



DAILY ENERGY COMPLEX COMMENTARY

Tuesday February 27, 2024

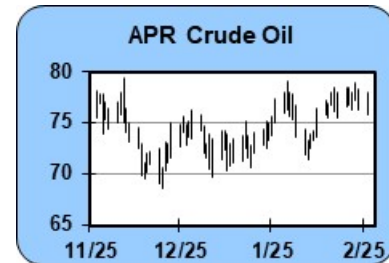
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2/27/2024

Fundamental support building under petroleum not in natural gas

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
CRUDE -19, HEATING OIL -167, UNLEADED GAS +67

CRUDE OIL MARKET FUNDAMENTALS: While the crude oil market has held the February gains, the market clearly lost upside momentum over the last three weeks. In fact, the lack of a material supply disruption in the Red Sea has contributed to the "stall" in crude oil prices, and crude prices may have lost their bullish buzz because of the consistent erosion of US rate cut hopes and lingering concerns of large inflows to US EIA crude oil inventories. However, the dollar continues to erode, the US continues to refill its strategic reserves, global refiners have indicated they will delay maintenance due to strong product demand and healthy margins, the Russians have announced a six-month ban on gasoline exports and Europe has indicated they may provide direct military support for Ukraine. It is also possible that a precipitous drop in US durable goods could deflate energy demand expectations today and the threat of a significant inflow to EIA crude oil inventories on Wednesday is justified by four straight weeks of inflows with at least one of those inflows historically large. In a minimally supportive development traders have suggested OPEC plus will roll over its production restraint, but that bullish force is not significant anymore. Apparently, the Yemeni terrorists fired a missile at a US flag oil tanker Sunday but missed. According to US Central Command, two missiles were shot down over the southern Red Sea on Sunday keeping the bear camp honest in its efforts to attack crude oil prices. Apparently, supply disruptions and concerns among shippers have severely pinched petroleum flows to Europe, which in turn opens fresh demand for the US. According to a private source the US has already shipped 2.17 million barrels per day to Europe this month and has also provided more diesel than Saudi Arabia to Europe! This week's Reuters poll projects a moderate 1.8-million-barrel inflow to EIA crude oil stocks which would be the fifth straight weekly inflow but despite an inflow it is possible the year-over-year stocks deficit could expand again. In retrospect, the range down failure and aggressive rejection suggests the recent consolidation lows of \$76.35 in April crude is now a value zone.



PRODUCT MARKET FUNDAMENTALS: With the surprise range up move in gasoline yesterday and the market holding those gains overnight, the charts have shifted bullish. The market should derive support from news of a six-month Russian ban on gasoline exports and from reports that global refiners are delaying maintenance because of strong demand. Obviously, seeing delayed maintenance in some ways is bearish as typical product output trends are disrupted. Yet another positive demand development came from India where their gasoline consumption reached back up to pre-pandemic levels! It is also clear that Middle East shipping issues have shifted European demand toward the US. Like the crude oil market, the gasoline market broke down and aggressively recoiled from those lows yesterday without a specific bullish catalyst. In fact, April gasoline at times managed to rally nine cents off the lows and it also rejected a trade below its 21-day moving average at \$2.5190 and rejected a probe below the psychological \$2.5000 level. This week's Reuters poll projects EIA gasoline stocks to decline by 1.2 million barrels which would be the fourth consecutive weekly decline, but those declines have not eliminated a year-over-year stocks surplus. However, with the US refinery operating rate showing nearly 20% of capacity idled over the last two weeks gasoline stocks should have drawn down significantly which leaves the trade suspicious of gasoline demand. On the other hand, implied gasoline demand should begin an upward march but 2024 demand has held significantly under year ago and five-year average levels for most of this year. First support is raised to \$2.5412 in April with the upside breakout yesterday targeting a probe above \$2.6000. This week's Reuters poll projects EIA distillate stocks to decline by 1.8 million barrels which would be the sixth

straight week of declines and will likely expand the year-over-year stocks deficit. In retrospect, the April diesel market swung wildly yesterday between its 200-day moving average down at \$2.6095 and at resistance of \$2.7262 on the upside. Pushed into the market, we favor long positions in April diesel on dips back to \$2.67.

NATURAL GAS: With a fresh downside breakout in natural gas overnight combined with a study projecting a "new wave of LNG supply growth" and given record warmth throughout the US, the potential for new contract lows is very high. While the natural gas trade was presented with two very bullish longer-term demand stories yesterday, the near-term track in gas prices remains down. Like the petroleum markets, the US is seeing strong demand for LNG export supply, but with US export flows already at capacity, there is little potential to drawdown US supplies particularly with much above normal temperatures. This week's Reuters poll projects storage to decline within a range of 84 to 95 BCF. However, looking back last week, saw US storage as a percentage of the five-year average jump up to 22% which combined with very low heating demand and the recent corrective bounce should result in gas prices falling below \$1.50 this week.

