



## DAILY ENERGY COMPLEX COMMENTARY

Monday March 04, 2024

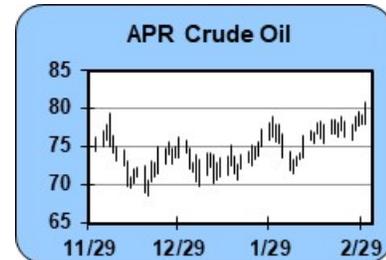
### DAILY ENERGY COMPLEX COMMENTARY

3/4/2024

**General demand optimism has created an overbought condition**

**OVERNIGHT CHANGES THROUGH 6:06 AM (CT):**  
**CRUDE -53, HEATING OIL -440, UNLEADED GAS -235**

**CRUDE OIL MARKET FUNDAMENTALS:** While bullish fundamentals in crude oil have been somewhat mixed, the bulls have clearly extended their late February control. In our opinion, it feels like hope is being built in for a wave of global central bank rate cuts which seem to have sparked improved demand for physical commodities. On the other hand, news that OPEC+ will extend production restraint, hope for a massive Chinese stimulus package announcement tomorrow, residual signs of dollar weakness, indications US refinery activity will begin to recover from extended maintenance, and reports of increased global diesel demand provides the bull camp with classic fundamental fuel today. According to Bloomberg, except for a disruption of US refinery activity from a winter storm in 2021, US refinery activity is at the lowest level on a seasonal basis since 2011. It is also likely that a portion of recent gains were long-term value buying with the net spec and fund long positioning in crude oil remaining near the lowest levels of the last decade. The Commitments of Traders report for the week ending February 27th showed Crude Oil Managed Money traders were net long 174,730 contracts after increasing their already long position by 40,580 contracts. Non-Commercial & non-reportable traders net bought 25,740 contracts and are now net long 264,012 contracts. With EIA crude oil stocks building five straight weeks (adding 27 million barrels) and EIA product stocks showing very minimal declines, the extremely low US refinery operating rate still offers a slight headwind to crude and has not provided tailwinds for the products yet. While there were negotiations for a peace deal/cease-fire last week, crude oil ultimately forged an upside breakout suggesting the focus of the trade wasn't locked onto the Middle East situation. In the end, we see the strong upward action in crude oil last week driven by upbeat demand expectations and without soft and or Goldilocks inflation data from around the world and Goldilocks to slightly soft economic data, the improved energy demand argument will be questioned. On the other hand, the bull camp has revived hope of tightening supply from OPEC plus extending its production restraint and perhaps from anticipation of a massive Chinese stimulus package. It should be noted that China will release commodity import and export data at the end of the week and the Chinese crude oil import readings will need to be solid after last week's low to high rally of \$5.00. Uptrend channel support in April crude oil is far off the market down at \$77.40, with a closer in pivot point support level seen at \$78.28.



**PRODUCT MARKET FUNDAMENTALS:** As indicated already, the prolonged period of very low US refinery activity has failed to bring down US product stocks in a material fashion. While EIA gasoline stocks have fallen in four of the last five weeks, inventories remain 5 million barrels above year ago levels and implied gasoline demand has been below last year and five-year average levels in five of the last six weeks! While some refiners plan to extend their maintenance period further, others are restarting because of the anticipated rise in seasonal gasoline demand. However, the gasoline market was already overbought with its net spec and fund long position lofty last week and the market over the last two weeks posting gains of \$0.15. Therefore, we think a very significant amount of bullish information has already been factored into gasoline prices. The Commitments of Traders report for the week ending February 27th showed Gas (RBOB) Managed Money traders are net long 61,003 contracts after net selling 422 contracts. Non-Commercial & non-reportable traders net long 69,966 contracts after decreasing their long position by 2,865 contracts. Uptrend channel support in April gasoline today is \$2.5570 and key longer-term support is Friday's low at \$2.5737. Since we are surprised in the strong upside action in crude and gasoline last week, we are even more surprised with the rally in diesel. Granted both distillate

and diesel inventories have decline 7 straight weeks, and both products hold year-over-year deficits, but those deficits are immaterial in size. Nonetheless, the upward bias in overall petroleum prices should drag diesel higher. The Commitments of Traders report for the week ending February 27th showed Heating Oil Managed Money traders are net long 24,347 contracts after net buying 1,976 contracts. Non-Commercial & non-reportable traders are net long 37,344 contracts after net selling 1,340 contracts.

