



DAILY ENERGY COMPLEX COMMENTARY

Wednesday January 24, 2024

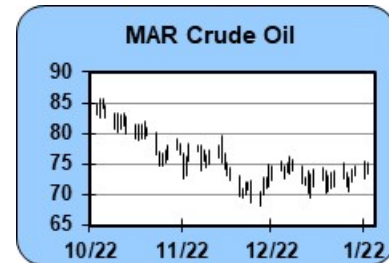
DAILY ENERGY COMPLEX COMMENTARY

1/24/2024

China stimulus & equity strength not inspiring the bulls today

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
CRUDE -20, HEATING OIL -177, UNLEADED GAS -131

CRUDE OIL MARKET FUNDAMENTALS: The path of least resistance remains up in the crude oil market, but initial action today should be a disappointment to the bull camp. In other words, given the Chinese stimulus (in the form of a bank reserve ratio reduction), fresh record highs in many global equity markets, a weaker dollar and perhaps most importantly an improvement in sentiment toward physical commodities, crude prices should have broken out to the upside. Nonetheless, March crude oil is poised to make fresh new highs for 2024 and could see fresh spec and fund buying with a move above the 200-day moving average at \$75.41. In fact, overnight Middle East crude oil grades jumped specifically off hope for improved Chinese demand and that bullish news is compounded by the overall API crude oil stocks decline of 6.67 million barrels last week especially with that news is amplified by a 2-million-barrel decline in stocks at the Cushing Oklahoma hub. However, the large crude oil outflow was heavily countervailed by a massive 7.1-million-barrel inflow to API gasoline inventories. Perhaps the market is being held back by projections that OPEC+ production restraint is unlikely to produce an inventory drawdown in the first half of 2024. On the other hand, oil storage in ARA facilities declined by 16% over week ago figures. If the market can avoid any bearish surprises from today's EIA report, crude oil prices may be able to hold their ground above both the 50-day and 200-day moving averages for the first time since late October. In addition, continued US and UK airstrikes on Houthi military targets have led to a mild uptick in near-term supply anxiety in energy markets this week. After the close, the API survey said that US crude oil stocks had a weekly decline of 6.674 million barrels which was several times as large a decline as the trade was expecting. If that magnitude of weekly draw is matched by the EIA report today, crude oil stocks would fall to a 12-week low. Crude oil refinery throughput has come in above 16.5 million barrels per day (bpd) for 5 weeks in a row, but another reading at that level or higher may be difficult given the cold weather snap on the Gulf Coast. Crude oil production returned to a record high of 13.3 million bpd last week, but that could have a sizable pullback due to cold weather in the Bakken basin.



PRODUCT MARKET FUNDAMENTALS: Despite a significant improvement in macroeconomic sentiment following a stimulus move by the Chinese government, fresh record highs in equity markets, the lowest refined Russian fuel exports since the beginning of December and a weakening dollar, gasoline futures are tracking in negative territory this morning! However, news that Russia is considering a ban on gasoline exports because of intense domestic price volatility should provide a minimal cushion for prices today. While we give the edge to the bull camp because of an improved macroeconomic environment, we are still suspicious of the January recovery rally especially with the gasoline market carrying a relatively overbought net spec and fund long positioning. The product markets saw divergent price action on Tuesday as RBOB fell back from a 1 1/2 month high to post a moderate loss, while ULSD shook off early pressure to finish close to unchanged levels. Gulf Coast refineries are having a slow buildup of their refining operations following last week's cold temperatures, and that has given ULSD prices a boost. Reports that Russia was considering a ban on gasoline exports should provide some support for ULSD as Russia could implement a "fuel" export demand which would cut diesel exports. Average retail pump prices for regular unleaded gasoline have stayed in a tight range since the start of this week, but they remain just above 2 1/2-year lows. The API survey said that US gasoline stocks had a weekly increase of 7.183 million barrels which was a much larger increase than market expectations, while the API said that US distillate stocks had a weekly decline of 245,000 barrels which contrasted with trade forecasts calling for a mild weekly

increase.

NATURAL GAS: From a technical perspective it appears the natural gas market might have temporarily exhausted the downside push with the Monday gap lower opening subsequently rejected and prices early today closing the gap with what could be a second straight day of gains. It is possible that European buying is lifting prices as LNG shipments to Europe are being delayed from the ME with North Sea shipments also capable of being delayed by an approaching storm. However, given the approach of the storms and a recent pattern of strong German wind power generation natural gas will be fighting an uphill battle. Furthermore, Bloomberg overnight carried a story indicating the European gas options trade has seen implied volatility decline to pre-Russia/Ukraine war levels in a sign that traders have very little concern for a last-minute winter inspired tightening of supply. On the other hand, declining LNG prices in Asia are reportedly nearing levels that could inspire bargain hunting buying! The latest 6-to-10-day forecast has above normal to well above normal temperatures across most of the continental US, and that put pressure on natural gas prices as that will diminish power plant and heating demand over that timeframe. However, US gas production has not returned to early January output levels following last week's cold temperatures, and that has provided the market with underlying support. LNG exports are also expected to return to near full capacity this week, and that should give a further boost to natural gas prices. A positive key reversal and upside follow-through from filling the chart gap from last Friday should lift prices unless EIA readings spark broad selling in the petroleum markets. Near-term support for March natural gas is at \$2.180 while resistance is up at \$2.280.

