



DAILY ENERGY COMPLEX COMMENTARY

Wednesday January 17, 2024

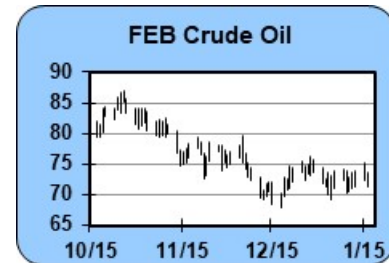
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1/17/2024

Discounting Middle East supply threats & extreme cold is bearish

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
CRUDE -134, HEATING OIL -147, UNLEADED GAS -248

CRUDE OIL MARKET FUNDAMENTALS: The path of least resistance is down in crude oil today with fresh chart damage, Saudi Arabia and Iran cutting prices to Asia, Chinese energy demand concerns on the rise following five-year lows in Chinese equities and Chinese December oil production increasing by 4.6% all of which put a conclusively bearish bias in place. Certainly, the threat of a sudden reduction in global supply remains in place especially with global press coverage attempting to link the increased attacks in the Red Sea to Iran. On the other hand, the market should draft temporary support from evidence of lost US production from extreme cold which resulted in power outages in oilfields and equipment breakdowns. Fresh overnight negatives include a week over week 1.6% jump in ARA crude oil storage, an upside breakout in the US dollar and a very definitive global risk off environment flowing from declining equity markets. However, it should be noted that Red Sea freight activity has begun to fall off sharply following increased attacks and from the exploding costs of insuring vessels in the region. Unfortunately for the bull camp, the threat of a supply disruption in the Red Sea is countervailed by reports of greater Caspian shipments from CPC, and from ongoing expectations of record US production in upcoming readings. On the other hand, extreme cold weather in the US is likely to result in production outages and a reduction of well efficiency. In fact, the US oil sector is noting adverse weather conditions from North to South with North Dakota production reportedly cut in half on Tuesday. US weather was so adverse that a refinery was shut down in Texas because of frozen equipment. This week's Reuters poll projects EIA crude oil inventories to decline by 2 to 4 million barrels and expects the US refinery operating rate to decline by 0.5%. Despite increased ship attacks in the Red Sea, the petroleum markets have little supply disruption premium in place and the markets were equally unconcerned about US production output losses from extreme cold throughout the oil-producing regions this week. Obviously, the trade sees global energy demand softening even in the face of a potential Chinese stimulus package later this week. We see the top of the trading range lowered to \$73.00 and the bottom of the trading range lowered to \$70.00.



PRODUCT MARKET FUNDAMENTALS: While the gasoline market showed signs of strength yesterday, ultimately the market was unable to rally in the face of a surprise refinery shutdown in Texas. While this week's Reuters poll projects EIA gasoline inventories will increase by 2 million barrels, the last two weeks reports have posted massive inflows to inventories which should be concerning to the trade in the face of weather conditions likely to reduce driving in large portions of the US. In a development that might be more important to the diesel market, Russia has shifted fuel supply flow from export positioning to domestic use positioning and that might help cushion US product markets against bearish US supply figures in the coming sessions. We see the upcoming range in February gasoline as \$2.20 on the upside and \$2.06 on the downside. Seeing diesel prices start the holiday shortened US trade off under significant pressure was not surprising following news that US heating degree days last week were running 19-degree days below normal. However, heating degree days in the US are likely to catapult higher with sustained subzero temperatures stretching across the US over a five-day period. This week's Reuters poll projects EIA distillate stocks to increase by 1.2 million barrels.

NATURAL GAS: The bull camp in natural gas must be thoroughly devastated given the sharp decline in prices in

the face of the coldest US winter blast in many years, especially with the US cold preceded by extreme cold in northern Europe. However, the trade today has embraced forecasts of a warmer finish to the month of January and the market this morning was also presented with a very bearish 2024 gas price forecast. In fact, with US temperatures well below zero and extreme wind chill readings closing schools and businesses, gas prices have declined \$0.25 in a fashion that shows firm bearish control! Clearly, the trade does not think the cold snap will permanently alter what continues to be an oversupplied market. On the other hand, traders could be presented with evidence of large inventory draws from Europe which would suddenly change the complexion of the gas market in favor of the bull camp. This week's Reuters poll projects natural gas in storage to decline between 141 bcf to 171 bcf. Near-term support in March gas is \$2.367 with a pivot point and reversal price seen up at \$2.544.

