



## DAILY ENERGY COMPLEX COMMENTARY

Monday January 08, 2024

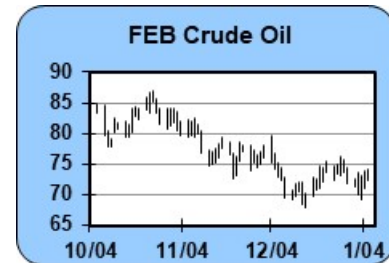
### DAILY ENERGY COMPLEX COMMENTARY

1/8/2024

#### Demand fears to weigh heavily on petroleum prices

**OVERNIGHT CHANGES THROUGH 6:06 AM (CT):**  
**CRUDE -221, HEATING OIL -323, UNLEADED GAS -631**

**CRUDE OIL MARKET FUNDAMENTALS:** With a significant setback from last week's highs in the early trade today the recovery action from last week is erased with both supply and demand fundamentals generally favoring the bear camp. The bear camp should see fresh confidence following a 2.1% weekly increase in global crude oil in floating storage especially with supplies in Asia Pacific and European areas up sharply. In fact, US Gulf Coast supplies also jumped 175% versus last week in a sign that could mean US export supply is beginning to back up. In a possible sign of soft Asian demand and in response to the weakness in futures prices since the end of December rally, Saudi Arabia cut Asian prices to 27-month lows, which clearly adds to the bearish demand outlook. It should also be noted that discounts of Russian, Iranian and Venezuelan oil have been reduced in another sign of adequate supply and soft demand. In fact, talks between Iran and China regarding crude sales have broken down with Iran demanding higher pricing and the Chinese unwilling to pay up. In retrospect, the EIA report last week was patently bearish to US product prices with large inventory builds and very weak implied distillate and gasoline demand readings! Even the supply side of the equation remains bearish with OPEC production last month increasing by 70,000 barrels per day versus November, US production hovering at record levels and aggressive investment in Venezuela raising production from supply recently held off the market by sanctions. Fortunately for the Venezuelan oil companies, the Biden Administration has facilitated competition for US producers and exported some GDP. Last week, US oil drillers raised rigs operating by one but total rigs operating at 657 rigs is down sharply from the pandemic high of 784 rigs two years ago. Unfortunately for the bull camp, the net spec and fund long in crude oil remains near the lowest levels since 2011! The Commitments of Traders report for the week ending January 2nd showed Crude Oil Managed Money traders are net long 89,330 contracts after net selling 35,869 contracts. Non-Commercial & non-reportable traders reduced their net long position by 24,311 contracts to a net long 217,319 contracts. We see critical support in February crude oil today at \$73.04 and then down at \$72.21, with a close back above \$75 needed to temper our bearishness.



**PRODUCT MARKET FUNDAMENTALS:** With very discouraging chart action, a massive single week inflow to EIA gas inventories and the second lowest weekly EIA implied gasoline reading in two years, the fundamentals in the gasoline market are definitively bearish. Furthermore, the single-week 9-million-barrel inflow to EIA gasoline stocks was the largest single week inflow since March 2021. However, the market obviously has discounted the news that Indian oil product demand reached a record last year perhaps because the rate of growth last year was less than half the growth rate in the prior year. In fact, Indian December oil product consumption was a seven-month high, but gasoline consumption increased by mere fractions of a percent. Even the technical condition of gasoline is bearish, with the most recent COT report showing the nearly the largest net spec and fund long of the past three years. The January 2nd Commitments of Traders report showed Gas (RBOB) Managed Money traders net bought 1,476 contracts and are now net long 69,301 contracts. Non-Commercial & non-reportable traders are net long 83,407 contracts net buying 3,991 contracts. While the February gasoline contract built a layer of consolidation support around the \$2.10 level, the aggressive spike below that level and the violation of several other intermediate support levels leaves a target of \$2.00. Unfortunately for the bull camp in the diesel market, diesel was not exempted from the very bearish EIA report last week which featured a massive weekly jump in inventories. It should also be noted that the implied distillate demand reading was the lowest since February

2021. While the net spec and fund long in diesel remains burdensome it is just above the midpoint of the two-year range. The January 2nd Commitments of Traders report showed Heating Oil Managed Money traders net bought 216 contracts and are now net long 18,965 contracts. Non-Commercial & non-reportable traders net long 42,972 contracts after net selling 4,512 contracts. A failure to hold \$2.5841 in February diesel projects a slide down to \$2.5336, with a close back above \$2.6667 needed to alter our bearish view toward diesel.

**NATURAL GAS:** While the natural gas market has failed to sustain the overnight range up move, the February contract managed to reach the highest level since November 24th in a move that has the bear camp concerned. Perhaps the reversal from the overnight high is the result of the trade looking beyond the current European cold snap to slight warmer temps and perhaps the market also fell back following reports that many vessels continue to use Red Sea routes despite reports to the contrary. However, there is a threat against gas flows to Europe from Libya, potential gas disruptions from fighting in the Middle East, more seasonal winter temperatures settling in, and US exports are consistently running at record levels. Another potential supportive issue is the net spec and fund short in place in gas since March 2021, as some traders think prices were too cheap and a severe cold pattern and/or a physical disruption of supply from Libya or Iran could ignite a sustained wave of short covering. The Commitments of Traders report for the week ending January 2nd showed Natural Gas Managed Money traders were net short 78,451 contracts after decreasing their short position by 26,311 contracts. Non-Commercial & non-reportable traders were net short 77,936 contracts after decreasing their short position by 10,293 contracts. The weekly Baker Hughes gas rig operating count posted a decline of two leaving the rigs operating at 118. Uptrend channel support in natural gas is now \$2.6620.

