



DAILY ENERGY COMPLEX COMMENTARY

Thursday April 04, 2024

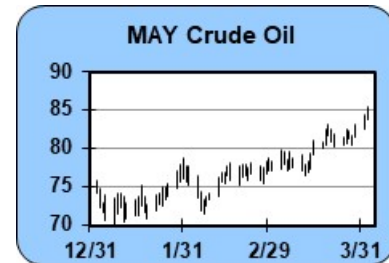
DAILY ENERGY COMPLEX COMMENTARY

4/4/2024

Bullish crude oil sentiment to reach a zenith soon

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
CRUDE -6, HEATING OIL -34, UNLEADED GAS -99

CRUDE OIL MARKET FUNDAMENTALS: Even though May crude oil has not posted a higher high this morning, bullish fundamentals remain in control with bullish supply and demand developments from earlier this week still echoing in the trade. However, European crude in storage jumped by nearly 5% this week, and the bull camp should be partially unnerved by a second straight week of EIA crude oil stock inflows above 3.1 million barrels. Furthermore, the year-over-year EIA crude oil stocks deficit narrowed from 25.4 million barrels to 18.5 million barrels which should have sparked some profit taking. However, the EIA report was very supportive from gasoline readings with stocks down by a much larger than expected 4.2 million barrels and the weekly implied gasoline demand reading jumping to the highest level since last October! Furthermore, the Bank of America raised its Brent crude price targeting by six dollars and has pegged the second and third quarter global oil deficit at 450,000 barrels per day which adds to the bullish buzz. However, the bull camp should be concerned with Chinese and Indian price shock reducing demand as both countries are likely to slow purchases in hopes of cheaper pricing. Taking a step back, energy demand expectations should be improving with better Chinese data, and perhaps more importantly the lack of rebuilding of US gasoline inventories in the wake of an 18% jump in the US refinery operating rate! In other words, US refiners are consuming a lot more oil, and yet their output is not backing up gasoline supply yet. EIA crude stocks rose 3.210 million barrels and are 18.535 million barrels below year ago levels. Also, crude stocks stand 9.157 million barrels below the five year average. Crude oil imports for the week stood at 6.618 million barrels per day compared to 6.702 million barrels the previous week. The refinery operating rate was 88.6%, down 0.1% from last week compared to 89.6% last year and the five year average of 86.9%. Another minor supportive development this week included an extension of the OPEC plus production restraint agreement, a likely reduction in Mexican oil exports to the US, a slight dip in US production and a decline in OPEC output last month. Fortunately for the bull camp, the last net spec and fund long positioning in crude oil remained in the lower quarter of the net spec and fund long range since June 2021, indicating the market probably retains additional speculative buying capacity. Unfortunately for the bull camp, short-term technical indicators like RSI are significantly overbought (the most since last September) and volume on the current rally has been unremarkable. Key support in May crude oil today is \$84.85 with a key failure seen on a trade below \$84.00. Utilizing longer-term charts, the next resistance level in crude oil comes from the June 2022 high which is three dollars above yesterday's close.



PRODUCT MARKET FUNDAMENTALS: This week's EIA report was very supportive from gasoline readings with stocks down by a much larger than expected 4.2 million barrels and the weekly implied gasoline demand jumping to the highest level since last October! In fact, yesterday's EIA report showed a noted draw despite the US refinery operating rate jumping by nearly 18% in less than two months. Unfortunately for the bull camp, the latest COT positioning report showed gasoline as the most overbought petroleum market with gains since the report into the high yesterday of \$0.11 likely resulting in the highest net spec and fund long since January 2021! EIA gasoline stocks fell 4.256 million barrels and are 5.241 million barrels above last year and 6.894 million below the five year average. Average total gasoline demand for the past four weeks was down 0.5% compared to last year. Gasoline imports came in at 488,000 barrels per day compared to 522,000 barrels the previous week. Close in pivot point support in May gasoline is \$2.740, with a pivot/failure price seen at \$2.7356 today and the next upside target pegged at \$2.82. While the diesel market showed signs of catching up to the sharp gains in crude oil and

gasoline, the market continues to lack a definitively supportive fundamental condition. Clearly, distillate stocks declined despite active refinery activity, but the implied distillate demand reading continues to track well below year ago and below five-year average levels. EIA distillate stocks fell 1.268 million barrels and stand at 3.018 million barrels above last year and 8.304 million below the five year average. Distillate imports came in at 104,000 barrels per day compared to 165,000 barrels the previous week. Average total distillate demand for the past four weeks was down 6.25% compared to last year. We think diesel prices are overdone especially given the appearance of a blowoff top yesterday. Therefore, a failure to regain \$2.766 today could signal a top.

