



DAILY ENERGY COMPLEX COMMENTARY

Friday January 12, 2024

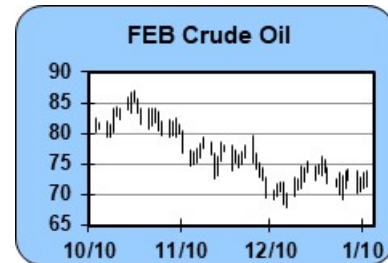
DAILY ENERGY COMPLEX COMMENTARY

1/12/2024

The start of cold weather and ME tension to provide a strong finish to the week

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
CRUDE +273, HEATING OIL +979, UNLEADED GAS +669

CRUDE OIL MARKET FUNDAMENTALS: With prices breaking out to the upside this morning in the face of news of record Chinese offshore oil production, the markets focus is clearly on the potential for a supply disruption in the Middle East following onshore attacks in Yemen by US and UK forces. Historically, attacks inside Arab countries severely heighten in tensions and certainly increase the odds of a broadening of the participants involved in the conflict. It should be noted that the news of record offshore Chinese oil production was offset by news that Chinese 2023 oil imports were a record, especially as that news was accompanied by signs of a recovery in Chinese fuel demand. Along those lines, Chinese December crude oil imports jumped which in turn resulted in crude oil imports year-to-date rising by 11%. In another fresh bullish demand development Chinese December purchasing prices fell 3.8% versus year ago levels with fuel prices dropping by a very significant 7.2% versus year ago levels which should help the Chinese economy and stir some fuel demand inside the country. From the supply side of the equation the trade obviously sees the aggressive retaliation by the US and UK with airstrikes inside Yemen as a development escalates the prospects of reduced supply flows. From a technical perspective, WTI crude futures into the early December lows likely held a mostly liquidated net spec and fund long position and with the upside breakout overnight a rebuilding of the net spec and fund long is now possible. According to sources on Bloomberg the \$75.00 level is a key pivot point with the rise above that level overnight projecting a breakout above the late December high of \$76.18.



PRODUCT MARKET FUNDAMENTALS: Surprisingly, the gasoline market has joined the crude oil and diesel markets in the sharp upside reaction to the escalation of military aggression involving strikes against Yemeni terrorists. Fortunately for the bull camp, overnight press coverage highlights several reports of improving gasoline demand, several of which were thought to be the result of low prices. With Delta this morning reporting record activity through the recent holiday period, recent spillover pressure on gasoline from projections of declining jet fuel use should abate. With the charts in gasoline bearish before this morning's rally and given very negative US supply and demand data over the last several weeks, it is clear Middle East supply threats are dominating early today. Fortunately for the bull camp, this week's Amsterdam, Rotterdam, and Antwerp inventories of gasoline declined rather significantly from 890,000 tonnes to only 818,000 tonnes! While not a major near-term influence on gasoline prices, European prices have also softened, and big picture macro conditions looks to provide significant direction for US gasoline consumption ahead. Uptrend channel selling resistance in February gasoline today at \$2.1525 was violated early raising the next upside target to \$2.2114. Support in February gasoline moves up to the overnight low (which was nearly a gap) at \$2.1390. As indicated earlier this week, we see the diesel market as the strongest sector of the petroleum complex. In fact, given very large weekly inventory builds of EIA distillate and diesel stocks the market has clearly overcome bearish fundamentals. The diesel market should see support from very favorable demand news this morning following reports from Delta Air Lines of record holiday business as jet fuel demand was reported to have softened in the US and Asia earlier this week. Another testament to bullish sentiment toward diesel is the market's capacity yesterday to hold up against increases in weekly European (ARA) gasoil fuel oil, naphtha, and jet fuel stocks. According to an independent energy consulting group, European oil product stocks rose by 4.4% on a week over week basis. Like the gasoline market, diesel raced through downtrend channel resistance overnight and has an upside target today of \$2.8277.

NATURAL GAS: Not surprisingly, the natural gas market saw the bull camp come back into a measure of control yesterday following a larger than expected withdrawal from EIA gas in storage. However, we are somewhat disappointed in the magnitude of strength this morning following reports that European inventories have plummeted from recent cold temperatures. In fact, according to Bloomberg EU gas storage withdrawals have accelerated with the net change in inventories over the last several weeks, the largest of the post pandemic era. The bull camp is further assisted by talk of record US demand LNG and therefore gas could see a very strong finish to the week especially given the extreme cold in a large cross-section of the US this weekend. The weekly natural gas storage report showed a draw of 140 bcf. Total storage stands at 3,336 bcf, or 11.6% above the 5-year average. Over the last four weeks, natural gas storage has declined 328 bcf. The EIA report saw a 3.33 tcf decline which was largely the result of large outflows from the East, Midwest, and South-Central US. The market was also presented with evidence of record US gas demand with domestic consumption and exports for the first half of January reaching 171.4 bcf/day which is much higher than the previous record usage of 162.5 bcf/day in February 2021. While we suspect the net spec and fund short position in natural gas has come down considerably from the 77,936 contracts posted early last week, we do not think short covering buying has run its course.

