade today the natural gas market continues to face bearish demand conditions with mild temperatures in Europe and the US. In fact, the bearish drumbeat in natural gas is likely to continue as mild temperatures are expected out 14-days. In conclusion, the trade is free to press prices as the probability of a late winter massive drawdown in inventories becomes minimal. Therefore, it is not surprising to see this week's Reuters poll projecting a relatively modest range of draws today between -53 bcf to -76 bcf. Perhaps more importantly is last week's jump in the surplus to five-year average storage levels from 5.1% to 10.6% as that should result in US traders shifting their focus toward summer gas market fundamentals. In another bearish development, Asian LNG prices continue to fall with mid eight-dollar pricing replicated by similar price weakness in Europe! As indicated earlier this week, the natural gas market is significantly oversold but we do not think the net spec and fund short is at a level to halt the slide in prices.

TODAY'S MARKET IDEAS:

We see the potential for the technical correction started on Tuesday to extend again today and into Friday especially with the headline EIA crude oil inventory jump yesterday rekindling talk of a rapid rebuilding of global oil inventories. In fact, the increase in weekly crude oil in floating storage was reportedly largely the result of Russian crude flows which means the US and Russia are pushing significant oil onto the world market. Normal retracement targeting in March crude oil at \$75.54 is likely to be violated today with a secondary support at \$75.00 a potential target before the close tomorrow. We also see a normal retracement of the January/February RBOB rally providing a corrective target of \$2.2515 especially with pivot point support at \$2.3164 violated early today.

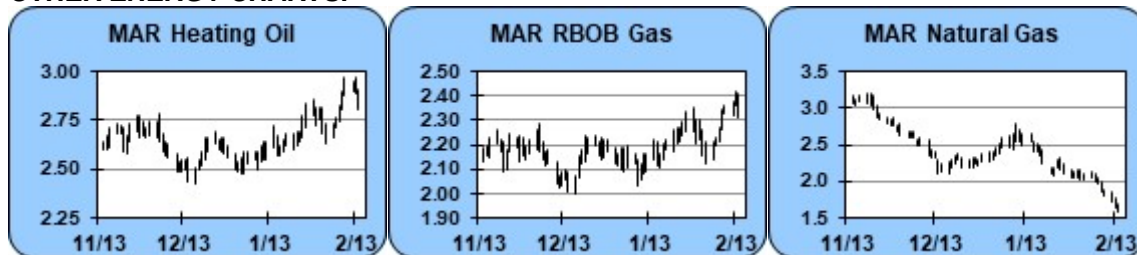
NEW RECOMMENDATIONS:

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) 02/15/2024: Positive momentum studies in the neutral zone will tend to reinforce higher price action. 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 close below the 1st swing support could weigh on the market. The next upside objective is 79.47. The next area of resistance is around 77.78 and 79.47, while 1st support hits today at 75.40 and below there at 74.70.

HEATING OIL (MAR) 02/15/2024: The daily stochastics have crossed over down which is a bearish indication. Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. The market's short-term trend is negative as the close remains below the 9-day moving average. The market is in a bearish position with the close below the 2nd swing support number. The next downside target is now at 271.92. The next area of resistance is around 285.99 and 294.07, while 1st support hits today at 274.91 and below there at 271.92.

RBOB GAS (MAR) 02/15/2024: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. A positive signal for trend short-term was given on a close over the 9-bar moving average. The close below the 2nd swing support number puts the market on the defensive. The next upside target is 243.37. The next area of resistance is around 236.32 and 243.37, while 1st support hits today at 226.60 and below there at 223.92.

NATURAL GAS (MAR) 02/15/2024: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market setup is somewhat negative with the close under the 1st swing support. The next downside objective is now at 1.526. Selling may soon dry up since the RSI is under 20 indicating the market is extremely oversold. The next area of resistance is around 1.651 and 1.715, while 1st support hits today at 1.557 and below there at 1.526.

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	76.59	56.94	55.66	58.52	65.58	77.06	75.19	75.59	73.79	74.05
CLAJ24	76.30	56.01	55.03	58.23	64.49	76.86	75.12	75.49	73.82	74.07
HOAH24	280.45	51.74	54.66	76.10	70.92	2.90	2.82	2.78	2.66	2.65
HOAJ24	274.97	54.60	56.83	78.43	75.01	2.82	2.75	2.71	2.60	2.60
RBAH24	231.46	55.70	56.28	76.14	79.03	2.35	2.29	2.27	2.19	2.19
RBAJ24	254.87	58.18	58.53	77.67	80.73	2.58	2.51	2.50	2.40	2.39
NGAH24	1.604	13.59	20.86	6.07	4.63	1.73	1.88	2.01	2.24	2.34
NGAJ24	1.662	13.08	20.62	6.33	5.42	1.77	1.91	2.03	2.23	2.33

Calculations based on previous session. Data collected 02/14/2024

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	74.69	75.39	77.08	77.78	79.47
CLAJ24	Crude Oil	74.47	75.14	76.78	77.45	79.09
HOAH24	Heating Oil	271.91	274.91	282.99	285.99	294.07
HOAJ24	Heating Oil	267.59	270.21	277.10	279.72	286.61
RBAH24	RBOB Gas	223.91	226.59	233.64	236.32	243.37
RBAJ24	RBOB Gas	248.05	250.44	256.91	259.30	265.77

NGAH24	Natural Gas	1.525	1.556	1.620	1.651	1.715
NGAJ24	Natural Gas	1.573	1.610	1.677	1.714	1.781

Calculations based on previous session. Data collected 02/14/2024

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