



DAILY ENERGY COMPLEX COMMENTARY

Friday May 03, 2024

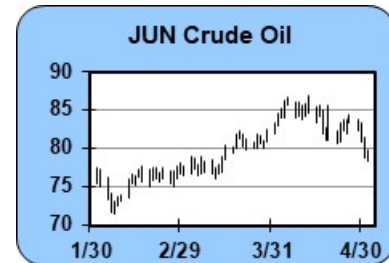
DAILY ENERGY COMPLEX COMMENTARY

5/3/2024

Fundamental evidence and trade sentiment favors the bear camp

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
CRUDE +24, HEATING OIL +75, UNLEADED GAS +179

CRUDE OIL MARKET FUNDAMENTALS: The charts remain bearish in crude oil with prices barely able to bounce from yesterday's new low for the move spike down action early today. Apparently, demand concerns have surfaced again with Goldman predicting narrower European diesel margins as a sign of softer demand. On the other hand, high-frequency demand indicators from JP Morgan point to a global demand growth of 1.9 million barrels per day in April, but that reading was also below their expectations. Fresh overnight negatives include a higher UAE production capacity per day as the UAE has previously pressed aggressively for a higher quota, and in a longer-term psychologically bearish development Texas oil and gas drilling permits rose by 105 in April from March. However, the trade has clearly discounted the prospect of an Israeli attack on Rafah in southern Gaza despite very little fresh information on that situation over the last two days. Furthermore, the trade basically ignored predictions yesterday that OPEC plus would extend the production restraint agreement and discounted news that OPEC monthly production declined by 50,000 barrels per day last month. While not a major supply negative, news that the Mexican oil company exported a small amount of oil exported to Cuba confirms the Mexican return to export activity after proclaiming last week they would attempt to refine all domestic oil production locally. Furthermore, the shift in pattern toward significant buildup of EIA and API crude oil inventories, a decline in US March oil exports of 7% M/M combined with reports that US Gulf Coast inventories have reached the highest level in 12 months leaves the US supply situation anchored in the bear camp. From a technical perspective, it should be noted that crude oil prices are already more than 10% below the recent highs and the net spec and fund long in crude oil was very modest before this large washout. Furthermore, we suspect traders will speculate on the long side of crude oil late today as they position for a possible Israeli weekend attack on the Gaza city of Rafah. While the US administration might not pick up on the fact that two major oil companies posted massive profitability, they could announce fresh SPR sales and potentially restrict those companies' use of the SPR borrowing mechanism. Downtrend support today in June crude oil is \$77.11 with closer in pivot point support seen at \$78.68.



PRODUCT MARKET FUNDAMENTALS: As we have said many times over the last several weeks, the net spec and fund long position in gasoline was very excessive and therefore this week's aggressive declines were justified, and more declines could be in the offing today. However, with the US refinery operating rate this week reaching the lowest level in eight weeks and more importantly diverging downward from what is usually a seasonal increase in refinery activity, the onus will be on the bear camp to present oversupply evidence in the coming weeks. Furthermore, weekly ARA gasoline inventories declined by 3%, reportedly because of strong exports to the US which in turn were mostly absorbed by the US without noted impact. Unreliable support in June gasoline today is \$2.5677 and a reversal up today might require a trade above \$2.6243. The diesel market is easily the weakest component of the petroleum markets with signs of excess supply building up on the East Coast, EIA distillate and diesel inventories holding a year-over-year surplus readings, a 3% increase in European gas oil inventories and an increase in naphtha stocks in Europe. Near-term downside targeting in June diesel is \$2.40.

NATURAL GAS: Despite a top of the range weekly injection, and a reduction in the outage recently announced by a Norwegian company the natural gas trade pulse higher is being forged without a specific bullish catalyst. On the other hand, the trade has seen evidence of reduced US production with the decline so far in 2024 estimated at 10%! While already a well-known issue, traders also think natural gas will see market share gained from coal used in electric generation. It is also likely the trade is overly optimistic toward short-term demand following forecasts of US cooling degree days running 15 degrees above normal. The weekly natural gas storage report showed an injection of 59 bcf. Total storage stands at 2,484 bcf, or 34.9% above the 5 year average. Over the last four weeks, natural gas storage has increased 225 bcf. We see thick consolidation resistance in June natural gas at \$2.092.

