



## DAILY ENERGY COMPLEX COMMENTARY

Wednesday February 21, 2024

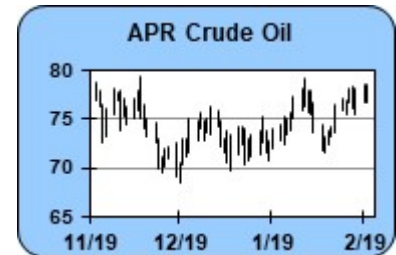
### DAILY ENERGY COMPLEX COMMENTARY

2/21/2024

**Sell petroleum markets on minimal rallies sell LNG on noted rallies**

**OVERNIGHT CHANGES THROUGH 6:06 AM (CT):**  
**CRUDE -39, HEATING OIL -12, UNLEADED GAS +110**

**CRUDE OIL MARKET FUNDAMENTALS:** Despite a general improvement in Chinese economic signals, crude oil prices this morning have posted a three-day low and appear to be poised for further declines. While this week's EIA report will be delayed due to the Monday holiday, this week's Reuters poll predicts an inflow of 4.3 million barrels which will extend the streak of inflows to four weeks. Furthermore, an "as expected" inflow to crude stocks would result in 20 million barrels flowing in over the last four weeks! Apparently, the crude is not drafting support from Russian Oil Minister statements that his country will meet its OPEC plus pledge this month of reducing exports by 500,000 barrels per day (relative to export levels in May and June of last year). Fortunately for the bull camp weekly crude in European storage declined by 4.3% and that combines with complaints that US producers have not plugged 40% of wells required from oil leases which ended between 2010 and 2022. Furthermore, the requirement to shutter 50% of oil platforms operating on expired Gulf leases has also not been enforced which could mean US production could be reduced quickly if the Department of interior steps up and does its job. A technical underpin for crude prices is the fact that the net spec and fund long positioning in crude continues to remain near 15-year lows. Another minimally bullish development are signs that India will increase purchases ahead but seeing Russia dominate those sales severely tempers lift from favorable Indian demand signals. Uptrend channel support in the April crude oil contract from this month's lows was violated overnight at \$77.03, which targets the next lower support point of \$75.52.



**PRODUCT MARKET FUNDAMENTALS:** With another lower low for the move testing the psychological \$2.50 level in April gasoline early today, and fears of a sharp jump in oil stocks tomorrow, prospects of a decline in EIA gasoline inventories of 3 million barrels are unlikely to support prices. However, given a third straight week of declining EIA gasoline stocks and a further narrowing of the year-over-year surplus should help April gasoline respect the next lower support level down at \$2.4828. It should be noted that the EIA weekly report is delayed until tomorrow due to the Monday holiday and that could leave the gasoline market focused on action in the dollar and information from the US Fed. In the end, the bulls need uninterrupted proof of tightening EIA gasoline stocks from a very high level of off-line refinery capacity. However, gasoline stocks have declined in the last two weekly reports, and another decline in gasoline could reverse the year-over-year surplus in place for months. Expectations from this week's Reuters poll projects a decline in distillate stocks of 1.8 million barrels. Unfortunately for the bull camp, Distillate demand readings have been anemic and the likelihood of improving seasonal demand is unlikely to dominate the trade headlines until March. Also disappointing for the bull camp, diesel prices fell aggressively yesterday in the face of several positive demand themes from strengthening Chinese road traffic and a significant uptick in jet fuel consumption from Chinese vacationing in Southeast Asia. Near-term downside targeting in the April diesel contract is \$2.605 with a trade above \$2.749 needed to alter the current downtrend pattern.

**NATURAL GAS:** In retrospect, we see the current rally in natural gas as a simple short covering/profit taking reaction to the very large washout of the prior two weeks. While there are reports that ultralow natural gas prices are beginning to negatively impact producers and the US Department of Interior could begin to force well capping and platform shutdowns for expired leases, the prospects of a sustained rally remain very low. This week's

Reuters poll projects EIA natural gas in storage to decline by 65 to 82 bcf. In overnight action Asian LNG prices have plunged to the lowest level since 2021 and the bull camp should be extremely disheartened with the latest new contract low forged in the face of cooler weather forecasts.

### **TODAY'S MARKET IDEAS:**

We shift the edge to the bear camp today with tomorrow's EIA report expected to show another large build in crude oil stocks, negative early chart action and from a lack of noted improvement in energy demand expectations following a brightening of economic skies in China. However, with the US FOMC meeting minutes released later today, we expect prices to track in narrow ground early and potentially post a volatility event following US Treasury auctions and Fed statements. From a classic technical perspective, the breakdown in the product markets could easily result in a gasoline trade down to \$2.4828 and perhaps a bigger slide down to \$2.45 if global sentiment shifts into a definitive "risk off" posture.

