



DAILY ENERGY COMPLEX COMMENTARY

Tuesday April 02, 2024

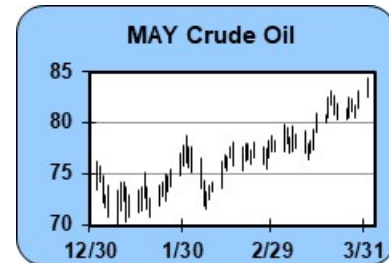
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4/2/2024

Bullish crude oil sentiment spreads to the product markets

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
CRUDE +153, HEATING OIL +539, UNLEADED GAS +301

CRUDE OIL MARKET FUNDAMENTALS: While the new high for the move in crude oil early today is justified by the latest Israeli offensive in Gaza, the trade continues to embrace expectations of improved Chinese energy demand following a recent positive order factory report. Another primary bullish catalyst this morning is a plan by the state Mexican oil company to reduce Mexican oil exports. Another recently surfacing bull theme is noted strength at US oil trading hubs which the trade sees as confirmation of a tightening of domestic supply. Another indirect support for crude oil prices came from the product markets overnight with Russia indicating they will reduce daily diesel exports this month to the lowest in five months! Apparently Ukrainian drone attacks on Russian refineries has had an impact on the country's oil processing! The crude oil market has ranged sharply higher and managed strong gains in the face of a dramatic rally in the dollar and a surge in US interest rates! Yet another bullish sign of strong demand is seen from India which continues to make significant purchases of Russian oil. Indian crude oil imports from Russia in March reached their highest level since November, but that could also be an attempt by India to build up supply ahead of additional sanctions against Russia. It is also possible that traders saw US scheduled data yesterday as a positive for demand and it is also possible that some of yesterday's gains were the result of this week's Reuters poll projecting EIA crude oil stocks to decline by 2 million barrels. In our opinion, a US refinery operating rate approaching 90% in the first quarter should ramp up refinery demand. This week's Reuters poll projects US refinery activity to increase by 0.3% and if "risk off" sentiment from equities is avoided, May crude oil could settle in well above \$84 and perhaps target \$90. However, the risk and reward of being long from current levels is unattractive to us.



PRODUCT MARKET FUNDAMENTALS: Clearly, the divergence between crude oil prices (up) and gasoline prices (down) yesterday has ended with May gasoline seemingly poised for an upside breakout alongside an upside breakout in crude oil. As indicated several times recently, US refiners have ended their maintenance shutdowns and are coming back online, and that in turn should increase product supply flow and perhaps result in rising US gasoline inventories. On the other hand, this week's Reuters poll projects EIA gasoline stocks to fall by 2 million barrels offsetting the increase in inventories last week which was the first increase in eight weeks. However, significant gains in crude oil prices could continue to pull gasoline prices higher, especially with this week's Reuters poll calling for a decline in EIA gasoline stocks despite the persistent jump in the US refinery operating rate since the beginning of February. Critical support today is seen at \$2.7083 in May gasoline, with the trade back above \$2.73 this morning shifting the trend back to the upside. As in the gasoline market we saw the diesel market vulnerable to potential rising supply in the US from a very high refinery operating rate. However, the bull camp is saved by strength in crude oil, talk of significant purchases of jet fuel for summer travel and from a noted drop in Russian diesel exports. This week's Reuters poll projects distillate stocks to decline by a very minimal 400,000 barrels.

NATURAL GAS: Not only were we surprised with yesterday's aggressive rally, but we are also even more surprised with this morning's higher high trade. In fact, natural gas is strong despite a weekly jump of 8.5% in global floating LNG supply. However, prices are supported because of signs of active Asian bidding especially

with interest from emerging economies present. While we are surprised that European gas in storage is only 59% full (reports earlier this year touted storage nearing full capacity) a normal winter drawdown is not surprising. However, the rally in natural gas is very suspicious given lingering US export problems as that can backup onshore US supply especially with US production near record levels. Fortunately for the bull camp, there have been some reductions in US production and talk of improved US demand. Some traders suggested cooler weather was behind the rally Monday, but we suggest Monday's rally was short covering rather than fresh outright buying. Perhaps demand is expanding because of extremely cheap US pricing but the EIA also thinks US production this year is set to decline for the first time since 2020. This week's Reuters poll projects EIA gas in working storage to decline by 28 to 41 BCF! Downtrend channel selling resistance in May gas is above the market at \$1.8593, with longer-term downtrend channel selling resistance at \$2.0275.