TODAY'S MARKET IDEAS:

Fundamentals have shifted positive in the petroleum markets with signs of improving demand combined with aggressive rejections of downside probes! In fact, demand hope appears to have temporarily glossed over fear of rising crude supplies in the US which is likely the result of the US gaining exports to Europe from Middle East shipping delays. Furthermore, news that European countries may contribute "troops" to aid Ukraine escalates that war which could intensify supply disruptions in Black Sea and Baltic supply flow.

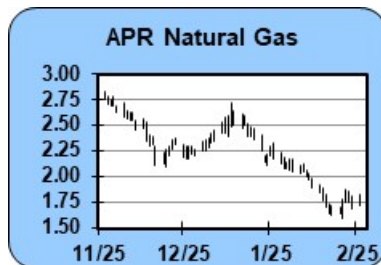
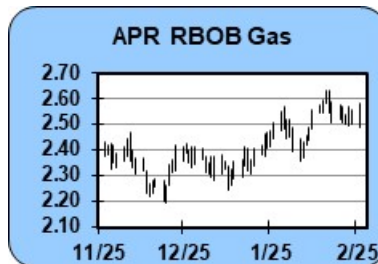
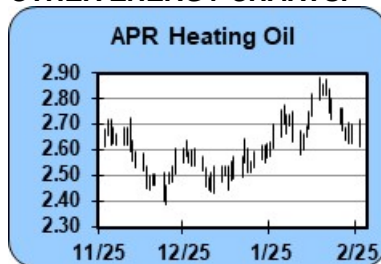
NEW RECOMMENDATIONS:

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) 02/27/2024: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's short-term trend is positive on the close above the 9-day moving average. The daily closing price reversal up on the daily chart is somewhat positive. Market positioning is positive with the close over the 1st swing resistance. The near-term upside target is at 79.45. The next area of resistance is around 78.68 and 79.45, while 1st support hits today at 76.50 and below there at 75.08.

HEATING OIL (APR) 02/27/2024: The downside crossover (9 below 18) of the moving averages suggests a developing short-term downtrend. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close below the 9-day moving average is a negative short-term indicator for trend. The outside day up and close above the previous day's high is a positive signal. A positive setup occurred with the close over the 1st swing resistance. The next downside objective is now at 258.91. The next area of resistance is around 276.36 and 279.12, while 1st support hits today at 266.26 and below there at 258.91.

RBOB GAS (APR) 02/27/2024: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. The upside daily closing price reversal gives the market a bullish tilt. Market positioning is positive with the close over the 1st swing resistance. The next downside target is now at 245.48. The next area of resistance is around 259.99 and 263.55, while 1st support hits today at 250.95 and below there at 245.48.

NATURAL GAS (APR) 02/27/2024: Daily momentum studies are on the rise from low levels and should accelerate a move higher on a push through the 1st swing resistance. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market has a slightly positive tilt with the close over the swing pivot. The next upside target is 1.880. The next area of resistance is around 1.809 and 1.880, while 1st support hits today at 1.691 and below there at 1.645.

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	77.59	55.39	55.41	79.83	80.15	77.65	77.51	76.07	74.71	74.20
CLAK24	77.11	55.01	55.00	79.49	80.63	77.11	77.07	75.81	74.59	74.14
HOAJ24	271.31	49.87	51.58	42.72	33.91	2.68	2.72	2.73	2.63	2.60
HOAK24	263.75	49.53	51.15	44.00	35.14	2.61	2.65	2.65	2.57	2.55
RBAJ24	255.47	55.30	56.02	68.16	64.62	2.54	2.55	2.52	2.44	2.41
RBAK24	254.61	54.93	55.68	68.03	64.14	2.53	2.55	2.51	2.44	2.41
NGAJ24	1.750	40.64	37.98	21.59	26.76	1.79	1.72	1.86	2.15	2.21
NGAK24	1.898	42.58	39.61	23.49	30.00	1.93	1.85	1.97	2.24	2.29

Calculations based on previous session. Data collected 02/26/2024

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						
CLAJ24	Crude Oil	75.07	76.49	77.26	78.68	79.45
CLAK24	Crude Oil	74.76	76.08	76.81	78.13	78.86
HOAJ24	Heating Oil	258.90	266.25	269.01	276.36	279.12
HOAK24	Heating Oil	252.56	259.17	261.71	268.32	270.86
RBAJ24	RBOB Gas	245.47	250.95	254.51	259.99	263.55
RBAK24	RBOB Gas	244.96	250.31	253.55	258.90	262.14
NGAJ24	Natural Gas	1.644	1.690	1.762	1.809	1.880
NGAK24	Natural Gas	1.805	1.848	1.905	1.948	2.005

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