TODAY'S MARKET IDEAS:

The bulls will start out with the upper hand in the energy markets due to the API's surprisingly large crude oil draw, positive Chinese news and an extension of optimism flowing from record highs in US equities. However, rising US gasoline stocks may be a very limiting issue for the energy markets as they are on-track to reach their highest levels since July 2020. If the implied gasoline demand and implied distillate demand readings come in above last week's levels, crude oil and the products can maintain upside momentum. Near-term support for March crude oil is at \$73.75 while resistance is up at \$76.00. Near-term support for March ULSD is at \$2.6275 while near-term support for March RBOB is at \$2.2050.

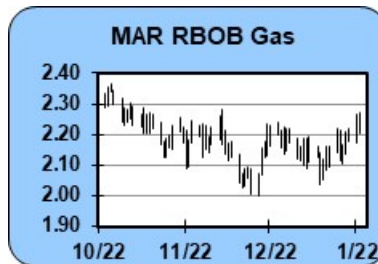
NEW RECOMMENDATIONS:

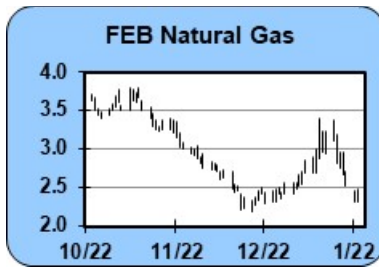
None.

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 (MAR) 01/24/2024: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. A positive signal for trend short-term was given on a close over the 9-bar moving average. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside target is at 76.26. The next area of resistance is around 75.44 and 76.26, while 1st support hits today at 73.60 and below there at 72.59.

HEATING OIL (MAR) 01/24/2024: Rising stochastics at overbought levels warrant some caution for bulls. The close above the 9-day moving average is a positive short-term indicator for trend. It is a mildly bullish indicator that the market closed over the pivot swing number. The next upside objective is 272.39. The next area of resistance is around 269.61 and 272.39, while 1st support hits today at 263.16 and below there at 259.48.

RBOB GAS (MAR) 01/24/2024: Momentum studies are trending higher but have entered overbought levels. A positive signal for trend short-term was given on a close over the 9-bar moving average. The daily closing price reversal down puts the market on the defensive. The market's close below the pivot swing number is a mildly negative setup. The near-term upside objective is at 230.17. The next area of resistance is around 226.52 and 230.17, while 1st support hits today at 219.87 and below there at 216.85.

NATURAL GAS (MAR) 01/24/2024: A negative indicator was given with the downside crossover of the 9 and 18 bar moving average. Momentum studies are declining, but have fallen to oversold levels. The close below the 9-day moving average is a negative short-term indicator for trend. The daily closing price reversal up is a positive indicator that could support higher prices. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next downside target is now at 2.051. The next area of resistance is around 2.238 and 2.266, while 1st support hits today at 2.131 and below there at 2.051.

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										
CLAH24	74.52	57.78	53.95	60.87	71.80	74.08	73.07	72.71	73.44	74.74
CLAJ24	74.40	57.17	53.57	59.12	70.55	73.97	73.05	72.76	73.50	74.70
HOAH24	266.39	62.75	57.52	63.70	70.37	2.65	2.62	2.58	2.60	2.64
HOAJ24	260.48	62.45	57.07	64.75	72.90	2.59	2.56	2.53	2.55	2.59
RBAH24	223.20	62.07	58.14	72.64	82.49	2.22	2.17	2.15	2.15	2.17
RBAJ24	243.42	63.71	59.29	74.19	83.99	2.42	2.38	2.35	2.35	2.36
NGAH24	2.185	33.95	37.13	33.00	18.36	2.24	2.41	2.44	2.48	2.67
NGAJ24	2.211	35.74	38.59	35.50	20.30	2.26	2.40	2.42	2.45	2.61

Calculations based on previous session. Data collected 01/23/2024

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						
CLAH24	Crude Oil	72.58	73.59	74.42	75.44	76.26
CLAJ24	Crude Oil	72.56	73.52	74.31	75.27	76.06
HOAH24	Heating Oil	259.47	263.15	265.93	269.61	272.39
HOAJ24	Heating Oil	254.46	257.65	260.10	263.29	265.75
RBAH24	RBOB Gas	216.85	219.87	223.51	226.52	230.17
RBAJ24	RBOB Gas	237.46	240.37	243.57	246.48	249.68
NGAH24	Natural Gas	2.051	2.131	2.159	2.238	2.266
NGAJ24	Natural Gas	2.083	2.159	2.186	2.262	2.289

Calculations based on previous session. Data collected 01/23/2024

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