



DAILY ENERGY COMPLEX COMMENTARY

Friday May 17, 2024

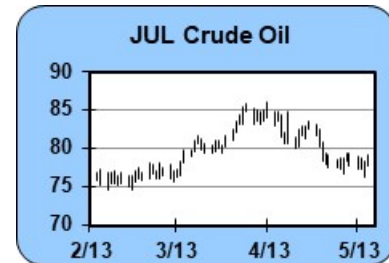
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5/17/2024

Avoid selling natural gas as bullish momentum remains in place

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
CRUDE +26, HEATING OIL +221, UNLEADED GAS +169

CRUDE OIL MARKET FUNDAMENTALS: While the energy markets could have fallen back sharply from a five day high posted yesterday because of generally disappointing Chinese economic data and lower April Chinese refinery throughput (-3.3%), prices have been underpinned by a very unusual and potentially very effective Chinese plan to support its property sector. Apparently, the Chinese government has decided to directly purchase apartments in financially troubled areas and has formed a lending facility backed up by 300 trillion yuan. In another Chinese related supportive development, China continues to buy oil for strategic reserves! According to some private sources China may have the ability to store over 1 billion barrels of strategic and commercial stockpiles, with Bloomberg reporting the US has storage capacity of only 714 million barrels. On the other hand, some of the optimism from the Chinese stimulus package is tempered by the decline in Chinese April refinery throughput and by weakness in Asian gasoline prices reportedly from a buildup of supply in the region. In another minimally negative development, the wildfires in Canada have apparently died down and shifted course away from key oil sands areas. According to some traders, the ability to reach \$3.00 per barrel above the Wednesday low yesterday was the result of improved macroeconomic sentiment from new all-time highs in the S&P, news that a new Nigerian refinery was seeking to contract for 2 million barrels of WTI oil every month for a year starting in July (which is unusual), damage to a Russian refinery from one of the largest Ukrainian drone attacks of the war and from residual optimism from this week's decline in EIA crude oil inventories. The bull camp also sees the Nigerian interest in WTI as further confirmation of strong US oil exports which are partly the result of OPEC production restraint and shipping concerns in the Middle East. From a technical perspective, crude oil may be bottoming after respecting and building consolidation lows over the last several weeks around the \$77.50 level in the July crude oil contract. In retrospect, the aggressive spike down and very definitive rejection of sub \$77.50 pricing also hints at a value zone. However, to shift the trend to the upside probably requires a trade above the April and May downtrend channel resistance line of \$79.44.



PRODUCT MARKET FUNDAMENTALS: With the July RBOB contract ranging down sharply yesterday and aggressively rejecting the washout, the gasoline market also appears to have found solid support and is now seeking solid resistance. Gasoline should derive fresh support from another decline in weekly European gasoline inventories, which declined by 7.5% versus week ago levels. It should also be noted that European fuel oil, naphtha, and jet fuel stocks declined while European gas oil supplies increased. Unfortunately for the bull camp Asian gasoline traders are bearish toward prices given a buildup of supply in the region. On the other hand, weekly Chinese traffic congestion levels improved after weakness attributable to their Labor Day holiday. Certainly, gasoline saw some support from expectations of progress on US inflation and from weakness in the dollar, but the gasoline contract probably remains the most overbought technically and has the most bearish EIA inventory set up of the petroleum markets. Nonetheless, very bullish chart action overnight signals follow-through gains are likely with initial resistance at \$2.5650 and key support at \$2.5238.

NATURAL GAS: With natural gas sustaining a large part of yesterday's massive range up trade, the bull camp has extended its edge into the Friday trade. In addition to profit-taking short covering, natural gas is probably

seeing the first noted fresh buying interest since the second half of February. Adding into the modest bullish tilt this morning is an increase of Indian April LNG imports of 4%, a Norwegian outage and a ramping up of export activity from the periodically troubled Freeport export terminal. However, the market was temporarily undermined yesterday following an above the range of estimates injection to US storage. The weekly natural gas storage report showed an injection of 100 bcf. Total storage stands at 2,663 bcf, or 32.3% above the 5 year average. Over the last four weeks, natural gas storage has increased 330 bcf. In the end, we suspect traders with very old and very profitable short natural gas positions are banking short side profits rather than giving back a noted portion of their windfall. In fact, given a slight erosion in open interest, the idea of short profit-taking is given credence. Upside targeting becomes \$2.80 and close in support (which is not close in because of aggressive gains this week) sits down at \$2.637.