TODAY'S MARKET IDEAS:

We expect a sideways/lower chop in petroleum prices with demand concerns hanging in the market. In fact, without an actual physical supply disruption from the Middle East, we suspect petroleum prices are likely to retest the January lows! Furthermore, outside market action (higher rates and a stronger dollar) favor the bear camp as does the recent pattern of large weekly product supply inflows!

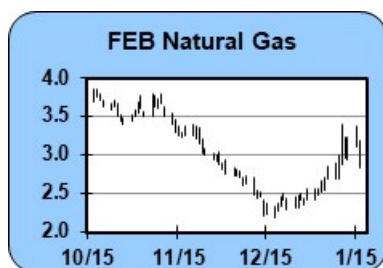
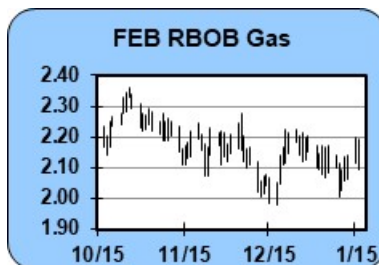
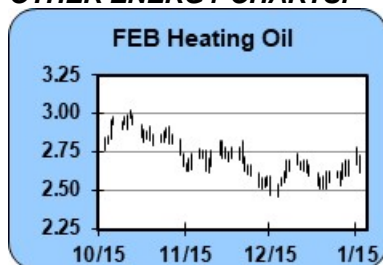
NEW RECOMMENDATIONS:

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) 01/17/2024: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The close below the 9-day moving average is a negative short-term indicator for trend. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is now at 69.79. The next area of resistance is around 73.00 and 74.44, while 1st support hits today at 70.68 and below there at 69.79.

HEATING OIL (FEB) 01/17/2024: The moving average crossover up (9 above 18) indicates a possible developing short-term uptrend. Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The market's short-term trend is positive on the close above the 9-day moving average. It is a slightly negative indicator that the close was under the swing pivot. The near-term upside objective is at 278.06. The next area of resistance is around 270.43 and 278.06, while 1st support hits today at 258.35 and below there at 253.91.

RBOB GAS (FEB) 01/17/2024: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market tilt is slightly negative with the close under the pivot. The next upside target is 223.10. The next area of resistance is around 216.69 and 223.10, while 1st support hits today at 206.49 and below there at 202.70.

NATURAL GAS (FEB) 01/17/2024: The market back below the 60-day moving average suggests the longer-term trend could be turning down. A bearish signal was triggered on a crossover down in the daily stochastics. Momentum studies trending lower at mid-range should accelerate a move lower 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. The close below the 2nd swing support number puts the market on the defensive. The next downside objective is 2.565. The next area of resistance is around 3.015 and 3.281, while 1st support hits today at 2.657 and below there at 2.565.

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	71.84	47.18	46.70	42.19	40.79	71.98	72.18	72.71	73.67	75.60
CLAH24	71.96	49.72	48.27	41.53	41.85	72.21	72.35	72.89	73.79	75.53
HOAG24	264.39	56.69	53.23	52.14	56.01	2.65	2.63	2.62	2.64	2.70
HOAH24	259.63	56.46	52.81	50.45	54.90	2.60	2.58	2.58	2.60	2.66
RBAG24	211.58	52.30	50.22	43.21	48.63	2.11	2.10	2.13	2.13	2.16
RBAH24	214.19	53.22	50.92	44.73	50.15	2.13	2.12	2.15	2.15	2.18
NGAG24	2.836	49.83	51.02	77.12	69.69	3.07	2.98	2.72	2.77	2.97
NGAH24	2.441	45.87	46.28	69.40	59.70	2.54	2.56	2.43	2.57	2.75

Calculations based on previous session. Data collected 01/16/2024

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	69.78	70.67	72.11	73.00	74.44
CLAH24	Crude Oil	69.95	70.81	72.24	73.10	74.53
HOAG24	Heating Oil	253.90	258.34	265.98	270.43	278.06
HOAH24	Heating Oil	250.68	254.54	260.86	264.71	271.03
RBAG24	RBOB Gas	202.69	206.48	212.90	216.69	223.10
RBAH24	RBOB Gas	205.63	209.35	215.31	219.03	224.99
NGAG24	Natural Gas	2.565	2.657	2.923	3.015	3.281
NGAH24	Natural Gas	2.323	2.373	2.459	2.509	2.594

Calculations based on previous session. Data collected 01/16/2024

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