



## DAILY ENERGY COMPLEX COMMENTARY

Tuesday March 05, 2024

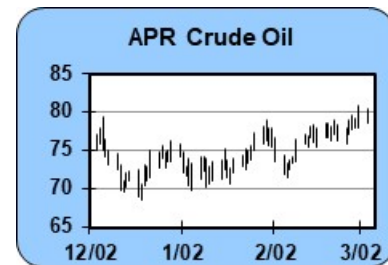
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3/5/2024

**A corrective bias has settled in early today**

**OVERNIGHT CHANGES THROUGH 6:06 AM (CT):**  
**CRUDE -48, HEATING OIL +3, UNLEADED GAS -160**

**CRUDE OIL MARKET FUNDAMENTALS:** The Chinese national party conference failed to yield a stimulus program the trade sees as capable of supporting their economy and incapable of sparking rallies in physical commodity prices. In addition to an overbought technical condition, energy prices are undermined by soft Chinese PMI data and an extending pattern of softening US data. However, the US Federal Reserve chairman testifies to Congress today and the bull camp could be "saved" if his testimony is judged to increase expectations for a June rate cut. Internal fundamentals also favor the bear camp with expectations of another weekly inflow to EIA crude oil inventories, rumors of significant Iranian fuel exports, and a failure of the Gaza "cease-fire" talks. Yet another bearish development came from predictions from the trade indicating the extension of OPEC production restraint will not prevent a buildup in global supplies. On the other hand, private estimates predict Chinese commodity imports are recovering with specific predictions of early "robust" 2024 commodity imports. Trade sources suggest that recent buying has been long-term short covering and not fresh buying. However, the bull camp has been assisted by a 13.7% year-over-year increase in Spanish January oil imports, from recent evidence of strong Indian oil demand and from expectations of increased diesel and jet fuel demand. Expectations for this week's Reuters poll projects EIA crude oil stocks to increase by 2.6 million with another build representing the sixth straight build in weekly crude oil stocks. However, in the coming 48 hours, energy demand prospects will be heavily influenced by US Federal Reserve testimony and US jobs related data. Therefore, we shift the edge in favor of the bear camp but expect April crude oil to find support around a key pivot point from last week at \$77.60 which generally coincides with uptrend channel support at \$77.70.



**PRODUCT MARKET FUNDAMENTALS:** Disappointment over the lack of a massive Chinese stimulus announcement combined with a resumption of Russian refinery activity shut down by drone attacks and signs that US refiners are spooling up after maintenance, favor the bear camp in RBOB today. While record oil processing in China last year could signal improving demand, that news overnight should pressure prices until Chinese import data is released later this week. Even though it appears the Russian gasoline export embargo may remain in place, the lack of a major Chinese stimulus announcement overnight looks to offset the anticipated upswing in seasonal demand. In retrospect, the gasoline market was overvalued with a spike above \$2.60 last week especially with the trade seemingly backing off from the market on the rally through \$2.55 as signaled by sharp declines in volume and open interest. This week's Reuters poll projects EIA gasoline inventories decline by 1.6 million barrels and expects the US refinery operating rate to increase by 1.4% which could make the report offsetting. Uptrend channel support in April gasoline is \$2.5430 and resistance is pegged at \$2.61. Since we were skeptical with the diesel rally late last week, the reversal of strength in crude oil and gasoline this morning, leaves April diesel vulnerable to a slide below \$2.60. This week's Reuters poll projects EIA distillate stocks to decline by 1 million barrels. Key support and a likely downside pivot price today is a recent double low at \$2.617, but we see the potential for a temporary probe below \$2.60 directly ahead.

**NATURAL GAS:** A portion of the trade has embraced the idea that current gains are the result of very long term short positions being liquidated (banking profits) which some suggest creates a major bottom without prospects of

a sustained uptrend. Recently the net spec and fund short in natural gas was the near the largest since last March with that net short the largest since the beginning of the pandemic. Therefore, a large amount of short covering is justified but prices are facing significant headwinds from both supply and demand. In fact, the rally in natural gas is becoming quite surprising with the rally seemingly the result of winter season ending short covering as the bear camp thinks the easy money has been made on the downside. It is also possible that much above normal temperatures throughout the US last week and in the coming days has sparked talk of another hot North American summer. Unfortunately for the bull camp, this week's Reuters poll projects EIA natural gas in storage to post rather smallish declines between 45 and 35 BCF. While Asian gas prices have dropped sharply leaving the trade skeptical of recovering near-term Asian demand, that negative impact has been erased by consistent signs of bargain hunting buying by Asian importers.

