DAILY ENERGY COMPLEX COMMENTARY
Monday March 25, 2024

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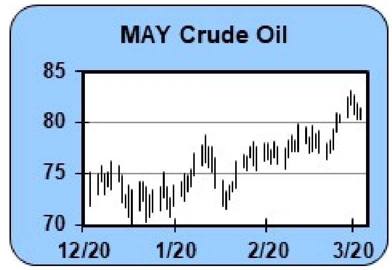
3/25/2024

Negative sentiment and strong dollar currently outweigh supply threats



OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
CRUDE +44, **HEATING OIL** +178, **UNLEADED GAS** -25

CRUDE OIL MARKET FUNDAMENTALS: Despite a bullish commodity forecast from Goldman off expectations of better growth and lower interest rates, crude oil is merely holding within Friday's range in the early action today. Unfortunately for the bull camp crude oil in floating storage increased over the last week by 87,000 barrels, with supply in the Middle East and west Africa climbing and US Gulf Coast supplies up a blistering 147%. Fortunately for the bull camp floating supply in the Asian Pacific region fell by 1.8% with European inventories down by less than 1%. Other fresh supportive developments over the last week include an ongoing shutdown of a Turkish pipeline and market chatter of favorable technical signals from the charts. With last week's corrective setback balancing the compacted mid-March run up, the crude oil market could be more sensitive to bullish items this week. In fact, Middle East developments and the terrorist attack inside Russia create fresh uncertainty from two supply regions. A portion of the international community is lining up against Israel, and a political showdown is possible if Israeli forces attack the Gaza city of Rafah. Furthermore, both China and Russia have vetoed the US led attempt for a cease-fire directive at the UN Security Council. Furthermore, Benjamin Netanyahu has indicated they will undertake the Rafah attack alone if needed. From a longer-term perspective, the bull camp should be emboldened by news that US oil and gas rig drilling counts declined by five which puts rigs operating 18% lower than last year. In retrospect, last week's EIA report on crude oil was bullish, with a healthy decline in inventories on the week and a 3.1 million barrel increase in the year over year deficit which now stands at 36.1 million barrels. However, US imports jumped, offsetting the highest weekly export figure since February 16th. Going forward, crude prices should draft support from another increase in the US refinery operating rate which now stands at a lofty 87.8% or 17.1% above the readings seen early last month. Crude oil should also draft support from signs of improving seasonal implied gasoline demand. With the net spec and fund long positioning likely overstated given the $2.00 washout from the report mark off date, the crude oil market should see less stop loss selling and more bargain hunting buying at key chart support levels. Crude Oil positioning in the Commitments of Traders for the week ending March 19th showed Managed Money traders added 50,072 contracts to their already long position and are now net long 219,965. Non-Commercial & non-reportable traders net bought 43,498 contracts and are now net long 323,685 contracts. Unfortunately for the bull camp, outside market forces are slightly bearish early today with the dollar showing strength and the macroeconomic outlook negative following weak global equities. Initial support is at $80.30 with lower support at $80.01. Longer-term uptrend channel support is down at $78.47. Today we give the bear camp a very thin edge from last week's lower high pattern.

PRODUCT MARKET FUNDAMENTALS: Relatively speaking, the gasoline market has held up better than the crude oil market, perhaps because of last week's larger than expected contraction in EIA gasoline inventories. While implied gasoline demand last week declined slightly, the pattern of demand has been up since the beginning of February as per normal seasonal tracking. However, in the coming weeks average seasonal demand retrenches as spring break passes. Even though EIA gasoline inventories shifted back into a surplus versus year ago levels last week, recent Ukrainian drone attacks on Russian refiners and retaliation by Russia on Ukrainian power stations indicates both forces are targeting infrastructure capable of restricting supply of Russian gasoline and or Ukrainian natural gas. Certainly, the May gasoline contract has developed a shelf of support around $2.70 but unfortunately for the bull camp, the US refinery operating rate has jumped significantly potentially bringing a rebuilding of EIA gasoline inventories. Furthermore, the net spec and fund long position in gasoline remains burdensome and therefore the market is vulnerable to stop loss selling especially if key chart support at $2.6845 fails to hold in the May contract. Gas (RBOB) positioning in the Commitments of Traders for the week ending March 19th showed Managed Money traders are net long 76,541 contracts after net buying 9,772 contracts. Non-Commercial & non-reportable traders are net long 82,028 contracts after net buying 10,365 contracts. The diesel market is in a much different positioning in spec and fund categories than gasoline, with a setback of nearly 7 cents from the level where the COT report was measured, putting the net long near the lowest level since June of last year! The Commitments of Traders report for the week ending March 19th showed Heating Oil Managed Money traders added 30 contracts to their already long position and are now net long 10,967. Non-Commercial & non-reportable traders net bought 753 contracts and are now net long 32,793 contracts. Critical support in May diesel is $2.6316 today with a reversal up taking place with a rally above $2.6708.

NATURAL GAS: The craziness of the Ukraine and Russian natural gas situation just got even more crazy with Russian missiles targeting a Ukrainian underground gas storage facility at the same time Russia continues to ship natural gas through pipelines under Ukraine. In fact, the Ukraine state gas transit company says Russian natural gas flows increased slightly from March 24th to March 25th. However, global natural gas fundamentals remain very bearish with US storage shifting to injection status last week and the US storage level reaching a very lofty 41% above five-year average levels! In a longer-term bullish development, the US gas rig drilling count fell to the lowest level since January 2022 indicating that low prices are having an impact on output. The Natural Gas positioning in the Commitments of Traders for the week ending March 19th showed Managed Money traders are net short 87,438 contracts after net buying 10,604 contracts. Non-Commercial & non-reportable traders were net short 72,733 contracts after increasing their already short position by 1,978 contracts. Unfortunately for the bull camp the net spec and fund short in natural gas remains within the recent range which is effectively in the upper third of the range of short positioning of the last 12 months. The fundamental and technical bias is down with the May contract likely to breach psychological support at $1.75 this week.