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
3/29/2024	451.417	+3.210	-18.535	460.574	6.618	88.6	
DISTILLATES	Stocks				Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
3/29/2024	116.069	-1.268	+3.018	124.373		3.495	
GASOLINE	Stocks				Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
3/29/2024	227.816	-4.256	+5.241	234.710	0.488	9.236	

NATURAL GAS: While the natural gas market made yet another higher high (the third straight) yesterday, the bull camp will face a high hurdle today with the market already expecting a noted withdrawal from EIA storage late in the season. We see the high bar for the withdrawal today the result of mostly mild temperatures and from a surprise injection two weeks ago. In fact, with two straight weeks of minimal withdrawals and a minimal injection last week expecting a relatively large 36 BCF decline in inventories seems out of context. Furthermore, the northern hemisphere continues to move into the shoulder season where large draws on inventories are very unlikely. We suggest traders consider the purchase of June natural gas bear put spreads.

TODAY'S MARKET IDEAS:

Clearly, fundamentals remain in the bull camp for crude oil and gasoline with a continuation of supply fears, signs of ongoing tightening supply (OPEC extended their production restraint through June), signs of improved US implied gasoline demand and improved Chinese energy demand expectations a solid list of bullish issues. However, the petroleum markets are significantly overbought from short-term technical measures and therefore prices are very vulnerable to any big picture macroeconomic deterioration from critical upcoming US scheduled data.

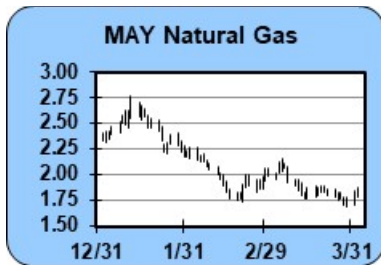
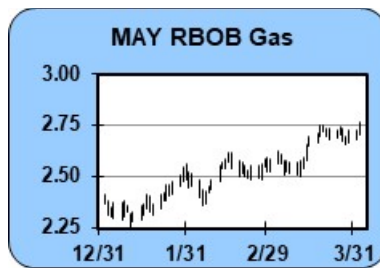
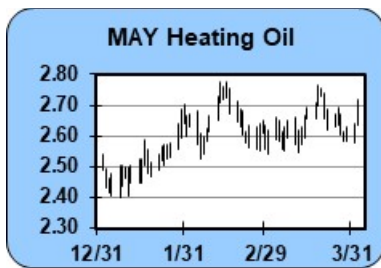
NEW RECOMMENDATIONS:

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) 04/04/2024: Rising stochastics at overbought levels warrant some caution for bulls. The close above the 9-day moving average is a positive short-term indicator for trend. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next upside objective is 86.91. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 86.28 and 86.91, while 1st support hits today at 84.94 and below there at 84.22.

HEATING OIL (MAY) 04/04/2024: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The close above the 9-day moving average is a positive short-term indicator for trend. The close over the pivot swing is a somewhat positive setup. The next upside objective is 279.88. The next area of resistance is around 276.53 and 279.88, while 1st support hits today at 270.60 and below there at 268.01.

RBOB GAS (MAY) 04/04/2024: Momentum studies are trending higher but have entered overbought levels. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside target is at 280.06. The next area of resistance is around 277.73 and 280.06, while 1st support hits today at 274.45 and below there at 273.49.

NATURAL GAS (MAY) 04/04/2024: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The close above the 9-day moving average is a positive short-term indicator for trend. The daily closing price reversal down is a negative indicator for prices. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside objective is at 1.931. The next area of resistance is around 1.886 and 1.931, while 1st support hits today at 1.816 and below there at 1.791.

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	85.61	77.45	71.88	86.00	90.17	84.41	82.70	81.30	78.45	77.28

CLAM24	84.77	77.34	71.83	86.70	89.99	83.52	82.01	80.71	77.97	76.88
HOAK24	273.57	64.35	59.81	48.60	57.37	2.67	2.65	2.66	2.65	2.62
HOAM24	272.65	66.59	62.05	57.65	64.70	2.67	2.64	2.64	2.61	2.58
RBAK24	276.09	67.17	64.78	82.09	82.31	2.74	2.72	2.69	2.59	2.54
RBAM24	273.48	69.52	66.36	83.51	84.58	2.71	2.69	2.66	2.56	2.51
NGAK24	1.851	51.55	47.54	36.40	53.07	1.83	1.81	1.82	1.93	2.06
NGAM24	2.074	49.88	47.04	33.30	49.05	2.06	2.04	2.07	2.14	2.25

Calculations based on previous session. Data collected 04/03/2024

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	84.21	84.93	85.56	86.28	86.91
CLAM24	Crude Oil	83.41	84.12	84.69	85.40	85.97
HOAK24	Heating Oil	268.00	270.59	273.94	276.53	279.88
HOAM24	Heating Oil	267.78	270.04	273.00	275.26	278.22
RBAK24	RBOB Gas	273.48	274.44	276.77	277.73	280.06
RBAM24	RBOB Gas	270.43	271.80	273.78	275.15	277.13
NGAK24	Natural Gas	1.791	1.815	1.861	1.886	1.931
NGAM24	Natural Gas	2.009	2.035	2.086	2.111	2.162

Calculations based on previous session. Data collected 04/03/2024

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