



DAILY ENERGY COMPLEX COMMENTARY

Wednesday March 06, 2024

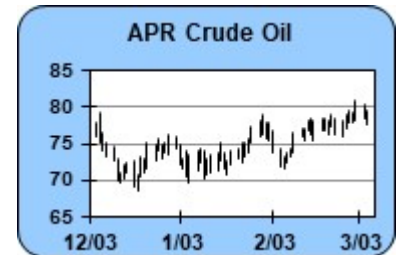
DAILY ENERGY COMPLEX COMMENTARY

3/6/2024

More corrective action unless demand expectations are revived

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
CRUDE +55, HEATING OIL -80, UNLEADED GAS +107

CRUDE OIL MARKET FUNDAMENTALS: While today's weekly EIA report will certainly have an impact on prices, a portion of the energy trade focus will be temporarily diverted to macroeconomic issues from a US Federal Reserve Chairman testimony to Congress. In other words, commentary from the Fed early today will impact energy demand expectations but the focus of the trade could also be focused on big picture macro sentiment and or on action in the US dollar. Fortunately for the bull camp, the inflow to API crude oil stocks from yesterday afternoon was much lower than the expectations for the inflow to EIA crude oil stocks this morning and that bullish development was magnified by a much larger than expected drawdown in API gasoline inventories. Unfortunately for the bull camp weekly crude oil in ARA storage facilities increased by 3.9% versus the prior week and Putin has indicated the goal of OPEC+ is not to raise prices. However, the global energy trade is more focused on the latest tightening of US sanctions on companies shipping Russian oil supply as that adds to the shipping complications in the Middle East. Along those lines, it appears that India has moderated its interest in Russian oil, but it is not clear if that is the result of increased sanctions or classic economic decisions. In retrospect, the rejection of the initial weakness yesterday in crude oil came from news that a Turkish oil terminal had stopped accepting Russian oil imports because of the latest round of sanction tightening by the US. In other words, getting supply out of Russia to the world market may have become more difficult with the US turning up the screws on Russian middlemen who shop to world consumers! Apparently, the Saudis see generally positive Asian demand trends as the kingdom raised Arab light crude prices to Asia but slightly lowered pricing to Northwest Europe. While the trade earlier in the week expected a significant jump in EIA US crude oil inventories, we suspect that bar has been lowered by the smallish API inflow. After the close, the API survey said that US crude oil stocks had a weekly increase of only 423,000 barrels which was a much smaller increase than trade forecasts. In the end, fear of softening energy demand is the primary pillar of the bear case this morning but seeing a crude stock inflow at the EIA above 1.5 million barrels could result in April crude oil prices spiking down to \$77.00. To turn this week's slide around might require a trade back above \$79.49 after the EIA and Fed testimony.



PRODUCT MARKET FUNDAMENTALS: Clearly, the gasoline market is showing more technical vulnerability than the crude oil market, with yesterday's spike down move and today's early trade near yesterday's low. Surprisingly, the larger than expected API gasoline stocks decline yesterday afternoon has failed to improve sentiment toward gasoline, perhaps because the trade is "waiting" to see the EIA number. With the gasoline market falling precipitously yesterday and leading the complex on the downside, downside follow-through is expected directly ahead. In fact, without noted improvement in EIA implied gasoline demand in this week's report, the prospect of significant tightening of US gasoline supply should decline significantly, as this week's Reuters poll predicts the US refinery operating rate to jump by 1.4% versus last week. Fortunately for the bull camp, the seasonal implied demand pattern is marching higher and US gasoline inventories will likely see their 5th straight weekly decline if this week's Reuters poll projection of a decline in EIA gasoline supplies of 1.6 million barrels materializes. The API survey said that US gasoline stocks had a weekly decline of 2.8 million barrels which was a larger decline than market expectations. Near-term downside targeting in April gasoline is \$2.49. This week's Reuters poll projects EIA distillate stocks to decline by 1 million barrels which would result in distillate stocks falling for seven straight weeks. The API survey said that US distillate stocks had a weekly decline of 1.8 million barrels which was a larger decline than market forecasts. Therefore, it is possible that April diesel will find value

just under \$2.60.

NATURAL GAS: While there are overnight reports that higher European prices this week have been the result of increased demand, we continue to think the primary buying fuel in the market is short covering. Certainly, the trade has already fully jumped to the conclusion that much above normal winter temperatures will result in season ending inventories reaching even more burdensome levels. However, the much above normal temperature pattern in the North American winter has resulted in early spring chatter which in turn could signal extreme heat this summer which in turn would ramp up energy consumption for air conditioning. On the other hand, this week's Reuters poll projects a very minimal range of withdrawals of 35 to 45 BCF which in turn will likely raise the surplus to five-year average inventory levels toward 30%! In the end, without a surprise very bullish fundamental paradigm shift, we see natural gas prices falling back from this week's early high especially if t's EIA report shows another sizeable jump in the surplus to five-year average US gas inventory levels.