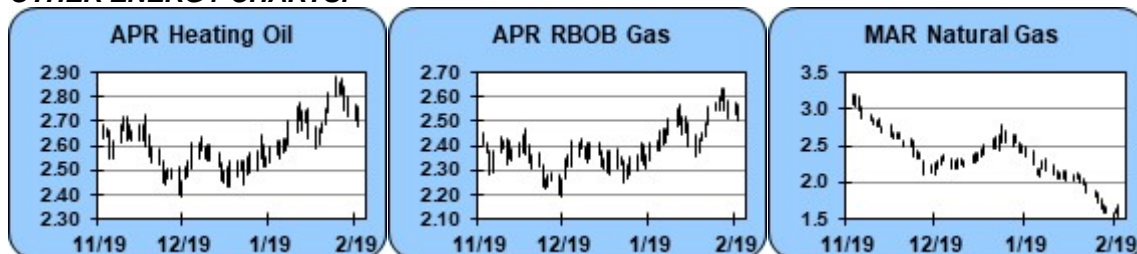
### **NEW RECOMMENDATIONS:**

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 (APR) 02/21/2024:** Rising stochastics at overbought levels warrant some caution for bulls. The close above the 9-day moving average is a positive short-term indicator for trend. The daily closing price reversal down is a negative indicator for prices. The close below the 1st swing support could weigh on the market. The next upside objective is 79.18. The next area of resistance is around 78.04 and 79.18, while 1st support hits today at 76.28 and below there at 75.66.

**HEATING OIL (APR) 02/21/2024:** Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The intermediate trend has turned down with the cross over back below the 18-day moving average. The market setup is somewhat negative with the close under the 1st swing support. The next downside target is 261.31. The next area of resistance is around 272.49 and 278.66, while 1st support hits today at 263.81 and below there at 261.31.

**RBOB GAS (APR) 02/21/2024:** A bearish signal was triggered on a crossover down in the daily stochastics. Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. The close below the 9-day moving average is a negative short-term indicator for trend. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside objective is 246.50. Daily studies pointing down suggests selling minor rallies. The next area of resistance is around 255.38 and 259.39, while 1st support hits today at 248.94 and below there at 246.50.

**NATURAL GAS (APR) 02/21/2024:** The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The close below the 9-day moving average is a negative short-term indicator for trend. A positive signal was given by the outside day up. With the close over the 1st swing resistance number, the

market is in a moderately positive position. The next upside objective is 1.860. With a reading under 30, the 9-day RSI is approaching oversold levels. The next area of resistance is around 1.807 and 1.860, while 1st support hits today at 1.651 and below there at 1.547.

## 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
<b>ENERGY COMPLEX</b>										
CLAJ24	77.16	56.69	56.05	71.71	79.48	77.39	76.76	76.01	74.31	74.10
CLAK24	76.73	55.81	55.39	70.97	78.44	77.01	76.50	75.83	74.26	74.07
HOAJ24	268.15	42.94	48.63	66.39	54.53	2.74	2.78	2.74	2.62	2.60
HOAK24	260.83	42.07	47.85	67.69	56.16	2.66	2.70	2.66	2.56	2.55
RBAJ24	252.16	49.18	52.68	76.01	70.85	2.55	2.56	2.51	2.42	2.40
RBAK24	251.50	48.95	52.50	76.35	71.09	2.54	2.55	2.51	2.42	2.40
NGAJ24	1.729	27.82	28.80	7.65	11.47	1.68	1.79	1.95	2.20	2.27
NGAK24	1.846	27.73	28.70	7.77	11.24	1.80	1.90	2.05	2.28	2.35

Calculations based on previous session. Data collected 02/20/2024  
Data sources can & do produce bad ticks. Verify before use.

## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>ENERGY COMPLEX</b>						
CLAJ24	Crude Oil	75.66	76.28	77.42	78.04	79.18
CLAK24	Crude Oil	75.33	75.91	76.98	77.56	78.63
HOAJ24	Heating Oil	261.30	263.81	269.98	272.49	278.66
HOAK24	Heating Oil	254.80	256.98	262.49	264.67	270.18
RBAJ24	RBOB Gas	246.49	248.93	252.94	255.38	259.39
RBAK24	RBOB Gas	246.33	248.55	252.23	254.45	258.13
NGAJ24	Natural Gas	1.546	1.650	1.703	1.807	1.860
NGAK24	Natural Gas	1.693	1.779	1.826	1.912	1.959

Calculations based on previous session. Data collected 02/20/2024  
Data sources can & do produce bad ticks. Verify before use.

\*\*\*This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Opinions expressed are subject to change without notice. Any information or recommendation contained herein: (i) is not based on, or tailored to, the commodity interest or cash market positions or other circumstances or characterizations of particular investors or traders; (ii) is not customized or personalized for any such investor or trader; and (iii) does not take into consideration, among other things, risk tolerance, net worth, or available risk capital. Any use or reliance upon the information or recommendations is at the sole discretion and election of the subscriber. The risk of loss in trading futures contracts or commodity options can be substantial, and traders should carefully consider the inherent risks of such trading in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of Lakefront Futures is strictly prohibited.