TODAY'S MARKET IDEAS:

The petroleum markets are presented with a plethora of bullish developments this morning which justifies the early strength. Psychologically the markets are lifted by the launch of an Israeli offensive, but prices are also rising because of signs of improving demand and signs of tightening US domestic crude supply. Therefore, the path of least resistance is up, but the risk and reward of fresh longs is becoming unattractive. Uptrend channel support is far off the market today at \$83.85 in May crude oil with support in May RBOB at \$2.7083.

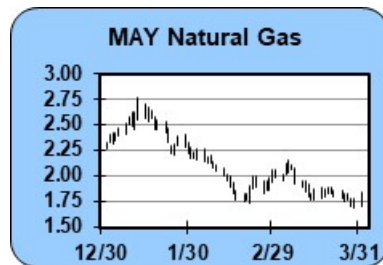
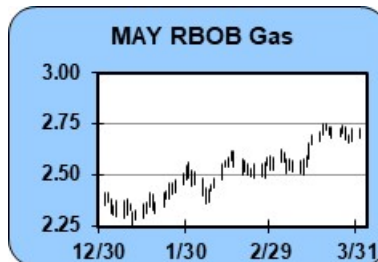
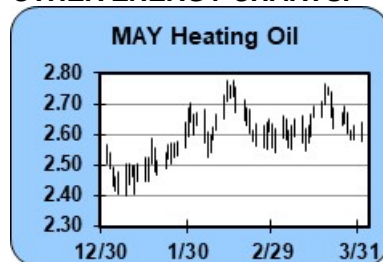
NEW RECOMMENDATIONS:

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 (MAY) 04/02/2024: Momentum studies are trending higher but have entered overbought levels. 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 objective is at 85.61. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 84.84 and 85.61, while 1st support hits today at 82.96 and below there at 81.84.

HEATING OIL (MAY) 04/02/2024: Declining momentum studies in the neutral zone will tend to reinforce lower price action. A negative signal for trend short-term was given on a close under the 9-bar moving average. A positive signal was given by the outside day up. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside target is 256.22. The next area of resistance is around 266.49 and 268.15, while 1st support hits today at 260.53 and below there at 256.22.

RBOB GAS (MAY) 04/02/2024: Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. A positive signal for trend short-term was given on a close over the 9-bar moving average. The daily closing price reversal down puts the market on the defensive. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside target is now at 266.27. The next area of resistance is around 273.62 and 275.56, while 1st support hits today at 268.98 and below there at 266.27.

NATURAL GAS (MAY) 04/02/2024: 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 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 next upside target is 1.956. Daily studies suggest buying dips today. The next area of resistance is around 1.912 and 1.956, while 1st support hits today at 1.766 and below there at 1.663.

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										
CLAK24	83.90	70.84	66.98	81.14	85.78	82.46	81.94	80.52	78.08	76.87
CLAM24	82.99	70.45	66.80	82.58	86.74	81.77	81.35	79.97	77.64	76.51
HOAK24	263.51	46.72	48.56	43.27	34.99	2.62	2.65	2.65	2.64	2.61
HOAM24	263.21	52.02	52.51	52.86	47.79	2.61	2.64	2.63	2.60	2.57
RBAK24	271.30	58.91	59.73	81.31	79.83	2.70	2.71	2.67	2.58	2.53
RBAM24	268.34	60.73	60.92	82.10	81.52	2.67	2.68	2.63	2.55	2.50
NGAK24	1.839	50.23	46.52	20.25	29.65	1.78	1.81	1.84	1.94	2.08
NGAM24	2.083	51.50	47.64	17.58	27.90	2.01	2.04	2.08	2.16	2.28

Calculations based on previous session. Data collected 04/01/2024

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

DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
ENERGY COMPLEX						
CLAK24	Crude Oil	81.83	82.95	83.72	84.84	85.61
CLAM24	Crude Oil	81.19	82.17	82.82	83.79	84.44
HOAK24	Heating Oil	256.21	260.52	262.18	266.49	268.15
HOAM24	Heating Oil	256.36	260.37	262.04	266.05	267.72
RBAK24	RBOB Gas	266.26	268.97	270.91	273.62	275.56
RBAM24	RBOB Gas	263.77	266.26	267.92	270.41	272.07
NGAK24	Natural Gas	1.662	1.765	1.809	1.912	1.956
NGAM24	Natural Gas	1.922	2.017	2.053	2.147	2.183

Calculations based on previous session. Data collected 04/01/2024

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