TODAY'S MARKET IDEAS:

While there are several potential supply threats lingering in the Middle East and Russia capable of reversing last week's general erosion in prices, negative sentiment flowing from a developing setback in equities has left oil traders in a funk. Furthermore, strength in the dollar is making US oil less attractive and the trade will encounter key inflation readings from Europe and the US this week which in turn could signal inflation continues to linger. Longer-term uptrend channel support in May crude oil is down at $78.47, and we give the bear camp a very thin edge from weak charts. The May gasoline contract has developed a shelf of support around $2.70 with critical support in May diesel at $2.6845.

NEW RECOMMENDATIONS:

None.

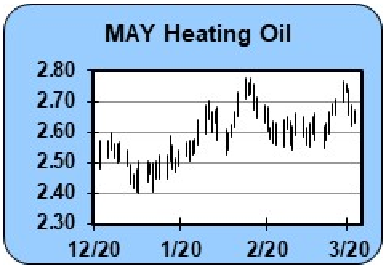
PREVIOUS RECOMMENDATIONS:

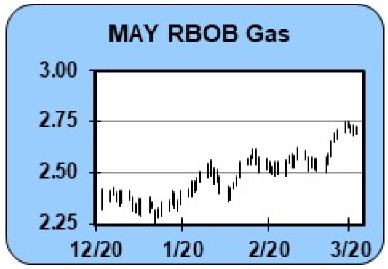
None.

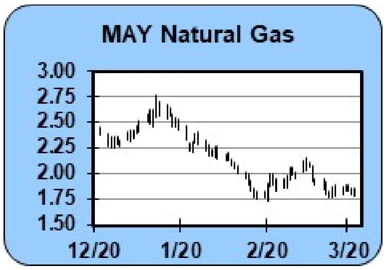
Commitment of Traders - Futures and Options - 3/12/2024 - 3/19/2024

	Non-Commercial		Commercial		Non-Reportable	
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Energies						
Crude Oil	291,031	+45,886	-323,684	-43,498	32,654	-2,388
Heating Oil	12,759	+554	-32,792	-753	20,034	+199
Natural Gas	-105,630	-1,832	72,733	+1,978	32,897	-146
Gas (RBOB)	70,119	+10,543	-82,029	-10,367	11,909	-178

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 (MAY) 03/25/2024: Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market's close below the pivot swing number is a mildly negative setup. The next downside objective is now at 79.89. The next area of resistance is around 81.41 and 81.94, while 1st support hits today at 80.39 and below there at 79.89.

HEATING OIL (MAY) 03/25/2024: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market's close below the 9-day moving average is an indication the short-term trend remains negative. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is 260.94. The next area of resistance is around 266.56 and 268.78, while 1st support hits today at 262.64 and below there at 260.94.

RBOB GAS (MAY) 03/25/2024: A bearish signal was triggered on a crossover down in the daily stochastics. 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 mildly bullish indicator that the market closed over the pivot swing number. The next downside target is 267.10. The next area of resistance is around 273.64 and 275.51, while 1st support hits today at 269.44 and below there at 267.10.

NATURAL GAS (MAY) 03/25/2024: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The downside closing price reversal on the daily chart is somewhat negative. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is now at 1.750. The next area of resistance is around 1.844 and 1.885, while 1st support hits today at 1.776 and below there at 1.750.

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										

CLAK24	80.90	59.42	59.53	77.88	74.08	81.49	80.67	79.32	77.24	76.06
CLAM24	80.40	60.22	60.13	80.44	76.35	80.98	80.18	78.78	76.84	75.75
HOAK24	264.59	48.08	50.14	67.85	58.76	2.68	2.68	2.64	2.64	2.60
HOAM24	262.67	50.03	51.96	72.56	64.04	2.66	2.65	2.61	2.59	2.56
RBAK24	271.54	66.49	64.21	87.05	87.02	2.72	2.70	2.63	2.55	2.50
RBAM24	267.55	65.94	63.89	86.65	86.02	2.69	2.66	2.59	2.52	2.47
NGAK24	1.810	40.50	41.06	21.20	18.06	1.84	1.83	1.91	2.00	2.13
NGAM24	2.028	37.69	39.98	17.47	10.95	2.07	2.07	2.16	2.21	2.32

Calculations based on previous session. Data collected 03/22/2024
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						
CLAK24	Crude Oil	79.88	80.38	80.91	81.41	81.94
CLAM24	Crude Oil	79.45	79.91	80.44	80.89	81.42
HOAK24	Heating Oil	260.94	262.64	264.86	266.56	268.78
HOAM24	Heating Oil	259.20	260.82	262.89	264.51	266.58
RBAK24	RBOB Gas	267.09	269.43	271.30	273.64	275.51
RBAM24	RBOB Gas	263.57	265.61	267.44	269.48	271.31
NGAK24	Natural Gas	1.749	1.776	1.817	1.844	1.885
NGAM24	Natural Gas	1.976	1.996	2.038	2.058	2.100

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