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

With petroleum prices overbought from the gains of the past two weeks, improving energy demand expectations are temporarily discounted. Obviously, the sharp rally off last week's lows has left the markets short-term overbought from a technical perspective but the lack of a robust Chinese stimulus package, signs of softening in the US economy and expectations of another weekly inflow to EIA a crude oil stocks favors the bear camp.

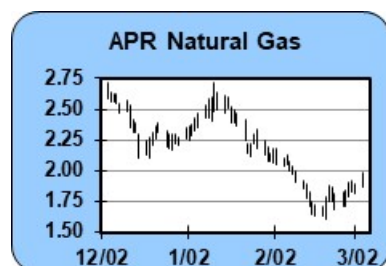
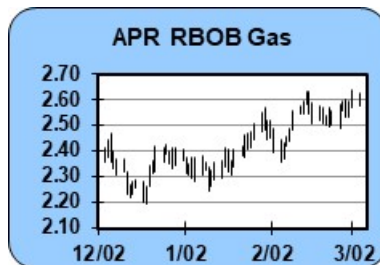
#### **NEW RECOMMENDATIONS:**

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 (APR) 03/05/2024: Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. The close above the 9-day moving average is a positive short-term indicator for trend. The market's close below the pivot swing number is a mildly negative setup. The next downside target is now at 77.26. The next area of resistance is around 79.64 and 80.95, while 1st support hits today at 77.80 and below there at 77.26.

HEATING OIL (APR) 03/05/2024: The close below the 40-day moving average is an indication the longer-term trend has turned down. Daily stochastics are trending lower but have declined into oversold territory. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market setup is somewhat negative with the close under the 1st swing support. The next downside objective is 258.08. The next area of resistance is around 268.11 and 273.57, while 1st support hits today at 260.37 and below there at 258.08.

RBOB GAS (APR) 03/05/2024: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The market's short-term trend is positive on the close above the 9-day moving average. The market's close below the pivot swing number is a mildly negative setup. The near-term upside objective is at 264.31. The next area of resistance is around 261.18 and 264.31, while 1st support hits today at 256.18 and below there at 254.31.

NATURAL GAS (APR) 03/05/2024: The upside crossover (9 above 18) of the moving averages suggests a developing short-term uptrend. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The market's close above the 9-day moving average suggests the short-term trend remains positive. There could be more upside follow through since the market closed above the 2nd swing resistance. The near-term upside target is at 2.051. The next area of resistance is around 1.995 and 2.051, while 1st support hits today at 1.877 and below there at 1.814.

## 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>										
CLAJ24	78.72	56.46	56.56	79.12	74.42	78.88	78.33	77.54	75.18	74.53
CLAK24	78.15	56.54	56.35	78.52	74.24	78.13	77.68	77.08	74.98	74.42
HOAJ24	264.24	43.56	46.35	28.85	26.07	2.66	2.67	2.73	2.64	2.61
HOAK24	259.27	44.80	47.28	30.97	27.99	2.60	2.61	2.65	2.58	2.56
RBAJ24	258.68	55.76	56.35	67.02	67.73	2.58	2.57	2.56	2.46	2.43
RBAK24	257.74	55.72	56.23	67.21	68.22	2.57	2.56	2.55	2.46	2.43
NGAJ24	1.936	57.43	50.59	53.22	68.39	1.88	1.83	1.80	2.11	2.15
NGAK24	2.085	57.57	51.55	58.26	71.63	2.03	1.98	1.93	2.21	2.24

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

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	77.25	77.79	79.10	79.64	80.95
CLAK24	Crude Oil	76.84	77.34	78.44	78.94	80.03
HOAJ24	Heating Oil	258.07	260.36	265.82	268.11	273.57
HOAK24	Heating Oil	254.08	256.08	260.45	262.45	266.82
RBAJ24	RBOB Gas	254.31	256.18	259.31	261.18	264.31
RBAK24	RBOB Gas	253.58	255.35	258.35	260.12	263.12
NGAJ24	Natural Gas	1.813	1.876	1.932	1.995	2.051
NGAK24	Natural Gas	1.957	2.024	2.078	2.145	2.199

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

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