



## DAILY ENERGY COMPLEX COMMENTARY

Thursday March 07, 2024

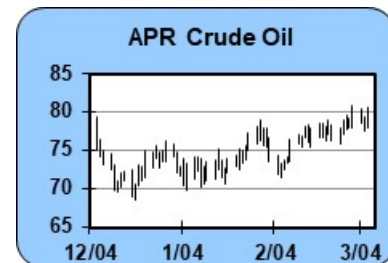
### DAILY ENERGY COMPLEX COMMENTARY

3/7/2024

Disappointing action from bullish inside and outside markets

**OVERNIGHT CHANGES THROUGH 3:16 AM (CT):**  
**CRUDE -35, HEATING OIL -126, UNLEADED GAS -168**

**CRUDE OIL MARKET FUNDAMENTALS:** The action in crude oil today is very disappointing to the bull camp given strong Chinese January and February crude oil imports. Chinese January and February crude oil imports increased by 3.5% over last year but that bullish headline was offset by a 7.1% increase in Chinese oil exports in January and February. Furthermore, the trade has indicated the Chinese trend of softer oil imports has remained in place, but some suggest that is the result of a typical soft seasonal pattern. On the other hand, the trade has been presented with fresher positive Chinese demand news from reports that VLCC shipments from the Middle East to China have increased this week. Unfortunately for the bull camp the oil markets have not responded positively to a revival of US rate cut hopes and more importantly in the face of a significant decline in the dollar which should help US export pricing. In fact, with the Saudis raising their pricing to Asia significant declines in the dollar ahead should boost US sales significantly. Apparently slightly bearish EIA crude oil inventory data (another weekly inflow and a narrowing of the year-over-year stocks deficit) sparked only a temporary dip which bodes well for the bull camp. Fortunately for the bull camp, EIA gasoline, distillate, and diesel stocks at the EIA fell sharply, US implied gasoline demand jumped above 9 million barrels per day for the first time since December and the US refinery operating rate jumped 3.4% in one week. Obviously, the end of refinery maintenance will increase spot demand at the same time increases refining activity could end an expanding string of weekly declines in product inventories. While EIA crude stocks rose 1.367 million barrels and are 29.983 million barrels below year ago levels, the build was much smaller than trade expectations. Also, crude stocks stand 5.817 million barrels below the five-year average. Crude oil imports for the week stood at 7.222 million barrels per day compared to 6.385 million barrels the previous week. The refinery operating rate was 84.9%, up 3.4% from last week compared to 86.0% last year and the five-year average of 81.1%. If macroeconomic sentiment remains generally positive (meaning a significant risk off vibe is avoided) support from a weaker dollar and falling US treasury yields should help crude oil respect uptrend channel support of \$78.10.



**PRODUCT MARKET FUNDAMENTALS:** While the gasoline market deserves to rally in the wake of yesterday's EIA report, the window of opportunity to pull down EIA gasoline inventories is starting to close with the US refinery operating rate jumping 3.4% this week. In fact, with EIA gasoline inventories holding a year-over-year surplus, the increase in US refinery activity is likely to match or overcome a normal seasonal demand rise. EIA gasoline stocks fell 4.460 million barrels and are 1.687 million barrels above last year and 6.035 million below the five-year average. Average total gasoline demand for the past four weeks was down 2.9% compared to last year. Gasoline imports came in at 588,000 barrels per day compared to 384,000 barrels the previous week. As mentioned already, the weekly implied gasoline demand reading was the strongest since December which gives credibility to the beginning of a seasonal upswing in demand which is well documented on historical charts. It should also be noted that Indian fuel demand last month increased by 5.7% over year ago levels which in turn indicates that economy continues to be very strong. Uptrend channel support in April gasoline today is \$2.5040. While the action in diesel yesterday was not as impressive as the action in gasoline, EIA data for distillate and diesel was more supportive than EIA data for gasoline and crude. Not only did they expand their year-over-year deficits, but implied distillate demand also improved. EIA distillate stocks fell 4.131 million barrels and stand at 5.242 million barrels below last year and 12.904 million below the five-year average. Distillate imports came in at 195,000 barrels per day compared to 112,000 barrels the previous week. Average total distillate demand for the past four

weeks was up 0.33% compared to last year. Uptrend channel support in April diesel today is \$2.5950 and increases to \$2.5987 on Friday.

Weekly EIA Petroleum Report						In Million Barrels	
CRUDE OIL	Stocks				Imports	Refinery Capacity(%)	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
3/1/2024	448.530	+1.367	-29.983	454.347	7.222	84.9	
DISTILLATES	Stocks				Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
3/1/2024	117.010	-4.131	-5.242	129.914		4.074	
GASOLINE	Stocks				Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
3/1/2024	239.745	-4.460	+1.687	245.780	0.588	9.013	

**NATURAL GAS:** While there could be a major paradigm shift in natural gas operating under the surface, we are not privy to that issue yet. In fact, we suggest selling this week's rally especially if today's EIA working gas in US storage report shows a minimal withdrawal and or a significant increase in the surplus to the five-year average storage levels. While seeing Chinese January through February coal imports rise by a startling 23% on a year-over-year basis produces positive Chinese economic chatter, that news could also suggest natural gas as a feedstock for Chinese electric generation has lost some market share. Furthermore, above normal temperatures are returning in the 6 to 10 day forecast for the US prompting views that a late season jump in heating demand and a sharp drawdown in US natural gas inventories is becoming very unlikely. To avoid volatility of futures, traders should consider right at the money long April bear put spreads.

