



DAILY ENERGY COMPLEX COMMENTARY

Thursday March 14, 2024

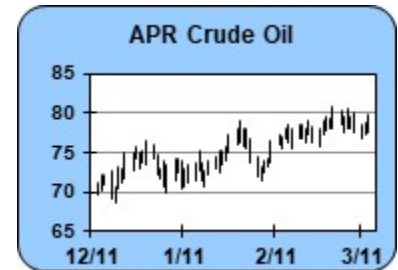
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3/14/2024

Expect RBOB & crude to move toward recent consolidation highs

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
CRUDE +46, HEATING OIL +272, UNLEADED GAS +45

CRUDE OIL MARKET FUNDAMENTALS: The crude oil market was lifted yesterday by a surprise inflow and trend busting decline in EIA crude oil stocks as a projected 900,000 barrel inventory inflow estimate crossed up the trade with a moderate decline. We suspect the surprise drawdown in US crude oil inventories is mainly the result of the US refinery operating rate jumping 1.9% on a week over week basis thereby increasing demand for physical US crude. Furthermore, with a year-over-year deficit in EIA crude oil stocks expanded to 33 million barrels this week and the refinery operating rate now up 6.2% from one month ago that should mean a noted pickup in the pace of US crude oil buying for refinery consumption. Another fresh bullish development came from the IEA predicting a tighter 2024 oil market. However, the EIA did raise its US production forecast to 13.19 million barrels per day up from the prior estimate of 13.1 million barrels per day and that is a major offset to doubt over the actual amount of actual OPEC+ production restraint. In fact, OPEC continues to debate with Iraq which they contend continues to produce 200,000 barrels per day over its quota. In yet another limiting supply side story this week's private estimates pegged crude oil storage in key European facilities to have increased by 0.7%. However, the most supportive issue going forward is the emergence of a pattern of Ukrainian drone attacks on key Russian refineries which reduces the prospect of product exports from Russia even further. Apparently, the latest Russian refinery damaged was responsible for 11% of all Russian gasoline supply and with an election coming up, Putin is motivated to make sure local supplies do not run short and that could mean Russia could slow down crude oil and fuel exports. EIA crude stocks fell 1.536 million barrels and are 33.069 million barrels below year ago levels. Also, crude stocks stand at 12.052 million barrels below the five year average. Crude oil imports for the week stood at 5.491 million barrels per day compared to 7.222 million barrels the previous week. The refinery operating rate was 86.8%, up 1.9% from last week compared to 88.2% last year and the five year average of 84.3%.



PRODUCT MARKET FUNDAMENTALS: With gasoline futures today posting fresh higher highs for the move, momentum might be enough to result in a trade above \$2.70 in the April contract before the close tomorrow. Apparently, the latest Russian refinery damaged by a Ukrainian drone attack was responsible for 11% of all Russian gasoline supply and with an election coming up, Putin is motivated to make sure local prices do not explode and supplies do not run short as that could mean Russia would slow down crude oil and gasoline exports aggressively. The important thing to consider regarding Ukrainian drone attacks on Russian oil infrastructure is whether the recent attacks are part of a sustained offensive as that could have longer-term ramifications on gasoline and diesel prices. While not a major bullish development, the trade saw a second straight week of implied gasoline demand readings above 9 million barrels per day, and the EIA gasoline stocks draw much larger than anticipated and perhaps more importantly, gasoline inventories fell into a year-over-year deficit for the first time since last fall. EIA gasoline stocks fell 5.662 million barrels and are 1.914 million barrels below last year and 6.253 million below the five year average. Average total gasoline demand for the past four weeks was down 1.3% compared to last year. Gasoline imports came in at 634,000 barrels per day compared to 588,000 barrels the previous week. The bias is up in gasoline unless there is a "risk off" event following US inflation data. Given the sharp range up move in gasoline prices yesterday, the market appears to have enough momentum to regain \$2.70. In retrospect, the EIA report was less supportive of distillate and diesel markets than gasoline, but the threat of a reduction in diesel supply flow from Russian refinery outages should help underpin diesel above \$2.60. EIA distillate stocks rose 888,000 barrels and stood at 1.817 million barrels below last year and 9.270 million

below the five year average. Distillate imports came in at 171,000 barrels per day compared to 195,000 barrels the previous week. Average total distillate demand for the past four weeks was up 0.46% compared to last year. With a several week upside breakout in diesel this morning the weakest component of the petroleum complex has hopped on the coattails of crude and gasoline.

