



DAILY ENERGY COMPLEX COMMENTARY

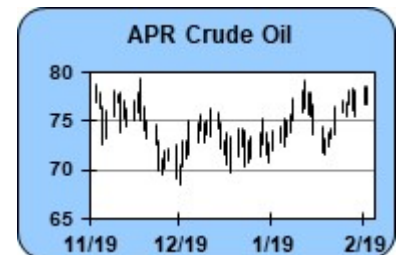
Thursday February 22, 2024

DAILY ENERGY COMPLEX COMMENTARY

2/22/2024

Energy demand expectations continue to improve offsetting excess supply

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
CRUDE +29, HEATING OIL +64, UNLEADED GAS +30



CRUDE OIL MARKET FUNDAMENTALS: Clearly, seeing crude prices remain within striking distance of multi-month highs in the wake of a very large 7.1-million-barrel jump in API crude oil stocks from yesterday afternoon, highlights the markets focus on improving demand. Along those lines the bull camp is emboldened by a 5.7% increase in Indian January oil imports (a 21-month high), a significant jump in Chinese traffic levels, predictions that crude oil exports from a Texas facility next month will be a record and perhaps most importantly from a very positive global wave of optimism emanating from AI inspired equity gains. Furthermore, a downside failure in the dollar combined with escalating tension between the Russian President and the US president adds to the pre-existing, undying, and perhaps overstated threat against Middle East supply. Unfortunately for the bull camp the 7.1-million-barrel jump in API crude oil stocks from yesterday could portend a similar larger than expected jump in EIA crude oil stocks later this morning and that could be cause for temporary back and fill setback. However, as we have pointed out more than necessary, the net spec and fund long position in crude oil remains very low on a historical basis. In a potential longer-term supportive development in oil, an industry watchdog group made waves earlier this week by calling on the US Department of Interior to enforce lease terms on expired leases in force from 2010 to 2020. The watchdog group indicated that 40% of wells on expired leases were not plugged as required and reported that 50% of offshore oil platforms on expired leases have not stopped production. While it is not clear how much production still flows from expired leases, seeing the Department of Interior enforce lease contract terms could reduce what continues to be record US crude production. In the short-term, the weekly EIA report is expected to show an inflow of crude oil stocks between 3.9 and 4.3 million barrels per day and that bearish potential is given added credence by a private consulting agency prediction that US commercial oil inventories increased by 5 million barrels this week. After the close, the API survey said that US crude oil stocks rose by 7.168 million barrels which was a larger increase than trade forecasts. We give the bull camp a slight edge despite what appears to be a loss of upside momentum.

PRODUCT MARKET FUNDAMENTALS: The gasoline market continues to diverge negatively with crude oil with RBOB prices sitting on consolidation lows while crude oil prices sit at consolidation highs. However, April gasoline could respect the \$2.50 level with crude oil providing support, a downside breakout in the dollar, strong Chinese traffic readings, expectations of a 2.1-million-barrel decline in EIA gasoline inventories later this morning, and from surging global economic optimism inspired by record equity market gains. However, relatively speaking, the gasoline contract remains overbought in its COT positioning reports, open interest has remained very high despite the recent turn down on the charts and the trade seems uninterested in expectations of declining EIA gasoline and distillate inventories this week. This week's Reuters poll projects EIA gasoline stocks to decline by 2.1 million barrels and distillate stocks to decline by 1.7 million barrels, which in turn would result in gasoline stocks falling for 3 straight weeks and distillate stocks falling five straight weeks! The API survey said that US gasoline stocks had a weekly increase of 415,000 barrels which contrasts with market expectations of a moderate weekly decline. The API survey also said that US distillate stocks had a weekly decline of 2.908 million barrels which was a larger decline than trade forecasts. Last week's refinery operating reading shows nearly 20% of US refinery capacity is off-line, so a surprise in the weekly EIA gasoline, distillate or diesel inventories today is likely to be larger than expected draws. Unfortunately for the bull camp, charts in the product markets remain bearish with a critical failure in April gasoline seen with a violation of \$2.491 and a violation of \$2.64 in April diesel.

Weekly EIA Petroleum Estimates - Week Ending 2/16/2024 - In Million Barrels

	High Estimate	Low Estimate	Stocks Last Week	Stocks Change Last Week
Crude Oil	4.1	3.7	439.5	12
Distillates	-1.5	-1.9	125.7	-1.9
Gasoline	-1.9	-2.3	247.3	-3.7

NATURAL GAS: Seeing natural gas prices maintaining this week's gains against bearish overnight news is surprising. In addition to above normal temperatures in the US, speculators should be unnerved by predictions from the German economic minister who predicted even lower gas prices ahead. Obviously, a portion of the recent recovery was classic short covering, but the recovery might have been prompted by news that Chesapeake Energy will reduce production this year by roughly 30% given extremely low prices. Unfortunately for the bull camp Chesapeake also indicated the market is "clearly oversupplied" and therefore it could take considerable time to deflate supply. In a longer-term supportive development, a private Chinese LNG buyer has reportedly rented unused terminal space potentially signaling a buildup of Chinese strategic gas supply. With the most recent COT positioning report in natural gas showing a net spec and fund short of 101,275 contracts, and the market falling \$0.15 into the Tuesday low, the gas market was likely heavily oversold, and this week's bounce is likely heavily related to short covering. This week's Reuters poll projects EIA natural gas in working storage to decline within a range of 48 and 82 BCF. Selling resistance in April natural gas is \$1.90.

