



## DAILY ENERGY COMPLEX COMMENTARY

Friday January 19, 2024

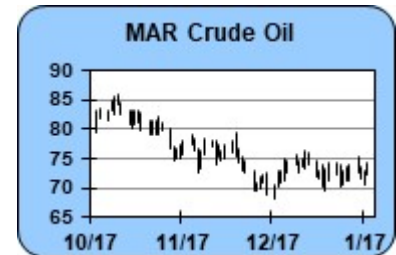
### DAILY ENERGY COMPLEX COMMENTARY

1/19/2024

**Week ending short covering or renewed US energy demand hope?**

**OVERNIGHT CHANGES THROUGH 6:06 AM (CT):**  
**CRUDE -4, HEATING OIL +144, UNLEADED GAS -117**

**CRUDE OIL MARKET FUNDAMENTALS:** The petroleum markets are clearly bifurcated with supply news in crude oil minimally supportive this week and supply news for the product markets extensively bearish. In retrospect, the downtrend in crude oil prices which began last September was built on ideas of softening demand and supply rebuilding. Clearly, the bear case has been and will continue to be solidified, but a dip in weekly EIA crude oil stocks yesterday and the biggest decline in Cushing Oklahoma inventories since September 8th (overall EIA crude inventories are at the lowest since 27th) certainly deserves some positive price action. In fact, the IEA and OPEC have both floated positive 2024 demand forecasts and those forecasts are given credence by signs of unending resiliency in the US jobs market. Unfortunately for the bull camp, Chinese energy demand news has been neutral to negative, and the trade has seen only supply delays from ME rerouting and has not yet encountered a sustainable physical reduction in production/transportation. However, US production losses from extreme cold temperatures are now ending and temperatures in the US are expected to be mild into the end of the month. Certainly, seeing US crude oil stocks decline more than expected helps the bull camp but that news probably inspired more short covering buying than fresh outright buying. On the other hand, crude oil inventories did decline by more than expected, and the year over year deficit expanded sharply on a week over week basis! Despite our views that a large portion of yesterday's strong gains were simple short covering, US economic data continues to prop up US energy demand expectations and given strong US refiner demand, crude oil prices deserve to track toward the upper end of the \$75.70 and \$69.90 March crude oil contract trading range. EIA crude stocks fell 2.492 million barrels and are 18.104 million barrels below year ago levels. Also, crude stocks stand 12.01 million barrels below the five-year average. Crude oil imports for the week stood at 7.42 million barrels per day compared to 6.241 million barrels the previous week. The refinery operating rate was 92.6% down, 0.3% from last week compared to 85.3% last year and the five-year average of 88.4%. Downtrend channel selling resistance in March crude oil today is \$74.54 with a failure/pivot point seen on a trade below \$72.10.



**PRODUCT MARKET FUNDAMENTALS:** Like the crude oil market, the gasoline market exploded on the upside overnight before giving back all the gains in a fashion that suggests the bear camp ultimately retains control. On the other hand, extreme cold apparently knocked out 15% of US Gulf Coast refinery activity this week which should offset a minor portion of the very bearish trend of rising EIA gasoline inventories. Unfortunately for the bull camp the trade was also presented with news overnight of a 11.4% increase in Chinese December gasoline production which should increase fears of Chinese gasoline exports. While it is very difficult to spin yesterday's weekly EIA report into a positive for gasoline, we suspect some shorts decided to bank profits and move to the sidelines after gasoline inventories failed to replicate large inflows seen in the previous two reports. Certainly, seeing upgraded views toward the US economy helps moderate gasoline demand concerns, especially with EIA implied gasoline demand readings posting above year ago levels in four of the last five weeks! EIA gasoline stocks rose 3.083 million barrels and are 17.806 million barrels above last year and 823,400 above the five-year average. Average total gasoline demand for the past four weeks was up 3.9% compared to last year. Gasoline imports came in at 549,000 barrels per day compared to 500,000 barrels the previous week. While it is possible gasoline will add to yesterday's gains again today, the bull camp will need positive US economic data, risk on sentiment from global equity markets and respect of close in support at \$2.1645 early today to leave the bulls with an edge. Downtrend channel selling resistance in March gasoline today is \$2.2030. With the diesel market forging

very modest hard-fought gains yesterday, flaring sharply higher overnight and then failing to hold the rally, the bull camp is not yet in charge. In fact, weekly EIA implied distillate demand readings has been under year ago levels in four of the last five weeks reports with distillate and diesel inventory surpluses over year ago levels the highest of the petroleum markets. EIA distillate stocks rose 2.370 million barrels and stand at 18.976 million barrels above last year and 4.680 million below the 5-year average. Distillate imports came in at 115,000 barrels per day compared to 274,000 barrels the previous week. Average total distillate demand for the past four weeks was down 5.59%. Downtrend channel selling resistance in March diesel is well above the market today at \$2.70 with a key pivot/failure price pegged at yesterday's low of \$2.589.