#### TODAY'S MARKET IDEAS:

We see leadership in the petroleum markets shifting from crude oil to gasoline especially if the market survives upcoming US monthly jobs data without a major risk off collapse of economic sentiment. Furthermore, today's Chinese trade data provides some support with mostly positive physical commodity import data. However, we are concerned with the markets lack of bullish reaction to revived US rate cut prospects and a plummeting US dollar.

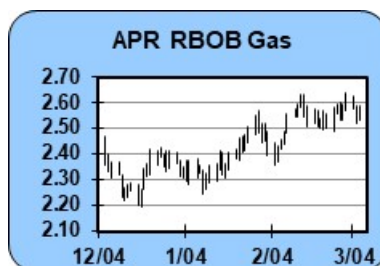
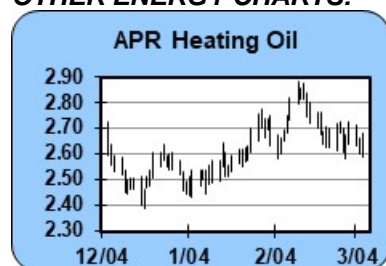
#### NEW RECOMMENDATIONS:

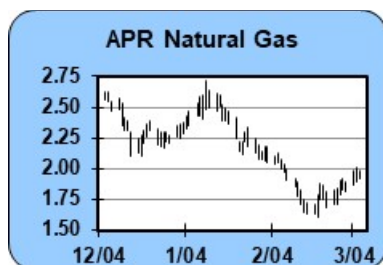
None.

#### 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) 03/07/2024:** Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market's short-term trend is positive on the close above the 9-day moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside objective is 76.55. The next area of resistance is around 80.45 and 81.90, while 1st support hits today at 77.78 and below there at 76.55.

**HEATING OIL (APR) 03/07/2024:** The cross over and close above the 60-day moving average is an indication the longer-term trend has turned positive. Daily stochastics declining into oversold territory suggest the selling may be drying up soon. A positive signal for trend short-term was given on a close over the 9-bar moving average. The upside daily closing price reversal gives the market a bullish tilt. A positive setup occurred with the close over the 1st swing resistance. The next downside objective is 255.87. The next area of resistance is around 270.58 and 273.83, while 1st support hits today at 261.60 and below there at 255.87.

**RBOB GAS (APR) 03/07/2024:** A negative indicator was given with the downside crossover of the 9 and 18 bar moving average. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market's close below the 9-day moving average is an indication the short-term trend remains negative. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is now at 249.54. The next area of resistance is around 257.80 and 261.29, while 1st support hits today at 251.92 and below there at 249.54.

**NATURAL GAS (APR) 03/07/2024:** Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. 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 upside target is 2.002. The next area of resistance is around 1.960 and 2.002, while 1st support hits today at 1.898 and below there at 1.879.

## 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	79.12	57.86	57.33	72.09	66.65	79.00	78.41	77.94	75.47	74.82
CLAK24	78.38	57.10	56.61	71.36	65.88	78.26	77.75	77.41	75.23	74.67
HOAJ24	266.09	47.68	48.63	25.96	25.10	2.65	2.66	2.71	2.65	2.62
HOAK24	260.95	49.25	49.78	28.00	27.36	2.60	2.60	2.64	2.59	2.56
RBAJ24	254.86	50.64	52.73	59.36	51.62	2.57	2.56	2.56	2.47	2.44
RBAK24	253.97	50.41	52.47	59.46	51.68	2.56	2.56	2.56	2.47	2.43
NGAJ24	1.929	55.98	50.11	65.16	76.09	1.91	1.85	1.80	2.09	2.14
NGAK24	2.067	56.62	51.31	69.00	78.12	2.05	2.00	1.94	2.19	2.23

Calculations based on previous session. Data collected 03/06/2024

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						
CLAJ24	Crude Oil	76.54	77.77	79.22	80.45	81.90
CLAK24	Crude Oil	75.98	77.16	78.42	79.59	80.86
HOAJ24	Heating Oil	255.87	261.60	264.85	270.58	273.83
HOAK24	Heating Oil	252.25	257.06	260.03	264.84	267.81
RBAJ24	RBOB Gas	249.53	251.91	255.41	257.80	261.29
RBAK24	RBOB Gas	248.81	251.14	254.46	256.79	260.11
NGAJ24	Natural Gas	1.878	1.898	1.940	1.960	2.002
NGAK24	Natural Gas	2.023	2.040	2.077	2.094	2.131

Calculations based on previous session. Data collected 03/06/2024

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.