



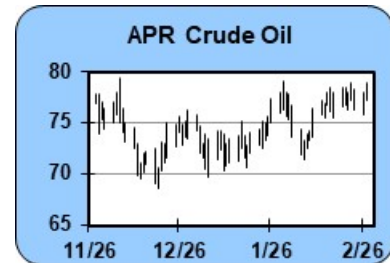
DAILY ENERGY COMPLEX COMMENTARY Wednesday February 28, 2024

DAILY ENERGY COMPLEX COMMENTARY 2/28/2024

We detect a bearish edge today

**OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
CRUDE -105, HEATING OIL -384, UNLEADED GAS -282**

CRUDE OIL MARKET FUNDAMENTALS: While the April crude oil contract waffled around both sides of unchanged yesterday, the market showed signs of revisiting the February high with a three-day upside breakout. Therefore, we are surprised that crude oil prices are only minimally lower this morning given the massive jump in API crude oil stocks of 8.43 million barrels from yesterday afternoon. Furthermore, very modest weakness in the wake of prospects of a peace deal/cease-fire in Gaza could have prompted aggressive selling off ideas that news would reduce threats against supply. On the other hand, the Yemeni terrorists are unlikely to relent as the attacks on shipping are boosting the notoriety of the terrorist group in Yemen which in turn draws financing. While the significant API crude stocks inflow increases the prospect of a larger than expected EIA crude oil stock inflow today, significant strength in oil spreads partially confirms expectations of tightening future supply which in turn probably contributed to the February rally. Nonetheless, US EIA crude oil stocks are likely to build for the fifth week in a row and we suspect some bulls will back away because of talk a cease-fire deal. Other issues holding back crude oil are the upside breakout in the dollar overnight and prospects of record US production readings from weekly reports. However, according to trade chatter, refinery interest surfaced earlier this week (probably because of the six-month Russian gasoline export ban) and European buyers are expected to continue to scramble to replace delayed Middle East supply. In our opinion, seeing a cease-fire would leave the petroleum markets vulnerable to a setback to the early February low which is currently six dollars below the current trade. After the close, the API survey said that US crude oil stocks had a weekly increase of 8.43 million barrels which was a much larger increase than trade forecasts.



PRODUCT MARKET FUNDAMENTALS: Expectations of additional US gasoline exports to Europe (from shipping issues) and from the six-month Russian gasoline export ban, combined with a larger than expected 3.2-million-barrel decline in API gasoline stocks yesterday afternoon should underpin gasoline prices. However, RBOB has a compacted overbought technical condition from a two-day low to high rally of nearly \$0.12 which is important considering the net spec and fund long in gasoline remains the most burdensome relative to other net spec and fund long positions in the petroleum sector. Fortunately for the bull camp, the gasoline market is also benefiting from news that Indian gasoline consumption returned to pre-Covid levels signaling the world's strongest large economy continues to grow. The API survey said that US gasoline stocks had a weekly decline of 3.27 million barrels which was a larger decline than market expectations. Uptrend channel support in April gasoline today is \$2.5079 and resistance is obviously \$2.60 and then again up at \$2.6330. While the diesel market had difficulty piercing its 21-day moving average yesterday and prices fell back after making five-day highs, we do not rule out additional losses today. The API survey said that US distillate stocks had a weekly decline of only 523,000 barrels which was a smaller decline than trade forecasts. Uptrend channel support is far off the market at 262.00 with closer in pivot point support pegged at \$2.642.

Weekly EIA Petroleum Estimates - Week Ending 2/23/2024 - In Million Barrels

	High Estimate	Low Estimate	Stocks Last Week	Stocks Change Last Week
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Crude Oil	2	1.6	443	3.5
Distillates	-1.6	-2	121.7	-4
Gasoline	-1	-1.4	247	-0.3

NATURAL GAS: While the fundamentals in natural gas remain very bearish, a return of more seasonal US temperatures, and news that Russia has redirected LNG shipments away from the Red Sea, provides minimal support against news that US LPG exports in the latest weekly report declined 12% from the prior week. Furthermore, LPG US exports over the last 30 days were 1.99 million barrel per day 2 million barrels per day last year. Unfortunately for the bull camp a temporary return to normal seasonal temperatures in the US is very unlikely to have a notable impact on a very oversupplied market. Even demand news favors the bear camp with Bloomberg overnight indicating lower 48 gas production yesterday increased while lower 48 total gas demand declined. Unfortunately for the bull camp the net spec and fund short in natural gas remains very modest and therefore the market is unlikely to run out of sellers. This week's Reuters poll projects EIA natural gas in storage to decline within a range of 84 to 95 BCF but we think the surplus to the five-year average will expand again and will be the key reading for gas on Thursday.