**NATURAL GAS:** In retrospect, the rally off the February low was likely the result of balancing a significant oversold technical and fundamental condition as fundamentals have not shifted in favor of the bull camp. In fact, overnight predictions calling for more record US gas production, ongoing mild temperatures, and predictions of expanded supply in southeast Asia and Iran the early gains this morning are misguided. In fact, the fundamental condition continues to worsen with a US surplus to five-year average inventory levels running above 26%, total northern hemisphere heating degree days running well below normal and some minor recent problems with US export flow giving the bear camp a lot of ammunition. However, open interest has fallen dramatically, and the natural gas market holds a material net spec and fund short which could slow the pace of an upcoming corrective slide. The February 27th Commitments of Traders report showed Natural Gas Managed Money traders net bought 37,480 contracts and are now net short 121,193 contracts. Non-Commercial & non-reportable traders are net short 112,814 contracts after net buying 5,095 contracts. We see a slight downward bias until Chinese import data and results from a Chinese party meeting tomorrow provide fresh signals on the direction of Chinese energy demand.

**TODAY'S MARKET IDEAS:**

The energy markets retain a bullish buzz despite a softer early trade today. While we think the OPEC+ production restraint issue has become stale, the energy markets have seen demand expectations improve over the prior six trading sessions, with that improved demand view given fresh credence by overnight indications of increased global diesel demand. It goes without saying that jet fuel demand is also set to expand because of spring breaks. However, it is also possible that the bulls are factoring in a massive Chinese stimulus package from a national government meeting tomorrow. Uptrend channel support in April crude oil is far off the market down at \$77.40 with a closer in pivot point support level seen at \$78.28. Uptrend channel support in April gasoline today is \$2.5570 and key support is Friday's low at \$2.5737.

**NEW RECOMMENDATIONS:**

None.

**PREVIOUS RECOMMENDATIONS:**

None.

Commitment of Traders - Futures and Options - 2/20/2024 - 2/27/2024						
	Non-Commercial		Net Position	Commercial		Non-Reportable
	Net Position	Weekly Net Change		Weekly Net Change	Net Position	
<b>Energies</b>						
Crude Oil	238,434	+29,285	-264,012	-25,742	25,578	-3,545
Heating Oil	20,603	+1,507	-37,345	+1,339	16,741	-2,847
Natural Gas	-143,299	+14,854	112,814	-5,094	30,485	-9,759
Gas (RBOB)	60,376	-2,909	-69,966	+2,865	9,590	+44

**OTHER ENERGY CHARTS:**



CLAJ24	79.76	63.98	61.08	81.05	79.88	78.86	78.12	77.23	75.08	74.43
CLAK24	78.90	62.50	59.90	80.23	78.58	78.10	77.49	76.81	74.90	74.32
HOAJ24	269.80	51.51	51.79	30.24	29.34	2.67	2.67	2.73	2.64	2.61
HOAK24	263.58	52.61	52.47	32.46	31.29	2.61	2.61	2.65	2.58	2.56
RBAJ24	260.95	61.06	59.70	66.67	69.08	2.59	2.56	2.55	2.45	2.42
RBAK24	260.03	61.01	59.59	66.70	69.41	2.58	2.55	2.55	2.45	2.42
NGAJ24	1.835	48.38	44.18	45.63	59.22	1.85	1.80	1.81	2.12	2.16
NGAK24	1.975	49.36	45.62	51.57	64.44	2.00	1.94	1.93	2.21	2.25

Calculations based on previous session. Data collected 03/01/2024

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>						
CLAJ24	Crude Oil	76.80	78.36	79.60	81.16	82.40
CLAK24	Crude Oil	76.17	77.61	78.74	80.18	81.31
HOAJ24	Heating Oil	260.81	265.68	269.04	273.91	277.27
HOAK24	Heating Oil	256.00	260.06	263.03	267.09	270.06
RBAJ24	RBOB Gas	254.34	257.74	260.77	264.17	267.20
RBAK24	RBOB Gas	253.38	256.83	259.76	263.21	266.14
NGAJ24	Natural Gas	1.764	1.796	1.842	1.874	1.920
NGAK24	Natural Gas	1.906	1.938	1.979	2.011	2.052

Calculations based on previous session. Data collected 03/01/2024

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

\*\*\*This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Opinions expressed are subject to change without notice. Any information or recommendation contained herein: (i) is not based on, or tailored to, the commodity interest or cash market positions or other circumstances or characterizations of particular investors or traders; (ii) is not customized or personalized for any such investor or trader; and (iii) does not take into consideration, among other things, risk tolerance, net worth, or available risk capital. Any use or reliance upon the information or recommendations is at the sole discretion and election of the subscriber. The risk of loss in trading futures contracts or commodity options can be substantial, and traders should carefully consider the inherent risks of such trading in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of Lakefront Futures is strictly prohibited.