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
1/12/2024	429.911	-2.492	-18.104	441.921	7.420	92.6	
DISTILLATES		Stocks			Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
1/12/2024	134.753	+2.370	+18.976	139.433		3.645	
GASOLINE		Stocks			Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
1/12/2024	248.065	+3.083	+17.806	247.242	0.549	8.269	

**NATURAL GAS:** With this week's pattern of lower highs and lower lows, bearish US temperature forecasts, an undersized weekly withdrawal from EIA inventories and fresh problems at a primary US export facility, we see prices ending the week under distinct pressure. Fortunately for the bull camp, a portion of the disappointing weekly withdrawals from inventories was offset by a very minimal narrowing of the surplus to five-year average stock levels. In retrospect, with extreme cold last week and expectations of a withdrawal of 181 BCF, the 154 BCF draw should embolden sellers. The weekly natural gas storage report showed a draw of 154 bcf. Total storage stands at 3,182 bcf or 11.2% above the 5-year average. Over the last four weeks, natural gas storage has declined 395 bcf. In today's action the bear camp is likely to attack again as disruptions of gas feed stock flow to the Freeport LNG export terminal will likely backup up on shore supplies in the US. Near-term downside targeting in March gas is \$2.367 and then again down at \$2.31.

#### 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
1/12/2024	-154	3182	350	-395	11.2%	

#### TODAY'S MARKET IDEAS:

While we leave the trend edge with the bear camp, the outlook for US energy demand is improving, the net spec and fund long in crude oil was heavily liquidated into the recent lows and petroleum markets overnight broke out above four-month-old downtrend channel resistance lines. While we leave the edge with the bear camp from a preponderance of oversupply evidence and lingering global energy demand concerns, the US economy continues to show positive traction and that could make this week's crude oil low, a "key low". On the other hand, the product markets continue to see surpluses build and demand remaining anemic, suggesting further gains in gasoline and diesel today should be considered a selling opportunity.

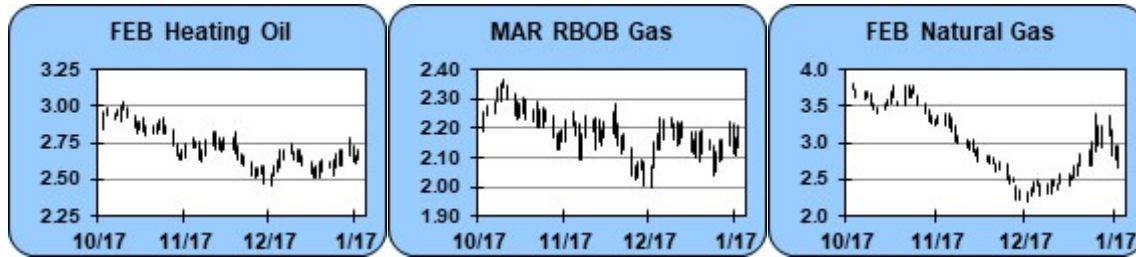
#### NEW RECOMMENDATIONS:

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) 01/19/2024:** The major trend could be turning up with the close back above the 40-day moving average. 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 indicates 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 75.87. The next area of resistance is around 75.17 and 75.87, while 1st support hits today at 72.97 and below there at 71.48.

**HEATING OIL (FEB) 01/19/2024:** The cross over and close above the 60-day moving average is an indication the longer-term trend has turned positive. Positive momentum studies in the neutral zone will tend to reinforce higher price action. The market's short-term trend is positive on the close above the 9-day moving average. The market setup is supportive for early gains with the close over the 1st swing resistance. The near-term upside objective is at 274.55. The next area of resistance is around 272.60 and 274.55, while 1st support hits today at 265.94 and below there at 261.22.

**RBOB GAS (FEB) 01/19/2024:** The market now above the 60-day moving average suggests the longer-term trend has turned up. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. A positive signal for trend short-term was given on a close over the 9-bar moving average. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next upside target is 223.67. The next area of resistance is around 221.31 and 223.67, while 1st support hits today at 213.87 and below there at 208.78.

**NATURAL GAS (FEB) 01/19/2024:** Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. A negative signal was given by the outside day down. The market setup is somewhat negative with the close under the 1st swing support. The next downside target is now at 2.468. The next area of resistance is around 2.857 and 3.055, while 1st support hits today at 2.564 and below there at 2.468.

### 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	74.07	58.43	53.69	48.20	56.52	72.93	72.44	72.65	73.55	75.20
CLAH24	73.91	57.27	52.95	45.85	53.24	72.93	72.48	72.77	73.66	75.15
HOAG24	269.27	61.37	56.39	54.97	58.90	2.67	2.64	2.62	2.64	2.69
HOAH24	264.62	62.29	56.64	54.95	60.81	2.62	2.60	2.58	2.60	2.65
RBAG24	217.59	62.93	57.02	53.42	66.53	2.14	2.11	2.12	2.13	2.15

RBAH24	219.86	63.36	57.42	54.74	67.60	2.16	2.13	2.14	2.15	2.17
NGAG24	2.711	44.15	46.80	66.26	52.61	2.95	3.00	2.77	2.75	2.94
NGAH24	2.414	43.43	44.79	59.34	47.14	2.50	2.56	2.46	2.54	2.73

Calculations based on previous session. Data collected 01/18/2024

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	71.47	72.97	73.67	75.17	75.87
CLAH24	Crude Oil	71.43	72.86	73.52	74.95	75.61
HOAG24	Heating Oil	261.21	265.93	267.88	272.60	274.55
HOAH24	Heating Oil	256.88	261.36	263.39	267.87	269.90
RBAG24	RBOB Gas	208.77	213.86	216.22	221.31	223.67
RBAH24	RBOB Gas	211.39	216.29	218.53	223.43	225.67
NGAG24	Natural Gas	2.467	2.563	2.761	2.857	3.055
NGAH24	Natural Gas	2.289	2.347	2.421	2.479	2.554

Calculations based on previous session. Data collected 01/18/2024

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