



DAILY ENERGY COMPLEX COMMENTARY

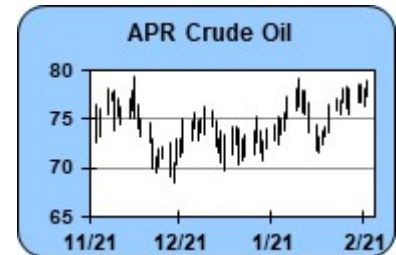
Friday February 23, 2024

DAILY ENERGY COMPLEX COMMENTARY

2/23/2024

Energy demand expectations continue to improve offsetting excess supply

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
CRUDE -95, HEATING OIL -83, UNLEADED GAS -197



CRUDE OIL MARKET FUNDAMENTALS: On the one hand, energy prices this week clearly benefited from improved global energy demand expectations and that in turn helped crude oil survive another inflow to US crude oil inventories.

Obviously, evidence of a resilient US economy combined with a slight brightening of skies in China justifies adjusting energy demand prospects higher. Furthermore, the crude oil trade sees the Yemeni terrorists as a serious threat to supply with sophisticated weaponry most likely provided by Iran. Apparently, a middle of the road injection to EIA crude oil stocks yesterday was a relief to the bull camp after a massive inflow to API inventories was reported earlier this week. In fact, yesterday crude oil prices post EIA report managed a new high for the move and the highest trade since January 29th which suggests a four-week pattern of inflows to crude stocks was readily discounted. However, despite the extending pattern of weekly inflows to EIA crude oil inventories, the year-over-year deficit has continued to rise and now stands at a very material 36 million barrels. In the end, favorable US economic data has helped underpin hope for improved energy demand, but improved demand has not help support US product prices. EIA crude stocks rose 3.514 million barrels and are 36.077 million barrels below year ago levels. Also, crude stocks stand 7.879 million barrels below the five-year average. Crude oil imports for the week stood at 6.654 million barrels per day compared to 6.470 million barrels the previous week. The refinery operating rate was 80.6%, unchanged from last week compared to 85.9% last year and the five-year average of 86.3%. While a large portion of this week's improved energy demand outlook is the result of euphoria from record gains in equities, the outlook for China has improved and Indian January crude imports reached a 21 month high thereby providing broad evidence of improving energy demand. In an indirect demand development, the US continues to buy for its strategic reserves and the outlook for global jet fuel demand is ramping up into the normal seasonal spring break demand pickup window.

PRODUCT MARKET FUNDAMENTALS: Despite the bounce from this week's low yesterday, the charts in gasoline remain in favor of the bear camp with lower highs and lower lows dominant since the mid-February peak in prices. However, gasoline should be supported following lower gasoline stocks at the key ARA storage deport in Europe. While the gasoline market managed to throw off a nine-day low yesterday, the market continues to lag the crude oil market on the upside moves. Even though implied gasoline demand should be on a seasonal upward track, this week's EIA implied gasoline demand reading was 710,000 barrels below year ago levels, which probably explains the residual annual surplus in EIA gasoline inventories. Furthermore, the bull camp should be very disappointed in the lack of a significant drawdown in gasoline inventories considering the US refinery operating rate remains extremely low compared to the last five years! EIA gasoline stocks fell 293,000 barrels and are 6.971 million barrels above last year and 4.874 million below the five-year average. Average total gasoline demand for the past four weeks was down 2.3% compared to last year. Gasoline imports came in at 734,000 barrels per day compared to 436,000 barrels the previous week. In our opinion, strength in the crude oil market is "holding up" gasoline prices with demand soft and supply more than adequate. We see selling resistance in April gasoline at \$2.57 with a possible downside failure price today pegged at \$2.50. While the diesel market aggressively rejected another new low for the move yesterday, larger than expected withdrawals from EIA distillate and diesel inventories combined with an upside breakout in crude oil should have yielded more robust gains. In fact, this week's implied distillate demand reading was strong, and the market has been flooded with projections and anecdotal evidence of surging global jet fuel consumption ahead. EIA distillate stocks fell 4.008

million barrels and stand at 284,000 thousand barrels below last year and 14.062 million below the five-year average. Distillate imports came in at 245,000 barrels per day compared to 135,000 barrels the previous week. Average total distillate demand for the past four weeks was down 0.60% compared to last year. Unfortunately for the bull camp distillate and diesel prices should see pressure from weekly increases in ARA jet fuel, naphtha, and fuel oil stocks. Initial support is \$2.6411, with longer-term support at the 200-day moving average down at \$2.606.

