



## DAILY ENERGY COMPLEX COMMENTARY

Tuesday April 09, 2024

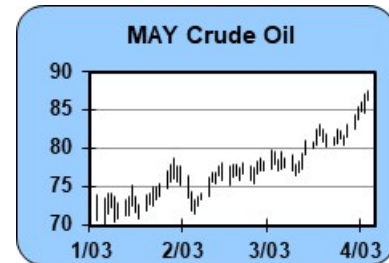
### DAILY ENERGY COMPLEX COMMENTARY

4/9/2024

#### Overbought petroleum markets, a temporary bounce in gas

**OVERNIGHT CHANGES THROUGH 6:06 AM (CT):**  
**CRUDE +14, HEATING OIL +75, UNLEADED GAS +92**

**CRUDE OIL MARKET FUNDAMENTALS:** While the May crude oil contract is trading higher today the market has forged a second straight lower high. However, prices should be underpinned from a hedge fund forecast predicting global oil supplies will be "extremely tight" in the second half of this year. Furthermore, Morgan Stanley has raised its second quarter Brent oil price forecast to \$92.00 and a new Chinese refinery has received an 8.3 million ton quota to import oil which equates to roughly 167,000 barrels per day. Yet another force contributing to the bull case is a private forecast from a commodity conference in Switzerland that US production is unlikely to reach the 400,000 barrel per day growth rate previously predicted by the markets. This week's Reuters poll projects EIA crude in storage to increase by 2.4 million barrels and expects another increase in the US refinery operating rate of 0.5%. In addition to the petroleum markets reaching significant short-term overbought status, reports of Israeli troop withdrawals tempers Middle East supply concerns even if the Egyptians failed to broker a peace deal. On the other hand, there are traders who think extremely low natural gas prices are already serving to reduce oil exploration, pressuring shale oil production and other petroleum supply dependent on the added of revenues from natural gas. From a short term perspective, crude prices should have found support from news yesterday that crude in floating storage declined by 17% over week ago readings with a 52% decline in the US Gulf Coast supply and from Asia-Pacific supplies falling by 31% and reaching the lowest level since February 2020. However, bullish sentiment remains very high especially with Goldman yesterday predicting \$100 Brent crude oil if OPEC supply from one or two producers is lost because of a physical supply interruption. While the corrective action yesterday was needed given the overbought status from last week, reports that Iranian oil exports to China are backing up and their supplies could backup further as Chinese state refiners to lower throughput this month provides some support. However, with six straight days of higher closes ended yesterday and therefore the crude oil market is ripe for a setback possibly from this evening's API inventory readings.



**PRODUCT MARKET FUNDAMENTALS:** While the Russian refinery woes might not have much of an impact on the global product markets, that issue is a caution to the bear camp as reports have up to 15% of Russian refinery capacity off-line because of drone attacks and flooding. In fact, Russia is already seeking gasoline supply from Kazakhstan reportedly as a precaution and not because of actual shortages. Looking ahead, the bull camp must be concerned with a dramatically overbought net spec and long positioning especially given the escalation of US refinery activity following the typical seasonal maintenance period. As indicated already, we suggest those long gasoline seek bear put spread protection especially into the US inflation report on Wednesday. This week's Reuters poll projects EIA gasoline inventories to climb by 1.8 million barrels and EIA distillate inventories to decline by 1.2 million barrels.

**NATURAL GAS:** After exhibiting surprising volatility yesterday by posting a five-day low and aggressively rejecting that breakout and in turn recovering with a gain of \$0.10 from the low this morning, the bears should be on edge. However, the trade overnight was presented with an estimate indicating a decline of LNG on global floating storage of 3.8%. Countervailing the lower global floating supply news is word that India may be temporarily "covered" for upcoming LNG needs. This week's Reuters poll projects EIA natural gas in storage to

post a change between a draw of nine BCF and an injection of 14 BCF. We would normally expect this week's EIA inventory report to bring an injection given the plummeting heating demand for gas, but last week's surprise withdrawal may delay the start of injections for another week. From a longer-term perspective, there are discussions that overall oil production in US could begin to decline as ultracheap natural gas prices have reduced the profitability of some petroleum production. While we are not sure what the impact is on natural gas prices, it should be noted that Russia is claiming Ukraine struck a nuke plant with a drone and it is unclear what Russia will do to retaliate. In a very supportive longer-term development the market overnight was presented with a forecast that US power generators this year will utilize the least amount of coal ever!