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
5/10/2024	100	2663	451	330	32.3%	

TODAY'S MARKET IDEAS:

From a technical/chart perspective petroleum prices seem to have found value on the charts and it appears as if macroeconomic sentiment toward China ends the week on a positive note. Furthermore, recent prices had very little if any war premium and that could be a mistake heading into a weekend which follows significant strikes by Israel. In retrospect, the aggressive spike down and very definitive rejection of sub \$77.50 pricing has potentially provided a floor. However, to shift the trend to the upside requires a trade above the April and May downtrend channel resistance line of \$79.44. Given very bullish chart action we see follow-through gains in gasoline with initial resistance at \$2.5650 and key support at \$2.5238.

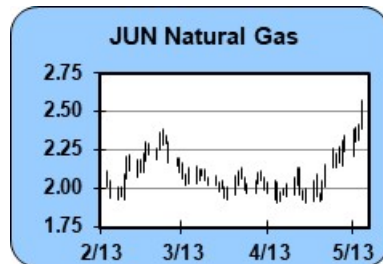
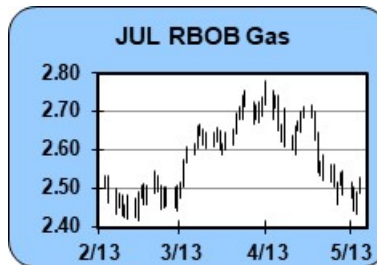
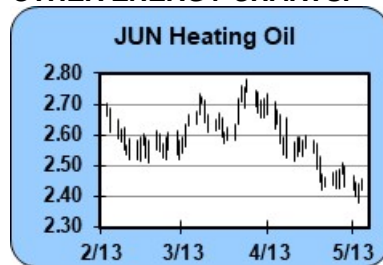
NEW RECOMMENDATIONS:

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 (JUL) 05/17/2024: The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. 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 next upside objective is 80.22. The next area of resistance is around 79.59 and 80.22, while 1st support hits today at 78.05 and below there at 77.13.

HEATING OIL (JUL) 05/17/2024: The stochastics indicators are rising from oversold levels, which is bullish and should support higher prices. 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 near-term upside target is at 249.58. The next area of resistance is around 248.36 and 249.58, while 1st support hits today at 244.64 and below there at 242.13.

RBOB GAS (JUL) 05/17/2024: The daily stochastics have crossed over up which is a bullish indication. Daily momentum studies are on the rise from low levels and should accelerate a move higher on a push through the 1st swing resistance. The market's short-term trend is positive on the close above the 9-day moving average. With the close over the 1st swing resistance number, the market is in a moderately positive position. The near-term upside target is at 255.76. Short-term indicators suggest buying dips today. The next area of resistance is around 254.65 and 255.76, while 1st support hits today at 250.69 and below there at 247.83.

NATURAL GAS (JUL) 05/17/2024: 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. With the close over the 1st swing resistance number, the market is in a moderately positive position. The near-term upside target is at 2.824. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 2.751 and 2.824, while 1st support hits today at 2.607 and below there at 2.536.

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										
CLAN24	78.82	45.12	44.23	21.85	25.71	78.29	78.28	79.62	81.16	80.05
CLAQ24	78.37	45.44	44.50	21.82	25.91	77.81	77.83	79.05	80.48	79.38
HOAN24	246.50	37.64	37.49	17.35	21.78	2.45	2.46	2.50	2.59	2.58
HOAQ24	247.98	38.78	38.47	17.80	22.41	2.46	2.48	2.51	2.59	2.58
RBAN24	252.67	45.06	43.73	16.48	20.13	2.49	2.51	2.57	2.63	2.59
RBAQ24	249.55	45.73	44.47	18.28	21.80	2.46	2.47	2.53	2.58	2.55
NGAN24	2.679	73.64	68.07	84.72	88.83	2.62	2.54	2.44	2.39	2.41
NGAQ24	2.739	71.89	66.68	83.42	87.51	2.68	2.63	2.54	2.49	2.50

Calculations based on previous session. Data collected 05/16/2024

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						
CLAN24	Crude Oil	77.12	78.04	78.67	79.59	80.22
CLAQ24	Crude Oil	76.71	77.63	78.18	79.10	79.65
HOAN24	Heating Oil	242.12	244.63	245.85	248.36	249.58
HOAQ24	Heating Oil	243.78	246.16	247.42	249.80	251.06
RBAN24	RBOB Gas	247.82	250.68	251.79	254.65	255.76
RBAQ24	RBOB Gas	244.90	247.66	248.68	251.44	252.46
NGAN24	Natural Gas	2.536	2.607	2.680	2.751	2.824
NGAQ24	Natural Gas	2.612	2.673	2.743	2.804	2.873

Calculations based on previous session. Data collected 05/16/2024
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