



DAILY ENERGY COMPLEX COMMENTARY

Wednesday March 13, 2024

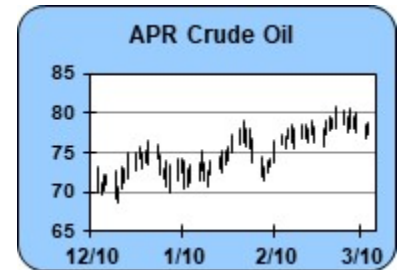
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3/13/2024

Expect RBOR & crude to claw toward recent consolidation highs

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
CRUDE +108, HEATING OIL +446, UNLEADED GAS +351

CRUDE OIL MARKET FUNDAMENTALS: Seeing crude oil prices remain in the lower quarter of a 35 day trading range this morning is not surprising given a measure of bullish and bearish fundamental overnight news. On the bull side of the ledger yesterday afternoon's API crude oil stocks decline of 5.5 million barrels was a very significant bullish surprise and that news was magnified by reports of additional refinery damage in Russia from Ukrainian drone attacks. On the bear side of the ledger reports overnight are Russian seaborne crude exports reached the highest level of the year last week and that is compounded by EIA forecasts that US production gains will outpace OPEC production cuts! Furthermore, evidence that Iraq is producing 200,000 barrels per day more than its quota, highlights a lack of effectiveness from the production reduction scheme. Yet another bearish overnight development came from the weekly private forecast from Genscape indicating crude storage in ARA facilities increased by 0.7% on a week over week basis. In fact, the EIA in its Short Term Energy Outlook suggested US crude oil output will increase by 1.2% to 13.65 million, higher US supply is the primary pillar of the bear case. Fortunately for the bull camp, the IEA sees the energy transition away from fossil fuels taking longer than other forecasts but many analysts continue to think that peak oil demand is approaching. This week's EIA weekly inventory data will be key, as a ramping up of US refinery activity since February 6th should begin to pull down US crude oil inventories. Unfortunately for the bull camp, some analysts suggest crude oil inventories should be declining sharply with refinery activity last week potentially running nearly 6% higher than in the third week of February. After the close, the API survey said that US crude oil stocks had a weekly decline of 5.531 million barrels which was a much larger decline than trade forecasts. Later today, the trade will be presented with Chinese new loan data for February, but unfortunately new loans are expected to be significantly softer than the prior month potentially calling Chinese energy demand into question again. Uptrend channel support in April crude oil today is \$77.23 with a key failure/pivot point today at \$76.79. The top of the sideways range in April crude oil is \$79.53 today.



PRODUCT MARKET FUNDAMENTALS: Clearly, the upside breakout in gasoline toward the March high today is justified by another attack on a Russian refinery, a larger than expected decline in weekly API gasoline inventories and moderating fear of restocking of gasoline inventories from the massive jump in the US refinery. We suspected the drone attack on a critical Russian refinery early this week provided the impetus for yesterday's six-day high in gasoline prices and therefore today's extension off another attack is also justified. In fact, Russian wholesale gasoline prices jumped by more than 1% in the wake of a drone attack on a refinery complex yesterday with that facility producing 11% of Russia's gasoline! With a recent Russian gasoline export ban, a potential loss in Russian fuel production from the missile attack and given an upcoming election, the Russian president will likely take aggressive action to limit product exports further. However, this week's Reuters poll projects EIA gasoline inventories to decline by 2.1 million barrels and saw API inventories decline sharply stocks are not rebuilding as expected despite US refinery operating rate jumping aggressively. The API survey said that US gasoline stocks had a weekly decline of 3.75 million barrels which was a larger decline than market expectations. In conclusion, we saw April gasoline prices above \$2.60 as expensive yesterday, but another significant supply threat originating from the Middle East (the refinery attack) raising near-term targeting in April gasoline to \$2.6380. Clearly, the diesel market has failed to bounce like the gasoline market, especially with Russian wholesale diesel prices jumping 1.2% yesterday in the wake of the initial refinery attack and we suspect prices will rise further from the second overnight attack. While not an instant support for diesel prices the Russian ban on

fuel exports is likely to be extending and fully enforced thereby opening some foreign sales of US diesel supply. A longer-term supportive development overnight came from a forecast that the use of biodiesel will see a slower implementation than previously expected. This week's Reuters poll projects very little change in weekly distillate stocks with the gain pegged at only 400,000 barrels. The API survey said that US distillate stocks had a weekly decline of 1.16 million barrels which was a larger decline than trade forecasts. In conclusion, without sustained upside action in crude and gasoline, we expect April diesel to be attracted to bottom of the consolidation at \$2.58.