#### **TODAY'S MARKET IDEAS:**

While threats against supply are rife in the headlines, we see the pullback of Israeli forces as a temporary moderation of the supply threat. However, both petroleum and gasoline markets have noted overbought net spec and fund long positioning, with the gasoline market particularly vulnerable to steep corrective action. We continue to recommend those remaining long secure bear put spread protection.

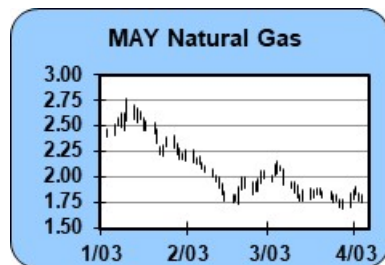
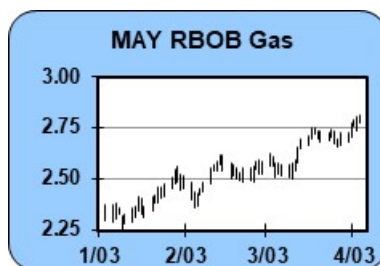
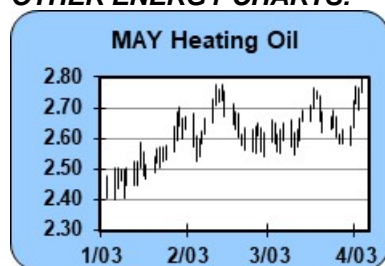
#### **NEW RECOMMENDATIONS:**

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) 04/09/2024: A crossover down in the daily stochastics is a bearish signal. Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. A positive signal for trend short-term was given on a close over the 9-bar moving average. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is now at 83.79. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 87.70 and 88.60, while 1st support hits today at 85.30 and below there at 83.79.

HEATING OIL (MAY) 04/09/2024: A negative indicator was given with the downside crossover of the 9 and 18 bar moving average. 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 close below the 1st swing support could weigh on the market. The near-term upside objective is at 278.59. The next area of resistance is around 275.61 and 278.59, while 1st support hits today at 269.61 and below there at 266.58.

RBOB GAS (MAY) 04/09/2024: 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. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside objective is now at 269.16. The next area of resistance is around 278.01 and 281.25, while 1st support hits today at 271.97 and below there at 269.16.

NATURAL GAS (MAY) 04/09/2024: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The intermediate trend could be turning up with the close back above the 18-day moving average. The outside day up and close above the previous day's high is a positive signal. With the close over the 1st swing resistance number, the market is in a moderately positive position. The near-term upside objective is at 1.923. The next area of resistance is around 1.893 and 1.923, while 1st support hits today at 1.789 and below there at 1.716.

## 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	86.50	75.59	71.69	88.04	87.90	86.34	84.48	82.82	79.18	78.03
CLAM24	85.60	74.84	71.44	88.15	87.12	85.51	83.70	82.18	78.67	77.60
HOAK24	272.61	58.52	57.03	64.77	72.61	2.74	2.68	2.68	2.65	2.63
HOAM24	271.91	60.66	59.25	70.31	75.64	2.74	2.68	2.67	2.62	2.60
RBAK24	274.99	57.79	59.69	80.77	75.54	2.77	2.74	2.73	2.61	2.57
RBAM24	273.02	61.00	61.96	82.50	77.70	2.75	2.71	2.69	2.58	2.54
NGAK24	1.841	51.80	48.09	46.46	54.63	1.81	1.80	1.81	1.90	2.01
NGAM24	2.048	48.48	46.31	41.06	46.84	2.03	2.03	2.05	2.12	2.22

Calculations based on previous session. Data collected 04/08/2024

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	83.78	85.29	86.19	87.70	88.60
CLAM24	Crude Oil	83.05	84.46	85.33	86.74	87.61
HOAK24	Heating Oil	266.57	269.60	272.58	275.61	278.59
HOAM24	Heating Oil	266.43	269.21	271.83	274.61	277.23
RBAK24	RBOB Gas	269.15	271.96	275.20	278.01	281.25
RBAM24	RBOB Gas	266.99	269.95	273.11	276.08	279.23
NGAK24	Natural Gas	1.715	1.789	1.819	1.893	1.923
NGAM24	Natural Gas	1.950	2.007	2.032	2.089	2.114

Calculations based on previous session. Data collected 04/08/2024

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