TODAY'S MARKET IDEAS:

While the bull camp might maintain a thin edge, the trade will need EIA crude oil stocks to post a smaller than expected build to offset a very large jump in API crude oil stocks. In our opinion, the bull camp will also need a positive (but not too positive) US GDP report today to prevent a corrective setback especially with crude oil and gasoline prices at recent highs sitting near longer term consolidation resistance. While major developments in the Middle East nearly always take longer than expected a cease-fire deal in Gaza would certainly add to the bear case.

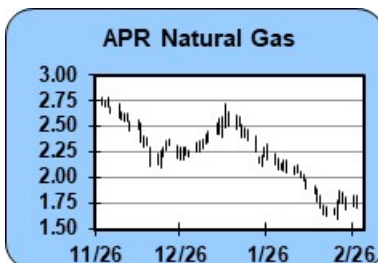
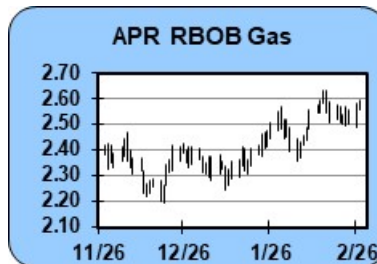
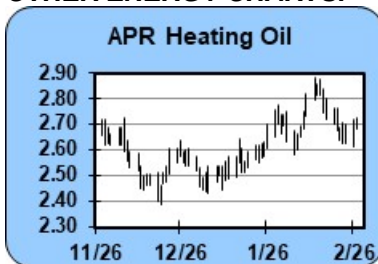
NEW RECOMMENDATIONS:

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) 02/28/2024: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's short-term trend is positive on the close above the 9-day moving average. The close over the pivot swing is a somewhat positive setup. The next upside objective is 80.18. The next area of resistance is around 79.54 and 80.18, while 1st support hits today at 77.72 and below there at 76.53.

HEATING OIL (APR) 02/28/2024: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The daily closing price reversal down puts the market on the defensive. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is now at 265.30. The next area of resistance is around 271.84 and 274.71, while 1st support hits today at 267.14 and below there at 265.30.

RBOB GAS (APR) 02/28/2024: The crossover up in the daily stochastics is a bullish signal. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market's close above the 9-day moving average suggests the short-term trend remains positive. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside objective is at 262.26. The next area of resistance is around 260.81 and 262.26, while 1st support hits today at 256.93 and below there at 254.50.

NATURAL GAS (APR) 02/28/2024: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. A positive signal for trend short-term was given on a close over the 9-bar moving average. The upside closing price reversal on the daily chart is somewhat bullish. Market positioning is positive with the close over the 1st swing resistance. The next upside target is 1.920. The next area of resistance is around 1.875 and 1.920, while 1st support hits today at 1.747 and below there at 1.665.

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	78.63	60.05	58.43	81.20	83.97	77.83	77.63	76.24	74.79	74.21
CLAK24	77.97	60.43	58.49	81.47	85.50	77.33	77.17	75.96	74.67	74.15
HOAJ24	269.49	48.52	50.66	39.43	32.86	2.69	2.71	2.73	2.63	2.60
HOAK24	262.75	49.27	50.97	41.04	35.11	2.62	2.63	2.65	2.57	2.55
RBAJ24	258.87	60.05	59.14	68.40	68.88	2.56	2.55	2.53	2.44	2.41
RBAK24	257.86	59.92	58.96	68.21	68.57	2.55	2.54	2.52	2.44	2.41
NGAJ24	1.811	46.64	42.19	25.27	32.89	1.77	1.73	1.84	2.14	2.20
NGAK24	1.965	49.54	44.62	28.54	38.65	1.92	1.86	1.96	2.23	2.28

Calculations based on previous session. Data collected 02/27/2024

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
ENERGY COMPLEX						
CLAJ24	Crude Oil	76.52	77.71	78.35	79.54	80.18
CLAK24	Crude Oil	76.07	77.14	77.73	78.80	79.39
HOAJ24	Heating Oil	265.29	267.13	270.00	271.84	274.71
HOAK24	Heating Oil	258.79	260.65	262.98	264.84	267.17
RBAJ24	RBOB Gas	254.50	256.93	258.38	260.81	262.26
RBAK24	RBOB Gas	253.61	256.00	257.32	259.71	261.03
NGAJ24	Natural Gas	1.664	1.747	1.792	1.875	1.920
NGAK24	Natural Gas	1.822	1.903	1.946	2.027	2.070

Calculations based on previous session. Data collected 02/27/2024

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