



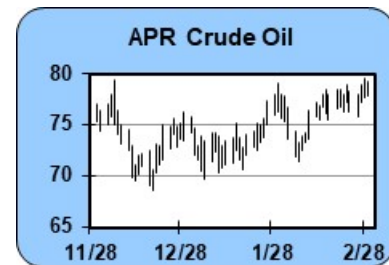
DAILY ENERGY COMPLEX COMMENTARY Friday March 01, 2024

DAILY ENERGY COMPLEX COMMENTARY 3/1/2024

Impressive residual strength in gasoline & crude support diesel

**OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
CRUDE +126, HEATING OIL +207, UNLEADED GAS +300**

CRUDE OIL MARKET FUNDAMENTALS: The crude oil market continues to surprise the trade with its ability to discount demand concerns and play down bearish supply headlines. Furthermore, crude oil continues to discount a developing trend of building crude stocks at the EIA, a sharp jump in Cushing, Oklahoma hub supply and a very low US refinery operating rate. Fortunately for the bull camp, the EIA indicated US crude oil production dropped slightly in December as another record monthly production reading could have added to the bearish tone of yesterday's poor close. Apparently, US refiners are content to extend and prolong typical maintenance periods which could keep US refinery demand for crude oil soft. Perhaps the trade was also cheered by a private forecast that global oil demand will increase by 1.9 million barrels per day, from increased talk of a European rate cut in June and from hope that the upcoming Chinese national party conclave will yield a "large and broad stimulus package". Other supportive demand talk came from further confirmation of very strong Indian oil imports (and strong Indian economic data) and from evidence of extremely active Chinese trade in derivative contracts. In fact, despite somewhat disappointing Chinese economic data overnight crude oil is likely to forge an upside breakout early today. Furthermore, the bull camp also seems to garner confidence from long-held expectations that OPEC+ will extend production restraint in next week's meeting. Uptrend channel support in April crude oil today is well below the early trade today at \$77.08 with the next resistance level seen at \$80.64.



PRODUCT MARKET FUNDAMENTALS: In a slight twist of recent performance, the gasoline market performed better than crude oil yesterday and in turn rejected a three-day low to close impressively higher. Furthermore, April gasoline has extended yesterday's strength with a new high for the move this morning. While the bull camp was probably assisted by a decline in ARA gasoline stocks this week which fell from 1.205 million tonnes to only 1.177 million tonnes that news should have been more than offset by signs the 6-month Russian gasoline export ban could end at any time. However, despite another week of disappointing US'S gasoline and distillate implied demand readings, the trade remains hopeful of seasonally improving northern hemisphere demand and is emboldened by ongoing strengthening of Chinese traffic readings. While not a major tightening of US supplies, EIA gasoline inventories have now declined four weeks straight and the year-over-year surplus of US gasoline inventories has declined by 13.5 million barrels since the last week of January! While we are highly skeptical of the bull tilt, the charts point up as long as April gasoline respects uptrend channel support today at \$2.5250. Not surprisingly, the diesel market showed the weakest action yesterday with serious damage on the charts only partially mitigated by the modest recovery off the lows. While the bull camp should be cheered by a week over week decline in European jet fuel stocks, that supportive issue was more than offset by increases in European fuel-oil, naphtha, and gas oil inventories. However, the bear camp in the diesel market should face spillover tailwinds from crude and gasoline prices heavily offset by news that US distillate demand in December reached the lowest level since June 2020. We suggest traders sell a rally in April diesel today up at \$2.709.

NATURAL GAS: In retrospect, the recent rally off the February lows is probably the result of a US EPA ruling which removed existing US natural gas power plants from new stringent environmental rules which are expected

to be announced next month. However, LNG prices in Asia continue to remain soft but some traders think low prices have Chinese buyers poised to fill needs especially if a major Chinese stimulus package is announced. In retrospect, we were surprised for the fourth straight session in a row as April natural gas posted four higher highs against a wave of bearish supply headlines. In addition to a return to mild temperatures in the US, natural gas was presented with another significant jump in the EIA inventory surplus to five-year average storage levels and should be undermined by fears US exports will be slowed by problems at a key export terminal (that backs up US supply on shore). Granted, the weekly withdrawal was at the upper end of the range of expectations but seeing the five-year average surplus expand to 26.2% should dramatically increase fundamental resistance. The weekly natural gas storage report showed a draw of 96 bcf. Total storage stands at 2,374 bcf or 26.5% above the 5-year average. Over the last four weeks, natural gas storage has declined 285 bcf. Fortunately for the bull camp, the EIA indicated US natural gas liquid production in December fell by 196,000 barrels per day in a development that goes against the recent tide.