EIA Natural Gas Storage Report Summary

In Billion Cubic Feet

Week Of	Week Change	Total Storage	Change From Last Year	4 Week Combined Weekly Change	Percent Change vs 5 Year Average	Percent Change vs 10 Year Average
1/5/2024	-140	3336	436	-328	11.6%	

TODAY'S MARKET IDEAS:

Clearly, the bearish structure of the markets has shifted 180 degrees in favor of the bull camp today because of a distinct escalation of hostilities in the Middle East following US and UK airstrikes of targets "inside Yemen". Typically, the Arab world is extremely sensitive to the violation of sovereign boundaries which in turn could prompt Iran to become physically assertive. In today's action the bull camp has grabbed control and with a favorable economic take away from this morning's US scheduled data, the petroleum markets could have a very strong finish to the week.

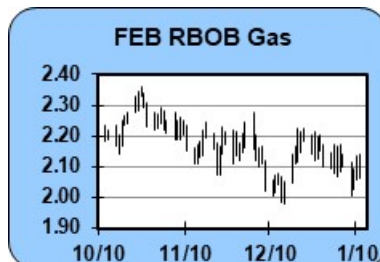
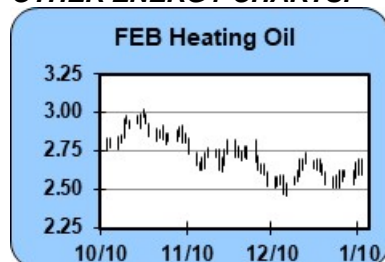
NEW RECOMMENDATIONS:

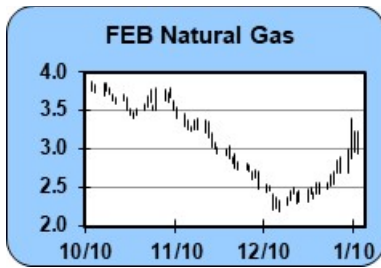
None.

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) 01/12/2024: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. A positive signal for trend short-term was given on a close over the 9-bar moving average. The close over the pivot swing is a somewhat positive setup. The next downside target is now at 69.94. The next area of resistance is around 73.98 and 75.21, while 1st support hits today at 71.34 and below there at 69.94.

HEATING OIL (FEB) 01/12/2024: The major trend could be turning up with the close back above the 40-day moving average. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The intermediate trend could be turning up with the close back above the 18-day moving average. A positive setup occurred with the close over the 1st swing resistance. The near-term upside objective is at 276.55. The next area of resistance is around 273.49 and 276.55, while 1st support hits today at 263.57 and below there at 256.72.

RBOB GAS (FEB) 01/12/2024: The major trend could be turning up with the close back above the 40-day moving average. A bullish signal was given with an upside crossover of the daily stochastics. Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next upside objective is 219.18. The next area of resistance is around 216.91 and 219.18, while 1st support hits today at 209.40 and below there at 204.15.

NATURAL GAS (FEB) 01/12/2024: Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. The market's close above the 9-day moving average suggests the short-term trend remains positive. The upside daily closing price reversal gives the market a bullish tilt. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside objective is 2.812. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 3.250 and 3.383, while 1st support hits today at 2.964 and below there at 2.812.

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										
CLAG24	72.66	50.80	48.92	44.05	42.38	71.76	71.97	72.75	73.86	76.01
CLAH24	72.73	50.51	48.77	42.67	40.52	71.85	72.11	72.92	73.94	75.90
HOAG24	268.53	60.27	55.52	47.56	57.49	2.63	2.60	2.62	2.64	2.71
HOAH24	262.82	58.38	54.15	46.11	53.80	2.58	2.56	2.58	2.61	2.66
RBAG24	213.16	53.48	51.07	39.76	40.96	2.08	2.10	2.13	2.13	2.16
RBAH24	215.39	53.75	51.36	41.49	42.28	2.10	2.12	2.15	2.15	2.18
NGAG24	3.107	71.63	65.57	80.32	76.84	3.08	2.86	2.65	2.78	2.98
NGAH24	2.539	55.21	51.87	76.26	70.48	2.60	2.53	2.41	2.60	2.78

Calculations based on previous session. Data collected 01/11/2024
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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
ENERGY COMPLEX						
CLAG24	Crude Oil	69.93	71.34	72.57	73.98	75.21
CLAH24	Crude Oil	70.05	71.44	72.62	74.01	75.19
HOAG24	Heating Oil	256.71	263.57	266.63	273.49	276.55
HOAH24	Heating Oil	252.10	258.23	261.27	267.40	270.45
RBAG24	RBOB Gas	204.14	209.39	211.66	216.91	219.18
RBAH24	RBOB Gas	207.01	211.85	214.09	218.93	221.17
NGAG24	Natural Gas	2.811	2.964	3.097	3.250	3.383
NGAH24	Natural Gas	2.404	2.464	2.554	2.614	2.704

Calculations based on previous session. Data collected 01/11/2024
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