EIA Natural Gas Storage Report Summary

In Billion Cubic Feet

Week Of	Week Change	Total Storage	Change From Last Year	4 Week Combined Weekly Change	Percent Change vs 5 Year Average	Percent Change vs 10 Year Average
4/26/2024	59	2484	436	225	34.9%	

TODAY'S MARKET IDEAS:

We leave the edge with the bear camp as chart damage is severe, fresh demand concerns have surfaced and US supply readings are very bearish. Therefore, the downside is likely to extend with the trade discounting bullish fundamentals and embracing bearish fundamentals ahead. However, into the close today traders should be wary of a sudden burst of speculative buying from traders looking to position for weekend Israeli attacks against the southern Gaza city Rafah.

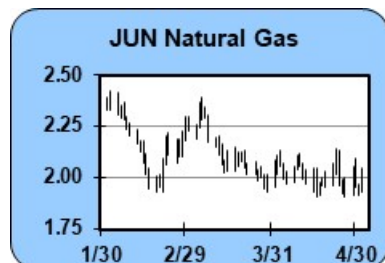
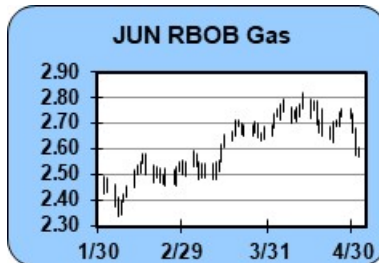
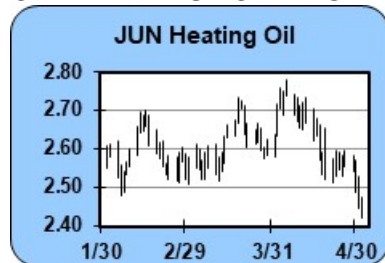
NEW RECOMMENDATIONS:

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 (JUN) 05/03/2024: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market tilt is slightly negative with the close under the pivot. The next downside objective is now at 77.57. The market is approaching oversold levels on an RSI reading under 30. The next area of resistance is around 79.70 and 80.54, while 1st support hits today at 78.22 and below there at 77.57.

HEATING OIL (JUN) 05/03/2024: Momentum studies are declining, but have fallen to oversold levels. A negative signal for trend short-term was given on a close under the 9-bar moving average. The market tilt is slightly negative with the close under the pivot. The next downside target is 239.43. Some caution in pressing the downside is warranted with the RSI under 30. The next area of resistance is around 247.26 and 250.02, while 1st support hits today at 241.96 and below there at 239.43.

RBOB GAS (JUN) 05/03/2024: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. A negative signal for trend short-term was given on a close under the 9-bar moving average. The upside daily closing price reversal gives the market a bullish tilt. It is a slightly negative indicator that the close was under the swing pivot. The next downside target is now at 255.07. The next area of resistance is around 261.21 and 262.92, while 1st support hits today at 257.29 and below there at 255.07.

NATURAL GAS (JUN) 05/03/2024: The daily stochastics have crossed over up which is a bullish indication. 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. 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 next upside objective is 2.135. The next area of resistance is around 2.098 and 2.135, while 1st support hits today at 1.976 and below there at 1.890.

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										
CLAM24	78.96	27.14	35.64	26.26	15.93	80.63	82.00	82.98	81.53	80.26
CLAN24	78.48	27.54	35.85	26.12	16.06	80.06	81.33	82.31	80.87	79.65
HOAM24	244.61	20.83	29.64	15.07	10.68	2.49	2.53	2.58	2.61	2.61
HOAN24	246.04	21.41	30.20	15.91	10.74	2.50	2.54	2.59	2.61	2.60
RBAM24	259.25	32.26	38.69	33.75	22.51	2.65	2.68	2.71	2.67	2.63
RBAN24	255.90	32.16	38.76	33.58	22.30	2.61	2.65	2.67	2.63	2.59
NGAM24	2.037	53.48	50.97	36.35	37.72	2.00	2.00	2.00	2.06	2.08
NGAN24	2.330	49.80	48.84	37.53	34.31	2.32	2.34	2.33	2.38	2.37

Calculations based on previous session. Data collected 05/02/2024

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

DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
ENERGY COMPLEX						
CLAM24	Crude Oil	77.56	78.21	79.05	79.70	80.54
CLAN24	Crude Oil	77.12	77.76	78.55	79.19	79.98
HOAM24	Heating Oil	239.42	241.96	244.72	247.26	250.02
HOAN24	Heating Oil	241.12	243.51	246.17	248.56	251.22
RBAM24	RBOB Gas	255.06	257.28	258.99	261.21	262.92
RBAN24	RBOB Gas	251.91	254.03	255.65	257.77	259.39
NGAM24	Natural Gas	1.889	1.975	2.012	2.098	2.135
NGAN24	Natural Gas	2.233	2.288	2.316	2.371	2.399

Calculations based on previous session. Data collected 05/02/2024

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