Weekly EIA Petroleum Estimates - Week Ending 3/8/2024 - In Million Barrels				
	High Estimate	Low Estimate	Stocks Last Week	Stocks Change Last Week
Crude Oil	1.1	0.7	448.5	1.4
Distillates	0.6	0.2	117	-4.1
Gasoline	-1.9	-2.3	239.7	-4.5

NATURAL GAS: While there are reports that European buying for summer needs has picked up, that likely means supplies will quickly return to near capacity levels. Predictions are that current European gas storage is at 60% of capacity with only two weeks of the "official" heating season remaining. Apparently, the trade targets European crude in storage to be 90% by November 1st and that target could be easily achieved given the massive surplus of exportable supply in the US. In short, to stop or slow the downtrend in Natural gas will require widespread talk of a much hotter than expected northern hemisphere spring and summer. Therefore, we see natural gas headed to and perhaps below contract lows in the days ahead, with continued mild temperatures increasing the aggressiveness of sellers as the odds of a late season spike in demand from cold weather is declining by the day. It should also be noted that Europe has experienced a significant jump in wind power electric generation, thereby reducing demand for LNG on the European continent. Furthermore, there are reports that Indonesia and Australia are offering cargoes for sale adding supply to a market already oversupplied! In fact, estimates from Bloomberg indicate LNG on floating storage has increased by 27% over last week. The path of least resistance is down and a revisiting of \$1.60 is likely.

TODAY'S MARKET IDEAS:

With a fresh material disruption against Russian fuel exports from another Ukraine drone attack on a refinery southeast of Moscow, larger than expected draws in API inventories overnight, crude and gasoline are set to claw toward the top of recent consolidation zones of \$2.6380 in April gasoline and at \$79.53 in April crude oil. If today's EIA inventory data replicates the API inventory readings from yesterday afternoon buyer confidence should increase.

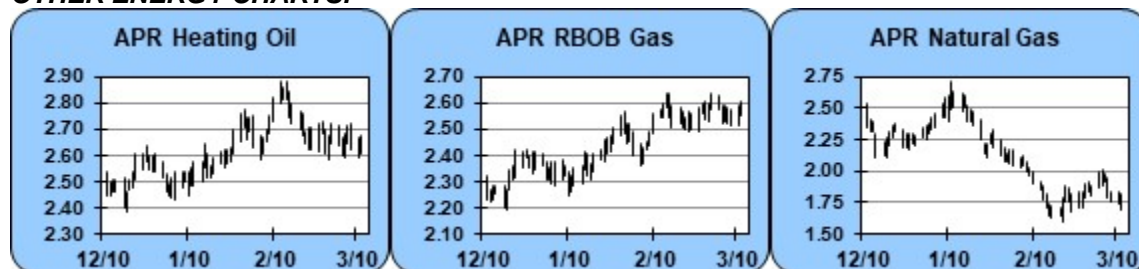
NEW RECOMMENDATIONS:

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) 03/13/2024: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The close below the 9-day moving average is a negative short-term indicator for trend. The market could take on a defensive posture with the daily closing price reversal down. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is 76.51. The next area of resistance is around 78.44 and 79.28, while 1st support hits today at 77.06 and below there at 76.51.

HEATING OIL (APR) 03/13/2024: The close below the 60-day moving average is an indication the longer-term trend has turned down. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The close below the 9-day moving average is a negative short-term indicator for trend. The downside closing price reversal on the daily chart is somewhat negative. The market tilt is slightly negative with the close under the pivot. The next upside target is 269.89. The next area of resistance is around 265.20 and 269.89, while 1st support hits today at 258.33 and below there at 256.13.

RBOB GAS (APR) 03/13/2024: The daily stochastics have crossed over up which is a bullish indication. 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. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside objective is 263.51. The next area of resistance is around 261.62 and 263.51, while 1st support hits today at 256.40 and below there at 253.06.

NATURAL GAS (APR) 03/13/2024: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market's short-term trend is negative as the close remains below the 9-day moving average. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside objective is now at 1.601. The next area of resistance is around 1.773 and 1.864, while 1st support hits today at 1.642 and below there at 1.601.

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	77.75	47.04	50.74	56.57	46.70	78.11	78.52	78.21	75.97	75.31
CLAK24	77.41	48.55	51.46	58.27	50.08	77.65	77.90	77.63	75.68	75.12
HOAJ24	261.77	42.25	44.94	32.83	33.00	2.65	2.65	2.67	2.66	2.63
HOAK24	258.68	45.39	47.19	36.69	39.73	2.60	2.60	2.61	2.60	2.57
RBAJ24	259.01	56.17	55.77	51.08	53.43	2.56	2.57	2.56	2.49	2.46
RBAK24	258.12	56.20	55.72	51.89	54.54	2.55	2.56	2.55	2.49	2.45
NGAJ24	1.708	36.04	38.16	53.02	38.52	1.77	1.84	1.80	2.03	2.11
NGAK24	1.815	35.01	37.84	50.78	33.41	1.89	1.98	1.94	2.14	2.20

Calculations based on previous session. Data collected 03/12/2024

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	76.50	77.05	77.89	78.44	79.28
CLAK24	Crude Oil	76.23	76.75	77.53	78.05	78.83
HOAJ24	Heating Oil	256.13	258.33	263.01	265.20	269.89
HOAK24	Heating Oil	253.55	255.76	259.38	261.59	265.21
RBAJ24	RBOB Gas	253.05	256.39	258.28	261.62	263.51
RBAK24	RBOB Gas	252.60	255.67	257.49	260.56	262.38
NGAJ24	Natural Gas	1.600	1.642	1.732	1.773	1.864
NGAK24	Natural Gas	1.716	1.754	1.837	1.875	1.958

Calculations based on previous session. Data collected 03/12/2024
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