



## DAILY ENERGY COMPLEX COMMENTARY

Wednesday April 03, 2024

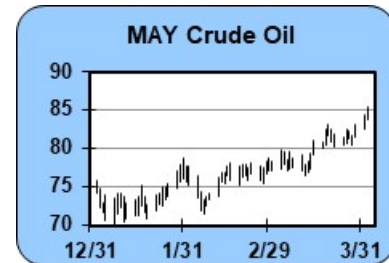
### DAILY ENERGY COMPLEX COMMENTARY

4/3/2024

#### Bullish crude oil sentiment spreads to the product markets

**OVERNIGHT CHANGES THROUGH 6:06 AM (CT):**  
**CRUDE +61, HEATING OIL +223, UNLEADED GAS +155**

**CRUDE OIL MARKET FUNDAMENTALS:** With a fresh higher high in crude oil early today the bulls have retained control despite broadening chatter of demand destruction from high prices. However, unending concern of a Middle East supply disruption, a decline of 2.2 million barrels in API crude oil stocks and escalating bullish speculative sentiment leaves the bull camp in control. Prices were also lifted because of escalating supply disruption fears in the Middle East following the latest Israeli attack reportedly killing 7 aid workers. Also underpinning the bullish bias is the Ukraine drone attack on the third largest Russian refinery. Apparently, the drone attack reached 800 miles from the war front which is certainly concerning for the world oil markets. On the other hand, Russia indicated damage was limited to non-critical areas of the unit. It is also likely that improving views toward the Chinese economy and talk that Saudi Arabia will attempt to lift Arab Light crude sales to Asia by \$0.20/\$0.30 per barrel is justification to lift global energy demand expectations. While the markets have not anticipated a change to the OPEC plus production restraint program today, the cartel should be more comfortable with their policies, especially with nearby crude oil prices approaching \$90.00. As if the bull camp needed added bullish ammunition, Mexico has indicated they will reduce oil exports to the US over the coming months as Mexico attempts to increase domestic refining. Unfortunately for the bull camp, this week's very aggressive rally has been met with lower open interest and very low trading volume in a technical sign that May crude oil prices are becoming expensive! After the close yesterday, the API survey said that US crude oil stocks had a weekly decline of 2.286 million barrels which was a larger decline than trade forecasts.



**PRODUCT MARKET FUNDAMENTALS:** Clearly, the gasoline market has joined the rally in the crude oil market, with a decline in API gasoline inventories yesterday and positive Chinese economic news adding to the bull bias. Granted, improved sentiment toward the Chinese economy helps demand views and an attack of Russia's third-largest refiner could serve to tighten the global gasoline market. However, the Russian oil minister indicates product supplies in Russia are at very high levels and indicated that the drone attack did not damage critical components at the refinery. Fortunately for the bull camp, this week's Reuters poll projects EIA gasoline stocks to decline by 2 million barrels as the technical set up in gasoline should be concerning for the bull camp with this week's sharp rally forged on very low trading volume. On the other hand, open interest in gasoline reached the highest level since February 2022 potentially indicating some fresh longs are entering the market. The API survey said that US gasoline stocks had a weekly decline of 1.416 million barrels which was a smaller decline than market expectations. Critical support in May gasoline today is \$2.758 with resistance at \$2.80. Even though the diesel market begrudgingly joined the rallies in crude oil and gasoline in yesterday's trade, classic supply and demand fundamentals are limiting forces. Certainly, the Ukrainian drone attack of the third-largest Russian refinery prompted speculative buying as that combined with recent reductions in Russian oil and oil product exports could send diesel back to the mid-March highs up at \$2.7666. However, it should be noted that additional Russian refinery capacity has been idled for maintenance thereby creating additional product supply concerns. The API survey said that US distillate stocks had a weekly decline of 2.548 million barrels which was a much larger decline than trade forecasts.

### Weekly EIA Petroleum Estimates - Week Ending 3/29/2024 - In Million Barrels

	High Estimate	Low Estimate	Stocks Last Week	Stocks Change Last Week
Crude Oil	-1.3	-1.7	448.2	3.2
Distillates	-0.4	-0.8	117.3	-1.2
Gasoline	-0.6	-1	232.1	1.3

**NATURAL GAS:** We remain highly skeptical of the natural gas gains over the prior three trading sessions especially with the Ukraine state gas transit company confirming a jump in purchases of Russian gas from April 2nd into April 3rd. Certainly, improving views toward the Chinese economy have revived LNG demand hope but with the US market brimming with excess supply (US gas in storage is currently 41.1% above five-year average levels) we see short covering as the force behind the recovery off last week's lows and not fresh outright buying. In fact, overnight reports from Asia suggest Japanese buying is slowing with aggressive utility buying last month likely refilling low supplies. A potential major long-term negative to US natural gas prices is word of a large expansion of an international natural gas operation likely made possible by the US administration's move to restrict future US LNG exports. This week's Reuters poll projects EIA natural gas in storage to decline by 28 to 41 bcf and a draw of that magnitude in the face of mild temperatures could surprise the trade and extend the recent bounce.