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
3/8/2024	446.994	-1.536	-33.069	459.046	5.491	86.8	
DISTILLATES		Stocks			Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
3/8/2024	117.898	+0.888	-1.817	127.168		3.375	
GASOLINE		Stocks			Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
3/8/2024	234.083	-5.662	-1.914	240.336	0.634	9.044	

NATURAL GAS: As we have been indicating all week long, we see April natural gas prices headed back to fresh contract lows. Weather forecasts for the US and Europe into the end of the month are patently bearish with temperatures at levels normally seen in the late shoulder season between heating and cooling demand. Trade forecasts are calling for EIA natural gas storage to have a minimal weekly decline which would still have storage levels more than 35% above their 5-year average. While there has likely been a rapid escalation of net spec and fund selling this week, the last net spec and fund short position was only 98,765 contracts and therefore the market retains significant selling capacity.

TODAY'S MARKET IDEAS:

While the Ukrainian attacks on Russian refineries may be a short-lived strategy, a continuation of those assaults could disrupt a very major source of oil and fuel for China and India. Certainly, recent sanction escalation and the focus on third-party shipping violations has tightened Russia's distribution network and with an upcoming Russian election, Putin would rather not have additional major problems from surging pump prices, local shortages in addition to the going casualties of war. While outside market forces associated with interest rates, currency values, and economic prospects have not had a major day-to-day impact on petroleum prices, that could change today if the US presents further evidence that inflation in the country remains sticky!

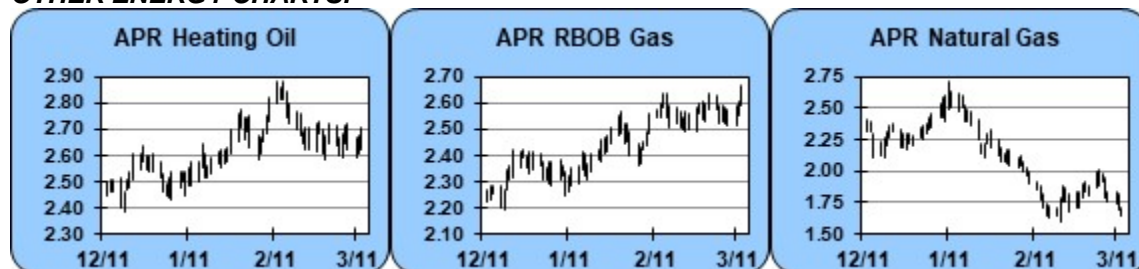
NEW RECOMMENDATIONS:

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) 03/14/2024: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The next downside objective is now at 76.86. The next area of resistance is around 80.79 and 81.51, while 1st support hits today at 78.47 and below there at 76.86.

HEATING OIL (APR) 03/14/2024: The market now above the 60-day moving average suggests the longer-term trend has turned up. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. Market positioning is positive with the close over the 1st swing resistance. The next upside objective is 275.66. The next area of resistance is around 272.82 and 275.66, while 1st support hits today at 264.70 and below there at 259.42.

RBOB GAS (APR) 03/14/2024: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's short-term trend is positive on the close above the 9-day moving average. The market's close above the 2nd swing resistance number is a bullish indication. The near-term upside target is at 271.97. The next area of resistance is around 269.69 and 271.97, while 1st support hits today at 262.15 and below there at 256.88.

NATURAL GAS (APR) 03/14/2024: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's short-term trend is negative as the close remains below the 9-day moving average. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is now at 1.608. The next area of resistance is around 1.697 and 1.740, while 1st support hits today at 1.631 and below there at 1.608.

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	79.63	60.30	58.40	56.46	56.25	78.28	78.67	78.32	76.16	75.43
CLAK24	79.22	62.20	59.44	59.60	62.27	77.90	78.11	77.75	75.87	75.23
HOAJ24	268.76	52.38	51.35	36.46	43.73	2.65	2.66	2.67	2.67	2.63
HOAK24	265.79	56.77	54.48	42.66	54.97	2.61	2.61	2.61	2.61	2.58
RBAJ24	265.92	66.29	62.39	57.25	69.58	2.59	2.58	2.57	2.50	2.46
RBAK24	265.10	66.32	62.36	57.97	70.13	2.58	2.57	2.56	2.50	2.46
NGAJ24	1.664	32.32	35.72	44.33	26.95	1.74	1.82	1.80	2.01	2.10
NGAK24	1.788	32.57	36.18	41.81	23.87	1.85	1.95	1.94	2.12	2.19

Calculations based on previous session. Data collected 03/13/2024

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
ENERGY COMPLEX						
CLAJ24	Crude Oil	76.85	78.46	79.18	80.79	81.51
CLAK24	Crude Oil	76.65	78.14	78.80	80.29	80.95
HOAJ24	Heating Oil	259.42	264.70	267.54	272.82	275.66
HOAK24	Heating Oil	256.79	262.01	264.35	269.57	271.91
RBAJ24	RBOB Gas	256.87	262.14	264.42	269.69	271.97
RBAK24	RBOB Gas	256.05	261.33	263.57	268.85	271.08
NGAJ24	Natural Gas	1.608	1.631	1.674	1.697	1.740
NGAK24	Natural Gas	1.726	1.754	1.793	1.821	1.860

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