



DAILY ENERGY COMPLEX COMMENTARY

Friday February 16, 2024

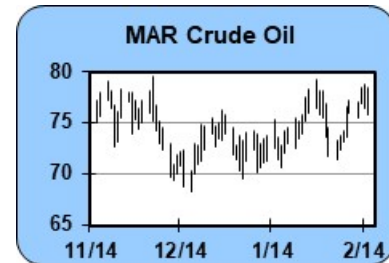
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2/16/2024

Too much petroleum supply and not enough demand

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
CRUDE -61, HEATING OIL -437, UNLEADED GAS -309

CRUDE OIL MARKET FUNDAMENTALS: With signs of rising global crude oil supply, a major outflow from Brent ETFs, technical recessions declared in the UK and euro zone and nearly 20% of US refinery operating capacity idled (creating less demand for physical WTI) the February rally has not be fully extracted yet. On the other hand, this week the markets saw significant year-over-year expansion of road traffic in China during their holiday week, Indian fuel sales jumped, Commerzbank has suggested recent IEA world oil supply projections were "too optimistic" and the bull camp is hopeful that today's US PPI report will add to the improving energy demand theme from sustained strength in global equity markets. In a development that is unlikely to have sustained impact on energy prices, the Russians have reportedly made substantial progress in their space-based nuclear capacity and that could spark fresh Russian oil sanctions if Putin makes a specific threat. While it is possible the energy markets were lifted yesterday by soft US scheduled data which in turn rekindled a measure of rate cut hope which in turn undermined the Dollar, we think the rally was attributable to a threat against Nigerian oil exports. With the Nigerian currency falling to all-time lows and the Nigerian central bank moving to implement limits on oil-related currency transactions, it is possible that Nigerian crude oil and some product exports could be reduced. With Nigerian crude oil production at 1.8 million barrels per day and Nigerian crude oil exports of approximately 700,000 barrels per day, the threat against world supply should not be discounted. Another potential capable of crimping Nigerian exports flow would be a desire by Nigerian oil companies to avoid capital losses from a plunging domestic currency by holding on to their crude supply. A similar situation has unfolded several times in Argentina with respect to soybeans with exporters there becoming unwilling to export beans and receive a depreciating local currency. In retrospect, this week's supply data has been bearish with increases in global crude in floating storage and from a noted jump in Russian crude flows. While global energy demand concerns remain in place, they are slightly mitigated by Chinese holiday traffic flow at 700 key checkpoints along 73 expressways across the country 7.2% above the same period last year with traffic flow at 300 key checkpoints along 53 national highways increasing by 14.13% compared to the same period last year.



PRODUCT MARKET FUNDAMENTALS: While gasoline prices fell sharply to start yesterday, the slide was aggressively rejected before the close thereby tempering damage on the charts from this week's initial reversal. However, with the March gasoline contract this morning trading sharply lower and near yesterday's six-day lows, the technical picture remains bearish. In fact, strong Chinese holiday road traffic news is more than offset by a 16% week over week increase in ARA gasoline supplies. In fact, this week's ARA storage report showed increased supply in all five major fuel categories! In the end, we remain bearish toward gasoline with this week's US implied demand readings coming in very soft and the gasoline market still holding a burdensome net spec and fund long position. Therefore, without a significant "risk on" environment to end the trading week, we see March gasoline prices retesting the February 8th low at \$2.2627. Like the gasoline market, the diesel market also managed to recover from a very aggressive initial washout yesterday morning, but contrasted with gasoline action this morning the diesel market has forged a "downside breakout". Therefore, the charts are damaged by this week's action and the bear camp should be emboldened by increased supply readings in ARA jet fuel, fuel oil, and gasoil stocks. Therefore, we suggest traders sell a rally in March diesel above \$2.80 looking for a return to \$2.70.

NATURAL GAS: With this week's storage report showing a withdrawal at the bottom end of the range of expectations from the Reuters poll, mild US and European temperatures extending into the future and surprising weakness in Asian and European LNG prices earlier this week, the bear camp retains control. In fact, it should also be noted that the US inventory surplus to five-year average storage levels exploded to nearly 16% above the five-year average making it very unlikely US supply will tighten enough to reverse the downtrend in prices. The weekly EIA natural gas storage report showed a draw of 49 bcf. Total storage stands at 2,535 bcf or 15.9% above the 5-year average. Over the last four weeks, natural gas storage has declined 647 bcf. Unfortunately for the bull camp, signs of strong Indian LNG imports (up 26% year-over-year) are unlikely to change the market view that supply will continue to overwhelm demand.

