



DAILY ENERGY COMPLEX COMMENTARY

Thursday January 18, 2024

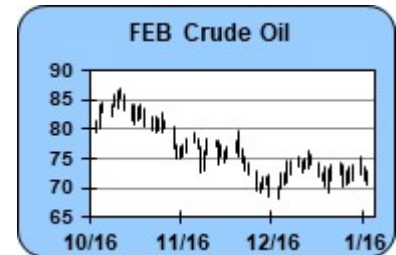
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1/18/2024

Bearish petroleum neutral/bullish toward natural gas

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
CRUDE +26, HEATING OIL -50, UNLEADED GAS -14

CRUDE OIL MARKET FUNDAMENTALS: While crude oil prices continue to chop near the middle of the last two months trading range, the market appears to retain a bearish bias especially with the market unable to post gains off the aggressive escalation of US attacks on Yemeni rebels. In addition to fears of a building global oil supply surplus, the trade has recently seen extremely large product stock builds over the last three weeks which points to soft demand and should reduce refinery demand for crude soon. Adding into the bearish tone is an IEA forecast predicting the world oil market will remain "reasonably well supplied" this year especially with the oil agency predicting a deceleration of global energy demand growth. In the end, the IEA projected 2024 demand growth at only 1.2 million barrels per day versus the 2.3 million barrels per day growth last year. EIA also raised its 2024 global oil supply increase by 1.5 million barrels per day with non-OPEC supply expanding faster than demand expansion. On the other hand, reports that North Dakota oil production was reduced by 700,000 barrels per day because of extreme cold this week provides the market with a temporary backstop against sagging demand concerns. A portion of the supportive impact from lower US production was countervailed yesterday with OPEC December output raised 73,000 barrels per day to a total of 26.7 million barrels per day. Apparently, increased Nigerian production was the cause of higher OPEC production last month. After the close, the weekly API survey reported that US crude oil stocks had a weekly increase of 483,000 barrels which contrasted with trade forecasts for a mild weekly decline. On the other hand, some technical signals are becoming overdone as the \$2.00 decline in crude prices since the last positioning report probably means the net spec and fund long position in crude is near the lowest levels since 2011. Downtrend channel resistance in March crude oil at \$74.68 with that downtrend channel resistance line offering short sale pricing on Friday of \$74.49.



PRODUCT MARKET FUNDAMENTALS: We are surprised US product prices are not under severe pressure this morning as API inventory readings yesterday afternoon increased the prospect that today's EIA product inventories will post a 3rd straight week of very large builds. Along those lines, this week's Reuters poll projects EIA gasoline stocks to increase by 2.2 million barrels which would mean gasoline stocks have increased by more than 21 million barrels in three weeks. Furthermore, another large weekly injection to gasoline inventories at EIA could result in a 20-million-barrel year-over-year surplus reading. One month ago, EIA gasoline stocks held a minimal 610,000-barrel surplus to year ago levels and now gasoline stocks are 18 million over last year and 5 million barrels above the five-year average storage levels. With some very slow implied gasoline demand readings released over the last several weeks and severe cold likely reducing driving throughout the US over the last week, traders should not be surprised to see a disastrous implied gasoline demand reading from the delayed EIA report today. The API survey said that US gasoline stocks had a weekly increase of 4.86 million barrels which was a much larger increase than market expectations. In conclusion, just the prospect of another large weekly inflow to gasoline inventories leaves gasoline futures in a capitulation posture with a return to the January low of \$2.0362 in March RBOB possible today. All things considered; the diesel market has held up relatively well against several weeks distinctly bearish EIA reports. However, it is our opinion that ULSD will not survive another outsized inflow to distillate and diesel stocks like last week. The API survey said that US distillate stocks had a weekly increase of 5.21 million barrels which was a larger increase than trade forecasts. In conclusion, near-term downside targeting in March ULSD is \$2.49.

Weekly EIA Petroleum Estimates - Week Ending 1/12/2024 - In Million Barrels

	High Estimate	Low Estimate	Stocks Last Week	Stocks Change Last Week
Crude Oil	-2.2	-2.6	432.4	1.3
Distillates	1.4	1	132.4	6.5
Gasoline	2.2	1.8	245	8

NATURAL GAS: With some chatter in the petroleum markets suggesting extreme cold has produced increased consumption and today's weekly inventory data expected to show a moderately large withdrawal, it is possible the \$2.40 level will now be respected as key support. According to Bloomberg natural gas traders in Europe have started to shift their attention to the summer cycle as indicated by August futures trading near winter contracts. Unfortunately for the bull camp Asian LNG prices overnight reached seven-month lows perhaps because reports of record Chinese coal production and perhaps because of signs of expanding Asian price sensitivity, and therefore, the prevailing bias in gas remains down. In retrospect, the severe cold blasts in Europe and in the US should help partially cleanup oversupply in the US which should increase the prospects the December low was a major price low. On the other hand, without a much larger than expected withdrawal today, the winter 2024 rally might have run its course. Keep in mind last week the trade was surprised by a larger than expected withdrawal, and there have been several record electricity production headlines over the last week. This week's Reuters poll projects EIA working gas in storage to see calls between 140 BCF and 180 BCF. Uptrend channel buying support in the gas contract is \$2.54, but traders could jump in at the market if the EIA data on gas in storage posts a withdrawal above the upper end of the range (-140 to -180 BCF). Unfortunately for the bull camp in gas, the second half of January has milder temperatures forecasted for a large portion of the US.