#### TODAY'S MARKET IDEAS:

With bullish API data released yesterday afternoon, and OPEC plus meeting today, unending concerns of a disruption of Middle East supply flows intact and global energy demand views improved by favorable Chinese data released overnight, the bull camp retains an edge. However, without noted inventory declines in US EIA crude oil and gasoline supplies later this morning and/or without a significant jump in implied gasoline and/or distillate demand, product have entered expensive territory. Typically, strong rallies in petroleum prices require constant bullish headline developments which in turn suggests volatility is likely to remain high. Certainly, more gains are possible and maybe likely, but risk and reward of fresh longs at current levels is unattractive.

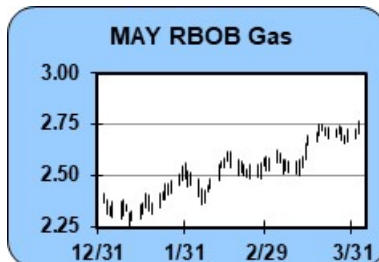
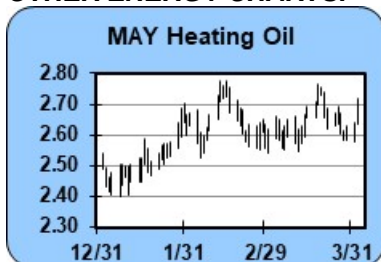
#### NEW RECOMMENDATIONS:

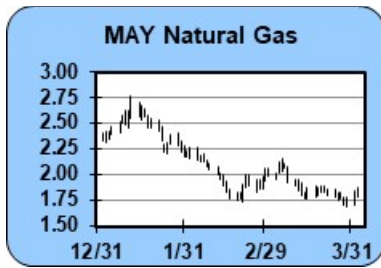
None.

#### 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 (MAY) 04/03/2024:** Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's close above the 9-day moving average suggests the short-term trend remains positive. Market positioning is positive with the close over the 1st swing resistance. The next upside target is 86.56. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 86.06 and 86.56, while 1st support hits today at 84.46 and below there at 83.35.

**HEATING OIL (MAY) 04/03/2024:** The major trend could be turning up with the close back above the 40-day moving average. A negative indicator was given with the downside crossover of the 9 and 18 bar moving average. A bullish signal was given with an upside crossover of the daily stochastics. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The cross over and close above the 18-day moving average is an indication the intermediate-term trend has turned positive. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The near-term upside objective is at 277.79. The next area of resistance is around 275.56 and 277.79, while 1st support hits today at 267.34 and below there at 261.34.

**RBOB GAS (MAY) 04/03/2024:** A bullish signal was given with an upside crossover of the daily stochastics. Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The close above the 9-day moving average is a positive short-term indicator for trend. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The near-term upside objective is at 280.92. The next area of resistance is around 279.19 and 280.92, while 1st support hits today at 273.29 and below there at 269.11.

**NATURAL GAS (MAY) 04/03/2024:** Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside target is at 1.942. The next area of resistance is around 1.900 and 1.942, while 1st support hits today at 1.798 and below there at 1.737.

**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
<b>ENERGY COMPLEX</b>										
CLAK24	85.26	76.34	71.02	84.14	90.13	83.37	82.23	80.90	78.25	77.08
CLAM24	84.36	76.45	71.16	85.46	91.21	82.60	81.60	80.34	77.79	76.70
HOAK24	271.45	61.60	57.89	44.36	46.53	2.64	2.65	2.65	2.64	2.61
HOAM24	270.75	64.21	60.37	54.13	57.34	2.64	2.63	2.63	2.60	2.58
RBAK24	276.24	67.34	64.90	82.45	84.74	2.72	2.71	2.68	2.59	2.54
RBAM24	273.02	68.33	65.59	83.19	85.37	2.68	2.68	2.64	2.55	2.51
NGAK24	1.849	51.57	47.36	27.51	42.18	1.79	1.80	1.83	1.93	2.07

NGAM24 2.091 52.68 48.37 24.83 40.03 2.03 2.03 2.07 2.15 2.27

Calculations based on previous session. Data collected 04/02/2024

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

### DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>ENERGY COMPLEX</b>						
CLAK24	Crude Oil	83.34	84.45	84.95	86.06	86.56
CLAM24	Crude Oil	82.55	83.62	84.03	85.10	85.51
HOAK24	Heating Oil	261.33	267.33	269.56	275.56	277.79
HOAM24	Heating Oil	261.31	266.91	268.98	274.58	276.65
RBAK24	RBOB Gas	269.10	273.28	275.01	279.19	280.92
RBAM24	RBOB Gas	266.38	270.24	271.93	275.79	277.48
NGAK24	Natural Gas	1.736	1.797	1.839	1.900	1.942
NGAM24	Natural Gas	1.981	2.042	2.078	2.139	2.175

Calculations based on previous session. Data collected 04/02/2024

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