



DAILY ENERGY COMPLEX COMMENTARY

Thursday February 29, 2024

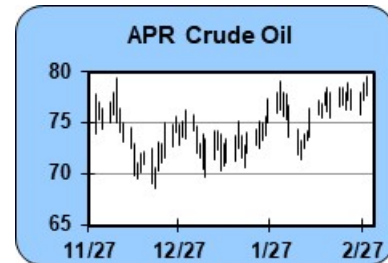
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2/29/2024

Weakness in petroleum and increased odds of a reversal in natural gas

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
CRUDE -21, HEATING OIL -27, UNLEADED GAS -69

CRUDE OIL MARKET FUNDAMENTALS: In retrospect, we are very surprised crude prices have held this week's gains in the face another large build in EIA crude oil stocks, a slight tempering of energy demand hope and to a lesser degree because of periodic strength in the Dollar. However, the bull camp should be emboldened this morning by Chinese government indications their 2024 oil consumption will increase by 0.3% and by ongoing gains in Chinese traffic. While not a definitive increase in demand the Chinese remain a top-tier consumer and there has been more doubt on their economy than optimism already factored into oil prices. According to some sources, the energy markets have been undermined this week by fears of an upside breakout in US interest rates and the US dollar. Therefore, today's US PCE and initial claims data should create volatility especially with open interest and trading volume falling off consistently in the face of the February rally. The bull camp needs a soft US PCE reading today with demand concerns fostered by recent weakness in the diesel market. Even the supply side of the equation favors the bear camp with US crude oil inventories at the highest level since late November and Cushing Oklahoma inventories jumping by the most since December 22nd. A potential supportive theme for the bull camp is the prospect that new US sanctions will disrupt some Russian sales to India who has been the largest buyer of Russian seaborne supply. Apparently, the US moved to sanction the largest Soviet tanker group "Sovcomflot" which could complicate annual supply agreements between Russia and India! Uptrend channel support in the April crude contract today is \$76.77 with near-term resistance pegged at \$80.64.



PRODUCT MARKET FUNDAMENTALS: Despite a bullish weekly EIA gasoline report and residual support from the six-month Russian gasoline export ban, gasoline futures failed significantly after breaking out to a nine-day high yesterday. Apparently, the larger than expected EIA gasoline stocks withdrawal, a week over week uptick in implied gasoline demand and a narrowing of the year-over-year gasoline surplus inventories was not bullish enough for the market to hold onto initial gains yesterday. Unfortunately for the bull camp, this week's implied gasoline demand reading was 700,000 barrels per day under year ago levels, thereby canceling out higher week over week implied demand! We suspect a portion of the reversal in gasoline prices from their highs yesterday was the result of comments from the Russian oil minister who suggested the Russian gasoline export ban could be lifted at any time once supplies are rebuilt. It should be noted that Russian domestic gasoline prices fell 6% following the announcement of the export ban which was partly invoked as protection against shortages into improving seasonal demand window. EIA gasoline stocks fell 2.832 million barrels and are 5.013 million barrels above last year and 6.520 million below the five-year average. Average total gasoline demand for the past four weeks was down 3.1% compared to last year. Gasoline imports came in at 384,000 barrels per day compared to 734,000 barrels the previous week. With the Russian oil minister suggesting their gasoline export ban could end at any time, we see April gasoline vulnerable to a retest of levels under \$2.50. Not surprisingly, the EIA data for distillate and diesel inventories was inconsequential with minimal declines in weekly inventories offset by very poor implied distillate demand. EIA distillate stocks fell 510,000 barrels and stand at 973,000 barrels below last year and 13.016 million below the five-year average. Distillate imports came in at 112,000 barrels per day compared to 245,000 barrels the previous week. Average total distillate demand for the past four weeks was down 2.98% compared to last year. It should also be noted that stories of slackening global diesel demand surfaced overnight thereby broadening the bearish demand case. Therefore, the downside breakout in diesel is

justified with a possible temporary probe below key support at \$2.584 likely today, especially if a risk off environment materializes following US inflation data.

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
2/23/2024	447.163	+4.199	-33.044	449.175	6.385	81.5	
DISTILLATES	Stocks				Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
2/23/2024	121.141	-0.510	-0.973	134.157		3.536	
GASOLINE	Stocks				Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
2/23/2024	244.205	-2.832	+5.013	250.725	0.384	8.467	

NATURAL GAS: Given the flow of fundamental headline news yesterday, the range up extension in natural gas futures is highly suspect. In fact, with prices generally positive again early today the market has continued to discount bearish news from an outage threat against US export flow and from news of a 4% increase in Russian pipeline gas exports to Europe this month. While US temperatures have cooled off considerably, forecasts have above normal temperatures returning quickly. Another bearish development is news that Russian liquefied gas production last month increased by 12.9%. Offsetting some of the negative supply developments is a halt in Iranian exports through Iraq connected pipelines. However, Russian gas production has apparently returned to "pre-sanction levels" which should be seen as a very bearish supply side development. Perhaps the rally in natural gas yesterday was the result of expiration of the March natural gas contract or was the result of the prospect of a reversal of the US natural gas export pause implemented by the US president. Granted long-term projections of rapid growth in global LNG demand from both China and Europe are longer-term bullish developments but should be so far into the future as to be unimportant in daily trade. In our opinion, without a large withdrawal from EIA gas in storage today the bull camp will face a wave of fresh selling.

