



DAILY ENERGY COMPLEX COMMENTARY

Thursday January 11, 2024

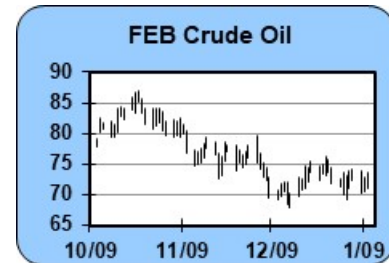
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1/11/2024

The start of cold weather has left prices overvalued

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
CRUDE +132, HEATING OIL +622, UNLEADED GAS +459

CRUDE OIL MARKET FUNDAMENTALS: While crude oil is trading higher this morning, the propensity to coil within the range currently dominates. However, the markets are likely benefiting from strong global equity market action overnight and from a reduction in Norway 2023 and 2024 crude oil output forecasts. In a potential bearish shift, reports overnight indicate that Chinese refiners are turning away from Saudi supply and with softer demand in the face of an aggressive Saudi Arabia price cut could mean the Chinese do not need supply because of lingering economic troubles. It seems the trade is not overly concerned about supply disruptions, given the failure to rally aggressively this week, in the face of the most middle east ship attacks since the beginning of the turmoil, and with prices failing to react to armed guards boarding an oil tanker off the coast of Oman. However, the cost of shipping oil from the Middle East has reached the highest level in three months in a sign of escalating concern of disruptions there and from longer delivery times. Unfortunately for the bull camp put option interest this week has escalated, Barclays has reduced their 2024 oil forecast by eight dollars, and a downside breakout in US initial claims today could prompt a major risk-off event. However, with the energy markets managing to coil within trading ranges in the face of recent bearish supply and demand news, the potential for solid value at the \$70.00 level improves. Therefore, the bear camp retains an edge with respect to fundamental headline developments, especially with the EIA predicting OPEC+ production will rise by 600,000 barrels per day this year as production restraint agreements phase out. On the positive side of the equation, Nigeria has announced half of its February cargoes are now sold and EIA crude oil inventories shifted into a deficit. EIA crude stocks rose 1.338 million barrels and are 7.204 million barrels below year ago levels. Also, crude stocks stand 9.429 million barrels below the five-year average. Crude oil imports for the week stood at 6.241 million barrels per day compared to 6.895 million barrels the previous week. The refinery operating rate was 92.9%, down 0.6% from last week compared to 84.1% last year and the five-year average of 88.5%. In the end, a second straight week of bearish EIA inventory data and residual demand concerns leaves the bear camp in control.



PRODUCT MARKET FUNDAMENTALS: As indicated already, a second straight week of extremely large weekly EIA product inventory inflows weighs heavily on gasoline prices. In fact, US gasoline stocks are now at the highest level since February 2022 and gasoline stocks have increased 19 million barrels in just two weeks. It should also be noted that the year-over-year surplus in gasoline has expanded to a very burdensome 18 million barrels. Even European gasoline supply has become burdensome with the EIA reporting European stocks up from November. Unfortunately for the bull camp, the EIA implied gasoline demand reading recovered, but the trend of building supplies should leave control firmly in the bear's camp. EIA gasoline stocks rose 8.028 million barrels and are 18.206 million barrels above last year and 3.327 million above the five-year average. Average total gasoline demand for the past four weeks was up 3.3% compared to last year. Gasoline imports came in at 500,000 barrels per day compared to 659,000 barrels the previous week. Downtrend channel selling resistance in February gasoline today is \$2.1570. Even though the diesel market has shown resiliency against weakness in other sectors of the petroleum markets this week, the rally and aggressive failure yesterday shifts the charts in favor of the bear camp. Like the gasoline market, the diesel market is under significant pressure following two weeks of distillate stocks increases of 16.6 million barrels and a two week increase in diesel stocks of 17.6 million barrels. Unfortunately for the bear camp, this week distillate demand reading recovered but was still at the lower

end of the last two years' readings. EIA distillate stocks rose 6.528 million barrels and stand at 14.667 million barrels above last year and 4.539 million below the five-year average. Distillate imports came in at 274,000 barrels per day compared to 194,000 barrels the previous week. Average total distillate demand for the past four weeks was down 4.31% compared to last year. Downtrend channel selling resistance in diesel today is \$2.6960.

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
1/5/2024	432.403	+1.338	-7.204	441.832	6.241	92.9	
DISTILLATES	Stocks				Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
1/5/2024	132.383	+6.528	+14.667	136.922		3.432	
GASOLINE	Stocks				Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
1/5/2024	244.982	+8.028	+18.206	241.655	0.500	8.325	

NATURAL GAS: In retrospect, it appears that natural gas has "blown off" and is now poised for corrective action. However, extreme cold in the US in the coming weekend and signs that Asian LNG buyers have stepped forward following a recent setback in regional prices temper losses today. On the other hand, if today's EIA natural gas working gas in storage report posts a smaller than anticipated withdrawal that is likely to accelerate this week's slide. The latest Reuters poll projects EIA gas stocks to decline this week by 104 BCF/119 BCF with the markets likely to pay particular attention to the change in the surplus inventory level to five-year average readings. Unfortunately, Bloomberg overnight has indicated that Europe has ample supplies despite recent cold temperatures and that justifies the overnight slide below yesterday's low. Despite very cold temperatures looming, we remain very skeptical of the bull case.