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
2/23/2024	-96	2374	248	-285	26.5%	

TODAY'S MARKET IDEAS:

While we see the gasoline market shifting into a leadership role, the energy markets continue to face generally bearish supply and demand conditions. However, it is possible that traders are anticipating a gradual increase in gasoline demand from seasonal patterns which combined with a very low US refinery operating rate should continue to tighten US gasoline supply incrementally. In the end, we give the edge to the bull camp from very positive chart action but remain very skeptical of the bull case from classic fundamental supply and demand evidence.

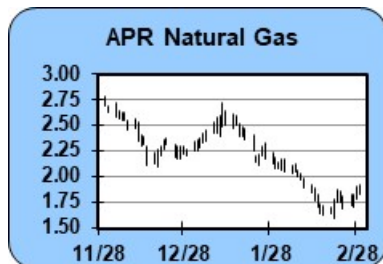
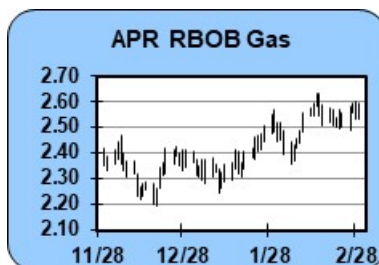
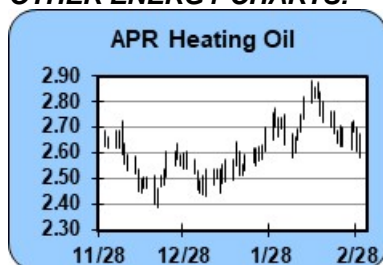
NEW RECOMMENDATIONS:

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) 03/01/2024: The daily stochastics gave a bearish indicator with a crossover down. Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. The market's short-term trend is positive on the close above the 9-day moving average. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is now at 77.12. The next area of resistance is around 78.98 and 79.80, while 1st support hits today at 77.64 and below there at 77.12.

HEATING OIL (APR) 03/01/2024: Momentum studies are declining, but have fallen to oversold levels. The market's short-term trend is negative as the close remains below the 9-day moving average. The daily closing price reversal up on the daily chart is somewhat positive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside target is now at 254.78. The next area of resistance is around 269.20 and 272.87, while 1st support hits today at 260.16 and below there at 254.78.

RBOB GAS (APR) 03/01/2024: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market's short-term trend is positive on the close above the 9-day moving average. The upside daily closing price reversal gives the market a bullish tilt. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside objective is 250.47. The next area of resistance is around 260.77 and 263.36, while 1st support hits today at 254.33 and below there at 250.47.

NATURAL GAS (APR) 03/01/2024: Positive momentum studies in the neutral zone will tend to reinforce higher price action. The close above the 9-day moving average is a positive short-term indicator for trend. The daily closing price reversal down is a negative indicator for prices. It is a slightly negative indicator that the close was under the swing pivot. The near-term upside target is at 1.949. The next area of resistance is around 1.892 and 1.949, while 1st support hits today at 1.804 and below there at 1.772.

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	78.31	57.27	56.81	81.73	80.28	78.33	77.98	76.85	75.00	74.33
CLAK24	77.53	54.94	55.16	81.05	78.51	77.65	77.39	76.47	74.83	74.24
HOAJ24	264.68	43.45	46.68	30.69	23.41	2.67	2.68	2.73	2.64	2.61
HOAK24	259.24	44.48	47.41	33.04	25.94	2.61	2.61	2.65	2.58	2.55
RBAJ24	257.55	56.82	56.93	65.46	63.11	2.57	2.55	2.54	2.45	2.42
RBAK24	256.43	56.58	56.69	65.35	63.14	2.56	2.54	2.54	2.45	2.42
NGAJ24	1.848	50.76	45.54	38.84	53.58	1.82	1.78	1.82	2.13	2.17
NGAK24	1.993	52.39	47.43	45.13	61.58	1.98	1.92	1.94	2.22	2.26

Calculations based on previous session. Data collected 02/29/2024

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	77.12	77.64	78.46	78.98	79.80
CLAK24	Crude Oil	76.50	76.95	77.65	78.10	78.80
HOAJ24	Heating Oil	254.77	260.15	263.82	269.20	272.87
HOAK24	Heating Oil	250.92	255.36	258.68	263.12	266.44
RBAJ24	RBOB Gas	250.46	254.32	256.91	260.77	263.36
RBAK24	RBOB Gas	249.54	253.24	255.90	259.61	262.26
NGAJ24	Natural Gas	1.771	1.803	1.860	1.892	1.949

NGAK24	Natural Gas	1.933	1.955	2.009	2.031	2.085
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