TODAY'S MARKET IDEAS:

The path of least resistance is down unless US economic data and or a Fed speech result in a sudden and conclusive improvement in global sentiment. However, the bull camp has not encountered an actual disruption of supply from the Middle East and without an attack on a tanker the bear camp should control. Granted rerouting is causing shipping delays and that has prompted Middle East crude grades to lose ground against non-middle East supplies. Therefore, without a supply disruption at the beginning of the production supply chain, rapidly building US product inventories leaves the bear camp in control.

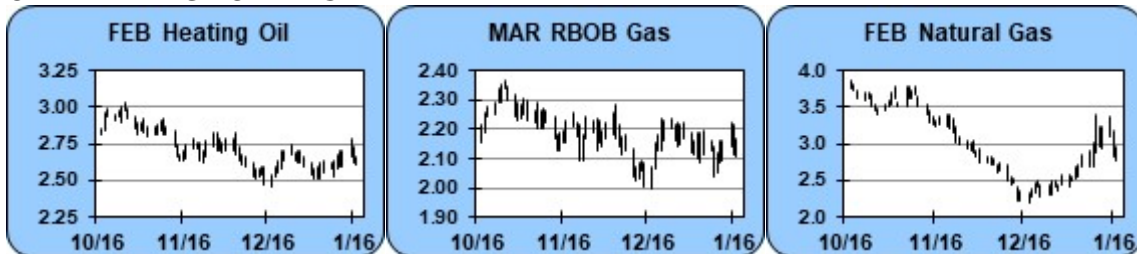
NEW RECOMMENDATIONS:

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) 01/18/2024: Momentum studies are rising from mid-range, which could accelerate a move higher if resistance levels are penetrated. The cross over and close above the 18-day moving average is an

indication the intermediate-term trend has turned positive. The upside closing price reversal on the daily chart is somewhat bullish. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside objective is 74.61. The next area of resistance is around 74.00 and 74.61, while 1st support hits today at 71.64 and below there at 69.89.

HEATING OIL (FEB) 01/18/2024: Momentum studies are trending higher from mid-range, which should support a move higher if resistance levels are penetrated. The close above the 9-day moving average is a positive short-term indicator for trend. It is a slightly negative indicator that the close was under the swing pivot. The next upside objective is 269.40. The next area of resistance is around 267.87 and 269.40, while 1st support hits today at 262.83 and below there at 259.31.

RBOB GAS (FEB) 01/18/2024: 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 cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. The daily closing price reversal up is a positive indicator that could support higher prices. The market has a slightly positive tilt with the close over the swing pivot. The next upside target is 218.85. The next area of resistance is around 216.95 and 218.85, while 1st support hits today at 210.35 and below there at 205.66.

NATURAL GAS (FEB) 01/18/2024: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market's short-term trend is negative as the close remains below the 9-day moving average. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside objective is now at 2.667. The next area of resistance is around 2.982 and 3.071, while 1st support hits today at 2.780 and below there at 2.667.

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	72.82	52.03	49.65	44.48	47.25	72.48	72.26	72.68	73.62	75.40
CLAH24	72.73	50.89	48.98	42.57	44.64	72.53	72.33	72.81	73.73	75.33
HOAG24	265.35	55.28	52.44	53.00	54.72	2.66	2.63	2.62	2.64	2.69
HOAH24	261.17	56.15	52.65	52.08	55.35	2.61	2.59	2.58	2.60	2.65
RBAG24	213.65	55.08	51.92	46.93	54.37	2.12	2.10	2.12	2.13	2.16
RBAH24	216.00	55.53	52.34	48.40	55.74	2.15	2.12	2.14	2.15	2.17
NGAG24	2.881	51.49	52.36	73.20	63.92	3.05	3.01	2.75	2.76	2.96
NGAH24	2.485	48.99	48.43	65.22	55.46	2.53	2.57	2.45	2.55	2.74

Calculations based on previous session. Data collected 01/17/2024

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	69.89	71.64	72.25	74.00	74.61
CLAH24	Crude Oil	70.05	71.65	72.21	73.81	74.37
HOAG24	Heating Oil	259.30	262.82	264.35	267.87	269.40
HOAH24	Heating Oil	255.29	258.75	260.13	263.58	264.97
RBAG24	RBOB Gas	205.65	210.35	212.25	216.95	218.85
RBAH24	RBOB Gas	208.53	212.92	214.68	219.07	220.83
NGAG24	Natural Gas	2.667	2.780	2.869	2.982	3.071
NGAH24	Natural Gas	2.358	2.428	2.472	2.542	2.586

Calculations based on previous session. Data collected 01/17/2024

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