TODAY'S MARKET IDEAS:

The edge has shifted back to the bear camp with another large weekly inflow to EIA crude and demand (implied gasoline and distillate demand) remaining well below year ago levels. In conclusion, we see yesterday's weakness extending to key support levels in April crude oil of \$76.77, \$2.50 in April gasoline, and at \$2.584 in April diesel. In conclusion, the bull camp needs to be bailed out with a definitive risk-on vibe following the release of US data today.

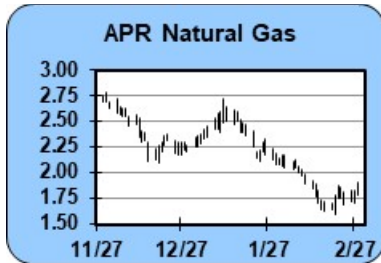
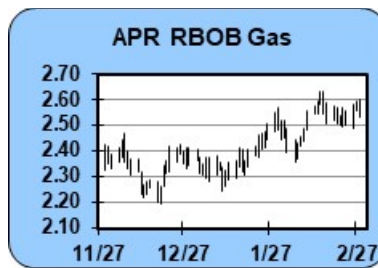
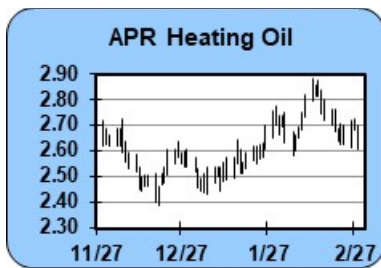
NEW RECOMMENDATIONS:

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) 02/29/2024: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market could take on a defensive posture with the daily closing price reversal down. It is a slightly negative indicator that the close was lower than the pivot swing number. The near-term upside target is at 80.36. The next area of resistance is around 79.26 and 80.36, while 1st support hits today at 77.42 and below there at 76.68.

HEATING OIL (APR) 02/29/2024: The close under the 40-day moving average indicates the longer-term trend could be turning down. Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's short-term trend is negative as the close remains below the 9-day moving average. There could be some early pressure today given the market's negative setup with the close below the 2nd swing support. The next downside target is now at 254.23. The next area of resistance is around 266.32 and 272.90, while 1st support hits today at 256.99 and below there at 254.23.

RBOB GAS (APR) 02/29/2024: A bearish signal was triggered on a crossover down in the daily stochastics. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market's short-term trend is negative as the close remains below the 9-day moving average. The outside day down and close below the previous day's low is a negative signal. The market is in a bearish position with the close below the 2nd swing support number. The next downside target is 248.44. The next area of resistance is around 257.34 and 262.27, while 1st support hits today at 250.43 and below there at 248.44.

NATURAL GAS (APR) 02/29/2024: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The cross over and close above the 18-day moving average is an indication the intermediate-term trend has turned positive. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside target is 1.981. The next area of resistance is around 1.932 and 1.981, while 1st support hits today at 1.809 and below there at 1.734.

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	78.34	57.62	56.99	82.11	83.12	77.82	77.88	76.50	74.89	74.26
CLAK24	77.61	56.22	55.91	81.88	82.72	77.25	77.34	76.17	74.74	74.18
HOAJ24	261.66	39.52	44.27	34.34	24.15	2.67	2.69	2.72	2.63	2.60
HOAK24	257.00	41.24	45.46	36.59	27.70	2.60	2.62	2.65	2.58	2.55
RBAJ24	253.89	52.73	54.33	66.63	63.09	2.55	2.55	2.53	2.44	2.41
RBAK24	253.20	52.71	54.22	66.45	62.95	2.54	2.54	2.53	2.44	2.41
NGAJ24	1.871	51.98	46.05	31.13	42.99	1.78	1.75	1.83	2.14	2.18
NGAK24	2.036	56.51	49.89	36.90	53.62	1.94	1.90	1.95	2.23	2.27

Calculations based on previous session. Data collected 02/28/2024
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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
ENERGY COMPLEX						
CLAJ24	Crude Oil	76.68	77.42	78.52	79.26	80.36
CLAK24	Crude Oil	76.14	76.78	77.80	78.44	79.46
HOAJ24	Heating Oil	254.23	256.98	263.57	266.32	272.90
HOAK24	Heating Oil	250.76	253.24	258.27	260.75	265.78
RBAJ24	RBOB Gas	248.44	250.42	255.36	257.34	262.27
RBAK24	RBOB Gas	248.02	249.91	254.60	256.49	261.18
NGAJ24	Natural Gas	1.733	1.808	1.857	1.932	1.981
NGAK24	Natural Gas	1.889	1.970	2.020	2.101	2.151

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