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
2/16/2024	442.964	+3.514	-36.077	450.843	6.654	80.6	
DISTILLATES		Stocks			Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
2/16/2024	121.651	-4.008	-0.284	135.713		3.940	
GASOLINE		Stocks			Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
2/16/2024	247.037	-0.293	+6.971	251.911	0.734	8.200	

NATURAL GAS: While there is not a strong fundamental case to predict a bottom in natural gas prices, extremely low prices are beginning to have an economic impact on US production. However, this week's EIA inventory report showed the surplus to five-year average stocks level exploding to 22.5%, leaving the current supply environment entrenched in the bear camp. The weekly natural gas storage report showed a draw of 60 bcf. Total storage stands at 2,470 bcf or 22.3% above the 5-year average. Over the last four weeks natural gas storage has declined 386 bcf. Long-term bottoming news came from Chesapeake Energy plans to reduce production by 30% this year because of low prices, but also because of the potential for gas production to be shuttered by the Department of Interior from the enforcement of lease terms which required capping of wells and idling platform activity on expired leases. Unfortunately for the bull camp in the near-term, continued weakness in Asian prices, a recent balancing of the oversold technical condition and mild weather leaves the bear camp in firm control.

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
2/16/2024	-60	2470	265	-386	22.3%	

TODAY'S MARKET IDEAS:

While we remain a suspicious bull, there is little doubt that global energy demand expectations have improved substantially over the last week. Unfortunately for the bull camp, US supply issues remain a headwind for the bull camp in crude oil, but a portion of the bull camp remains convinced a substantive Middle East supply disruption will eventually surface. In the end, given the improved global energy demand environment, more crude gains are possible, but the product markets look to remain out-of-favor perhaps because of the approach of soft shoulder season demand ahead.

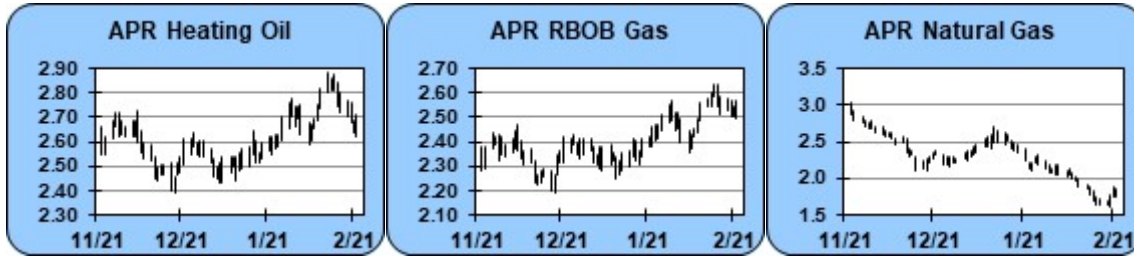
NEW RECOMMENDATIONS:

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) 02/23/2024: 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 over the pivot swing is a somewhat positive setup. The next upside target is 79.94. The next area of resistance is around 79.27 and 79.94, while 1st support hits today at 77.59 and below there at 76.57.

HEATING OIL (APR) 02/23/2024: 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 outside day up and close above the previous day's high is a positive signal. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next downside target is now at 259.98. The next area of resistance is around 274.62 and 277.02, while 1st support hits today at 266.10 and below there at 259.98.

RBOB GAS (APR) 02/23/2024: Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. The market's short-term trend is negative as the close remains below the 9-day moving average. The outside day up is somewhat positive. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next downside target is 246.83. The next area of resistance is around 259.41 and 261.88, while 1st support hits today at 251.89 and below there at 246.83.

NATURAL GAS (APR) 02/23/2024: Rising from oversold levels, daily momentum studies would support higher prices, especially on a close above resistance. The close above the 9-day moving average is a positive short-term indicator for trend. The market's close below the pivot swing number is a mildly negative setup. The next upside objective is 1.933. The next area of resistance is around 1.882 and 1.933, while 1st support hits today at 1.767 and below there at 1.702.

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	78.43	62.47	59.76	78.99	86.40	77.96	77.44	76.08	74.56	74.16
CLAK24	77.77	61.01	58.65	77.94	85.35	77.42	77.06	75.85	74.48	74.11
HOAJ24	270.36	47.81	51.10	53.81	43.21	2.70	2.76	2.73	2.63	2.60
HOAK24	262.94	47.11	50.46	55.22	44.59	2.63	2.68	2.66	2.57	2.55
RBAJ24	255.65	58.16	58.19	72.46	70.68	2.55	2.56	2.52	2.43	2.40
RBAK24	254.85	58.07	58.05	72.68	70.83	2.54	2.56	2.51	2.43	2.40
NGAJ24	1.825	44.07	39.74	16.06	27.00	1.75	1.75	1.90	2.18	2.24
NGAK24	1.971	47.41	42.26	16.79	29.05	1.88	1.87	2.01	2.26	2.32

Calculations based on previous session. Data collected 02/22/2024
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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
ENERGY COMPLEX						
CLAJ24	Crude Oil	76.56	77.58	78.25	79.27	79.94
CLAK24	Crude Oil	76.03	76.99	77.58	78.54	79.13
HOAJ24	Heating Oil	259.98	266.10	268.50	274.62	277.02
HOAK24	Heating Oil	253.99	259.27	261.31	266.59	268.63
RBAJ24	RBOB Gas	246.82	251.88	254.35	259.41	261.88
RBAK24	RBOB Gas	246.32	251.21	253.60	258.49	260.88
NGAJ24	Natural Gas	1.701	1.766	1.817	1.882	1.933
NGAK24	Natural Gas	1.842	1.913	1.957	2.028	2.072

Calculations based on previous session. Data collected 02/22/2024

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