TODAY'S MARKET IDEAS:

In addition to US Product supply building rapidly, the trade continues to face residual demand fears and prices have only shown minimal upside sensitivity to escalating supply threats in the Middle East. In fact, without a definitive risk on euphoria later today from renewed US rate cut hopes, the bear camp should continue to control. The failure to sustain yesterday's rally in crude creates the prospect of a slide below \$70.00, especially if macro sentiment turns sour after the US inflation report. Downtrend channel selling resistance in February gasoline today is \$2.1570. Downtrend channel selling resistance in diesel today is \$2.6960.

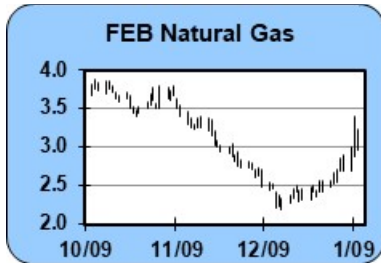
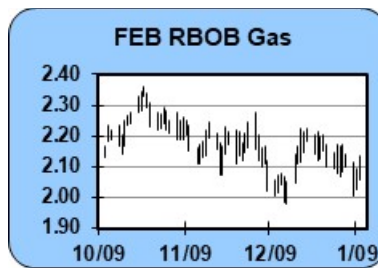
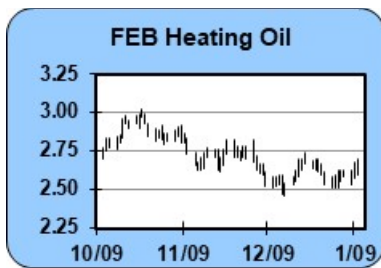
NEW RECOMMENDATIONS:

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 (FEB) 01/11/2024: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market's short-term trend is negative as the close remains below the 9-day moving average. The downside closing price reversal on the daily chart is somewhat negative. The market's close below the pivot swing number is a mildly negative setup. The next downside target is 69.24. The next area of resistance is around 72.61 and 74.39, while 1st support hits today at 70.04 and below there at 69.24.

HEATING OIL (FEB) 01/11/2024: The close under the 40-day moving average indicates the longer-term trend could be turning down. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The downside closing price reversal on the daily chart is somewhat negative. The market tilt is slightly negative with the close under the pivot. The next upside target is 273.57. The next area of resistance is around 265.93 and 273.57, while 1st support hits today at 254.93 and below there at 251.56.

RBOB GAS (FEB) 01/11/2024: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market's short-term trend is negative as the close remains below the 9-day moving average. The daily closing price reversal down puts the market on the defensive. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside objective is 200.23. The next area of resistance is around 210.98 and 216.32, while 1st support hits today at 202.94 and below there at 200.23.

NATURAL GAS (FEB) 01/11/2024: The daily stochastics have crossed over down which is a bearish indication. 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 tilt is slightly negative with the close under the pivot. The next downside objective is 2.793. The next area of resistance is around 3.170 and 3.333, while 1st support hits today at 2.900 and below there at 2.793.

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
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ENERGY COMPLEX

CLAG24	71.33	44.92	45.06	44.82	38.97	72.04	71.87	72.70	74.02	76.18
CLAH24	71.40	44.43	44.79	43.69	37.19	72.12	72.02	72.89	74.10	76.05
HOAG24	260.43	49.36	47.97	42.59	43.75	2.61	2.58	2.61	2.65	2.71
HOAH24	255.61	48.05	47.08	42.27	41.82	2.57	2.54	2.57	2.61	2.67
RBAG24	206.95	42.78	44.24	39.15	31.36	2.07	2.09	2.13	2.13	2.17
RBAH24	209.56	43.68	44.94	41.19	33.17	2.10	2.12	2.15	2.15	2.18
NGAG24	3.035	68.82	63.27	82.01	78.69	3.02	2.80	2.61	2.79	2.99
NGAH24	2.548	56.12	52.40	78.86	76.18	2.62	2.51	2.39	2.61	2.79

Calculations based on previous session. Data collected 01/10/2024

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						
CLAG24	Crude Oil	69.23	70.03	71.81	72.61	74.39
CLAH24	Crude Oil	69.40	70.17	71.86	72.63	74.31
HOAG24	Heating Oil	251.55	254.92	262.56	265.93	273.57
HOAH24	Heating Oil	247.70	250.71	257.49	260.50	267.28
RBAG24	RBOB Gas	200.22	202.93	208.27	210.98	216.32
RBAH24	RBOB Gas	203.19	205.73	210.85	213.39	218.51
NGAG24	Natural Gas	2.793	2.900	3.063	3.170	3.333
NGAH24	Natural Gas	2.410	2.460	2.585	2.635	2.760

Calculations based on previous session. Data collected 01/10/2024

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