TODAY'S MARKET IDEAS:

Despite the lack of an upside breakout in crude oil, energy demand expectations continue to improve from very positive global animal spirits largely generated by record equity market action. However, petroleum prices should find support from a weaker US dollar, ongoing strength in Indian import demand and the undying and perhaps overstated threat against supply from Middle East tensions. However, internal US crude supply fundamentals are definitively bearish with respect to EIA and API crude oil inventory patterns. While this week's Reuters poll projects EIA crude oil stocks to build by only 3.9 million barrels the 7.1-million-barrel inflow to API crude stocks yesterday suggests a post EIA report release setback in crude prices. The bias is up in crude, but we suggest traders remain conservative with prices at the upper end of the last two weeks of trade. Conservative long entry pricing for April crude is \$76.80.

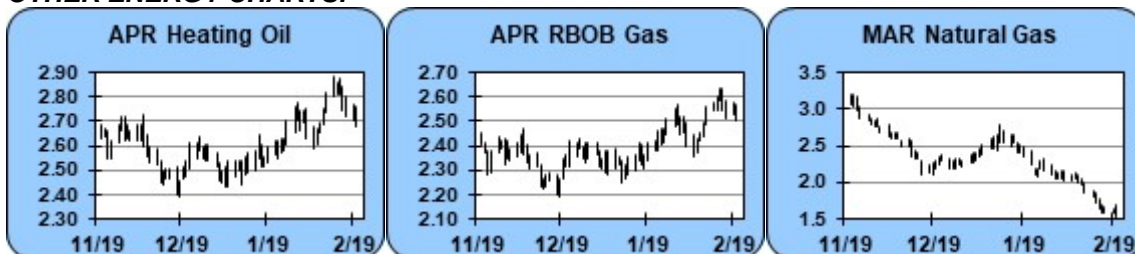
NEW RECOMMENDATIONS:

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) 02/22/2024: 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 daily closing price reversal up on the daily chart is somewhat positive. The market setup is supportive for early gains with the close over the 1st swing resistance. The next upside objective is 79.36. The next area of resistance is around 78.89 and 79.36, while 1st support hits today at 77.14 and below there at 75.85.

HEATING OIL (APR) 02/22/2024: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market's short-term trend is negative as the close remains below the 9-day moving average. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is now at 261.76. The next area of resistance is around 268.93 and 271.29, while 1st support hits today at 264.17 and below there at 261.76.

RBOB GAS (APR) 02/22/2024: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The intermediate trend could be turning up with the close back above the 18-day moving average. The upside daily closing price reversal gives the market a bullish tilt. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside target is now at 248.96. The next area of resistance is around 255.76 and 256.93, while 1st support hits today at 251.78 and below there at 248.96.

NATURAL GAS (APR) 02/22/2024: The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The near-term upside objective is at 1.964. The next area of resistance is around 1.928 and 1.964, while 1st support hits today at 1.803 and below there at 1.713.

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										
CLAJ24	78.02	60.57	58.54	75.45	83.31	77.78	77.20	76.05	74.43	74.12
CLAK24	77.40	59.09	57.44	74.37	81.57	77.31	76.87	75.85	74.36	74.08
HOAJ24	266.55	40.45	46.77	59.12	44.78	2.71	2.77	2.73	2.62	2.60
HOAK24	259.88	40.23	46.49	60.54	46.46	2.64	2.69	2.66	2.57	2.55
RBAJ24	253.77	52.72	54.82	73.35	68.04	2.55	2.56	2.51	2.43	2.40
RBAK24	253.00	52.33	54.52	73.60	68.12	2.54	2.56	2.51	2.43	2.40
NGAJ24	1.866	47.45	41.77	10.66	19.95	1.71	1.76	1.92	2.19	2.26
NGAK24	1.993	49.33	43.39	10.64	20.00	1.83	1.88	2.03	2.27	2.34

Calculations based on previous session. Data collected 02/21/2024

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
ENERGY COMPLEX						
CLAJ24	Crude Oil	75.85	77.14	77.61	78.89	79.36
CLAK24	Crude Oil	75.55	76.65	77.05	78.15	78.55
HOAJ24	Heating Oil	261.75	264.16	266.52	268.93	271.29
HOAK24	Heating Oil	256.03	258.03	259.72	261.72	263.41
RBAJ24	RBOB Gas	248.95	251.77	252.94	255.76	256.93
RBAK24	RBOB Gas	248.49	251.14	252.20	254.85	255.91
NGAJ24	Natural Gas	1.713	1.803	1.839	1.928	1.964
NGAK24	Natural Gas	1.841	1.930	1.967	2.056	2.093

Calculations based on previous session. Data collected 02/21/2024

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