TODAY'S MARKET IDEAS:

We see the petroleum markets in a corrective track with renewed concerns of softening energy demand combining with what is expected to be another increase in US crude oil supplies at the EIA. However, for product prices to avoid noted downside extensions ahead will likely require an improvement in EIA implied gasoline and distillate demand readings. Furthermore, without a sudden return to risk on global psychology (as signaled by new highs in US equities) the bias is down.

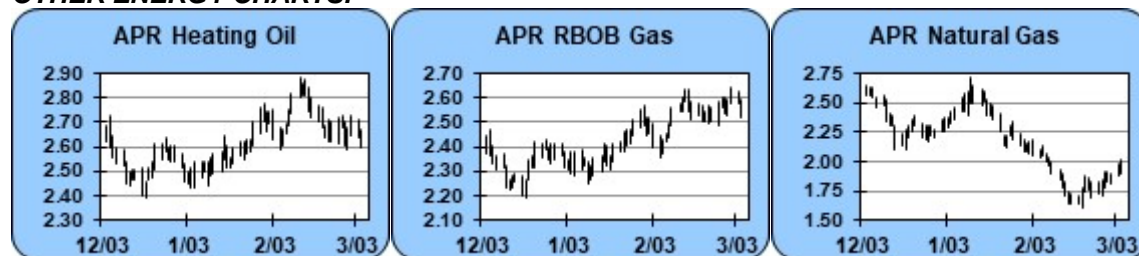
NEW RECOMMENDATIONS:

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) 03/06/2024: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. A negative signal for trend short-term was given on a close under the 9-bar moving average. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is 76.37. The next area of resistance is around 79.14 and 80.30, while 1st support hits today at 77.18 and below there at 76.37.

HEATING OIL (APR) 03/06/2024: The major trend has turned down with the cross over back below the 60-day moving average. Momentum studies are declining, but have fallen to oversold levels. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside target is now at 255.00. The next area of resistance is around 263.58 and 268.47, while 1st support hits today at 256.84 and below there at 255.00.

RBOB GAS (APR) 03/06/2024: 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 intermediate trend has turned down with the cross over back below the 18-day moving average. The market is in a bearish position with the close below the 2nd swing support number. The next downside target is now at 246.96. The next area of resistance is around 256.64 and 261.61, while 1st support hits today at 249.32 and below there at 246.96.

NATURAL GAS (APR) 03/06/2024: Rising stochastics at overbought levels warrant some caution for bulls. 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 2.068. The next area of resistance is around 2.009 and 2.068, while 1st support hits today at 1.891 and below there at 1.831.

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	78.16	52.86	54.29	74.84	66.27	78.78	78.36	77.77	75.32	74.67
CLAK24	77.42	51.63	53.28	74.10	65.17	78.03	77.70	77.28	75.09	74.53
HOAJ24	260.21	39.52	43.46	26.39	21.10	2.65	2.66	2.72	2.64	2.61
HOAK24	255.89	40.45	44.26	28.32	22.59	2.60	2.60	2.65	2.58	2.56
RBAJ24	252.98	47.26	50.69	63.22	55.63	2.58	2.57	2.56	2.46	2.43
RBAK24	252.01	46.80	50.29	63.36	55.66	2.57	2.56	2.56	2.46	2.43
NGAJ24	1.950	59.28	51.91	59.70	73.82	1.89	1.84	1.80	2.10	2.14
NGAK24	2.090	58.87	52.51	64.30	76.38	2.04	1.99	1.93	2.20	2.24

Calculations based on previous session. Data collected 03/05/2024

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	76.36	77.17	78.33	79.14	80.30
CLAK24	Crude Oil	76.04	76.62	77.63	78.21	79.22
HOAJ24	Heating Oil	254.99	256.83	261.73	263.58	268.47
HOAK24	Heating Oil	251.56	253.10	257.13	258.67	262.70
RBAJ24	RBOB Gas	246.95	249.31	254.28	256.64	261.61
RBAK24	RBOB Gas	246.34	248.48	253.40	255.54	260.46
NGAJ24	Natural Gas	1.830	1.890	1.949	2.009	2.068
NGAK24	Natural Gas	1.979	2.033	2.092	2.146	2.205

Calculations based on previous session. Data collected 03/05/2024

Data sources can & do produce bad ticks. Verify before use.

***This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Opinions expressed are subject to change without notice. Any information or recommendation contained herein: (i) is not based on, or tailored to, the commodity interest or cash market positions or other circumstances or characterizations of particular investors or traders; (ii) is not customized or personalized for any such investor or trader; and (iii) does not take into consideration, among other things, risk tolerance, net worth, or available risk capital. Any use or reliance upon the information or recommendations is at the sole discretion and election of the subscriber. The risk of loss in trading futures contracts or commodity options can be substantial, and traders should carefully consider the inherent risks of such trading in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of Lakefront Futures is strictly prohibited.