EIA Natural Gas Storage Report Summary

In Billion Cubic Feet

Week Of	Week Change	Total Storage	Change From Last Year	4 Week Combined Weekly Change	Percent Change vs 5 Year Average	Percent Change vs 10 Year Average
2/9/2024	-49	2535	255	-647	15.9%	

TODAY'S MARKET IDEAS:

We leave the bear camp with the edge today unless there is a big picture macroeconomic risk on market reaction to today's US PPI report. While it is unclear if Nigerian supply will be disrupted by currency restrictions put in place by the Nigerian government (in the wake of new all-time lows in the Nigerian currency), seeing a partial disruption of the roughly 700,000 barrels per day of exports from Nigeria could discourage some sellers. Nonetheless, we think standard supply developments this week favor the bear camp especially with the UK and Japan entering recession.

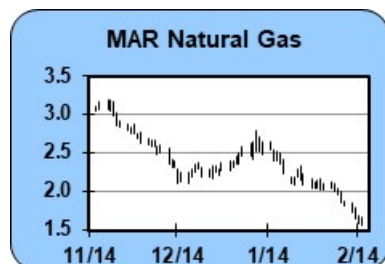
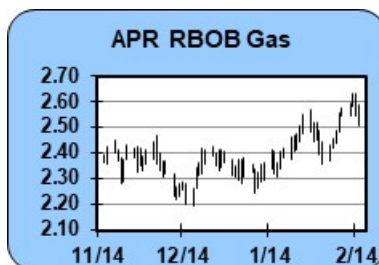
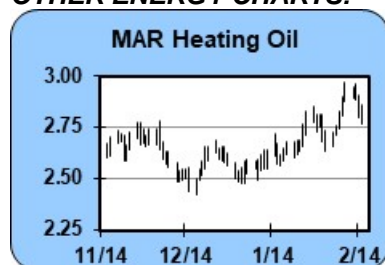
NEW RECOMMENDATIONS:

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) 02/16/2024: A positive indicator was given with the upside crossover of the 9 and 18 bar moving average. Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The close above the 9-day moving average is a positive short-term indicator for trend. The upside daily closing price reversal gives the market a bullish tilt. The market setup is supportive for early gains with the close over the 1st swing resistance. The next upside target is 80.31. The next area of resistance is around 79.52 and 80.31, while 1st support hits today at 76.86 and below there at 74.99.

HEATING OIL (MAR) 02/16/2024: Momentum studies trending lower at mid-range should accelerate a move lower 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. The upside closing price reversal on the daily chart is somewhat bullish. The market tilt is slightly negative with the close under the pivot. The next downside objective is now at 272.69. The next area of resistance is around 286.58 and 290.98, while 1st support hits today at 277.44 and below there at 272.69.

RBOB GAS (MAR) 02/16/2024: A bearish signal was triggered on a crossover down in the daily stochastics. Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. A positive signal for trend short-term was given on a close over the 9-bar moving average. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is now at 223.21. The next area of resistance is around 235.42 and 239.22, while 1st support hits today at 227.42 and below there at 223.21.

NATURAL GAS (MAR) 02/16/2024: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market's close below the pivot swing number is a mildly negative setup. The next downside target is 1.509. 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 1.636 and 1.700, while 1st support hits today at 1.540 and below there at 1.509.

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	78.19	63.95	60.25	63.23	72.52	77.41	75.85	75.78	73.93	74.09
CLAJ24	77.68	62.59	59.25	62.31	70.30	77.11	75.72	75.66	73.95	74.10
HOAH24	282.01	53.58	55.91	72.78	65.77	2.86	2.84	2.79	2.66	2.66
HOAJ24	276.27	55.68	57.52	75.61	69.95	2.80	2.77	2.72	2.61	2.60
RBAH24	231.42	55.59	56.21	75.71	74.66	2.35	2.31	2.28	2.20	2.19
RBAJ24	256.16	60.01	59.72	78.08	78.58	2.58	2.53	2.50	2.41	2.39
NGAH24	1.588	13.16	20.45	5.48	4.12	1.66	1.83	1.98	2.22	2.32
NGAJ24	1.653	12.58	20.14	5.70	4.45	1.71	1.86	2.01	2.22	2.31

Calculations based on previous session. Data collected 02/15/2024
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	74.99	76.86	77.65	79.52	80.31
CLAJ24	Crude Oil	74.68	76.40	77.23	78.95	79.78
HOAH24	Heating Oil	272.68	277.43	281.83	286.58	290.98

HOAJ24	Heating Oil	268.14	272.27	276.14	280.27	284.14
RBAH24	RBOB Gas	223.20	227.41	231.21	235.42	239.22
RBAJ24	RBOB Gas	247.43	252.16	255.42	260.15	263.41
NGAH24	Natural Gas	1.508	1.540	1.604	1.636	1.700
NGAJ24	Natural Gas	1.579	1.610	1.664	1.695	1.749

Calculations based on previous session. Data collected 02/15/2024

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