**TODAY'S MARKET IDEAS:**

Despite signs of residual strength in the US economy and the lack of an upside explosion in the dollar following strong US data, the bear camp retains a firm grip on the petroleum markets. In fact, the trade sees the Saudi price cut to Asia as a white flag from OPEC+ price control proponents. We see critical support in February crude oil today at \$71.06 and then down at \$70.11, with a close back above \$75 needed to temper our bearishness. While the February gasoline contract built a layer of consolidation support around the \$2.10 level the market this morning has cut through that level aggressively and appears headed down to the \$2.00. A failure to hold \$2.5841 in February diesel projects a slide down to \$2.5336, with a close back above \$2.6667 needed to alter our bearish view toward diesel.

**NEW RECOMMENDATIONS:**

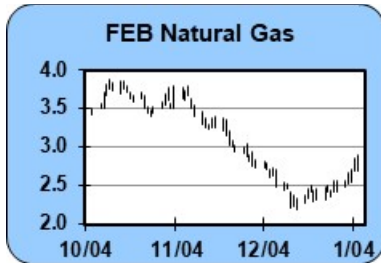
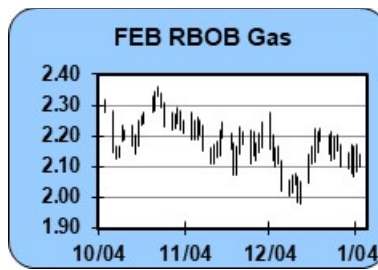
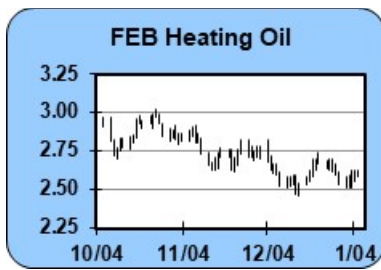
None.

**PREVIOUS RECOMMENDATIONS:**

None.

Commitment of Traders - Futures and Options - 12/26/2023 - 1/2/2024						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
<b>Energies</b>						
Crude Oil	192,837	-33,435	-217,320	+24,311	24,482	+9,124
Heating Oil	28,437	+1,650	-42,973	+4,511	14,535	-6,162
Natural Gas	-92,386	+14,819	77,937	-10,292	14,450	-4,526
Gas (RBOB)	76,197	+4,728	-83,407	-3,991	7,210	-737

**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 (FEB) 01/08/2024:** The daily stochastics have crossed over up which is a bullish indication. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. The market setup is supportive for early gains with the close over the 1st swing resistance. The next upside objective is 75.59. The next area of resistance is around 74.92 and 75.59, while 1st support hits today at 72.90 and below there at 71.54.

**HEATING OIL (FEB) 01/08/2024:** The moving average crossover down (9 below 18) indicates a possible developing short-term downtrend. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The intermediate trend could be turning up with the close back above the 18-day moving average. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside target is now at 257.17. The next area of resistance is around 263.73 and 264.98, while 1st support hits today at 259.83 and below there at 257.17.

**RBOB GAS (FEB) 01/08/2024:** Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close below the 9-day moving average is a negative short-term indicator for trend. The market tilt is slightly negative with the close under the pivot. The next downside target is now at 207.31. The next area of resistance is around 212.80 and 215.56, while 1st support hits today at 208.68 and below there at 207.31.

**NATURAL GAS (FEB) 01/08/2024:** 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 market has a slightly positive tilt with the close over the swing pivot. The near-term upside objective is at 3.052. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 2.988 and 3.052, while 1st support hits today at 2.770 and below there at 2.617.

### 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>										
CLAG24	73.91	54.68	51.06	53.04	53.83	72.27	72.86	72.47	74.62	76.67
CLAH24	73.95	54.17	50.86	52.78	53.05	72.43	73.04	72.68	74.66	76.49
HOAG24	261.77	52.71	49.30	42.23	41.98	2.58	2.59	2.60	2.67	2.72
HOAH24	258.43	53.28	49.69	43.61	43.69	2.55	2.55	2.56	2.63	2.68
RBAG24	210.74	45.79	46.69	55.23	47.08	2.12	2.13	2.13	2.15	2.17
RBAH24	213.24	46.76	47.38	57.44	50.11	2.14	2.15	2.14	2.16	2.19
NGAG24	2.879	74.07	62.60	77.12	88.53	2.73	2.59	2.48	2.83	3.03
NGAH24	2.596	68.55	57.65	71.79	84.18	2.50	2.39	2.32	2.67	2.84

Calculations based on previous session. Data collected 01/05/2024  
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>						
CLAG24	Crude Oil	71.53	72.89	73.56	74.92	75.59
CLAH24	Crude Oil	71.68	72.97	73.63	74.92	75.58
HOAG24	Heating Oil	257.16	259.82	261.07	263.73	264.98
HOAH24	Heating Oil	253.90	256.54	257.67	260.31	261.44
RBAG24	RBOB Gas	207.30	208.67	211.43	212.80	215.56
RBAH24	RBOB Gas	210.12	211.37	213.86	215.11	217.60
NGAG24	Natural Gas	2.616	2.770	2.834	2.988	3.052
NGAH24	Natural Gas	2.408	2.514	2.572	2.678	2.736

Calculations based on previous session. Data collected 01/05/2024  
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