



DAILY ENERGY COMPLEX COMMENTARY

Tuesday January 30, 2024

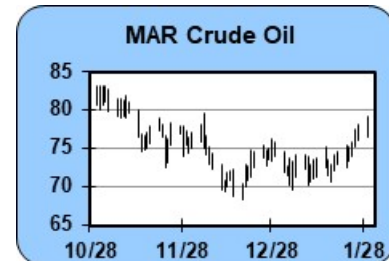
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1/30/2024

The bias remains up in petroleum prices and down in natural gas

OVERNIGHT CHANGES THROUGH 3:16 AM (CT):
CRUDE +10, HEATING OIL -83, UNLEADED GAS -188

CRUDE OIL MARKET FUNDAMENTALS: Crude oil prices this morning are waffling around both sides unchanged with supply concerns from the Middle East offset by concerns of slumping Chinese energy demand if the country sees a financial contagion event from defaults in its real estate sector. In a minimally supportive development, the Saudi national oil company has requested a reduction in the maximum output capacity which could indicate a desire by the Saudis to prevent a buildup of global supply. In a minimal and short-term negative impact Russia has loosened recent energy export restrictions as domestic demand is expected to moderate as extreme cold dissipates. On the other hand, given the escalation of tensions in the Middle East over the prior 72 hours, we suspect the general uptrend will extend with a key uptrend channel support line in crude oil at \$76.44. In fact, with trade chatter beginning to include Iran as a perpetrator of the violence against vessels in the Red Sea and potentially the source of money and equipment in the deadly drone attack against US forces in Jordan/Syria, traders should not underestimate the potential for massive price gains if the US and Iran exchange direct fire against each other. At present, some analysts suggest Iranian oil exports are approximately 1 million barrels per day, and interruption of that supply would add to the recent trend of tightening of US crude oil inventories. This week's Reuters poll projects EIA stocks to decline by 900,000 barrels which would break a recent chain of large outflows. EIA crude oil inventories have declined in four of the last five weeks by 23 million barrels total! In conclusion, signs of financial and economic turmoil inside China are likely to restrain the recent upward bias in place throughout the month of January, actual fighting between the US and Iran will trump all other influences and in turn send March crude oil prices quickly to the September highs above \$86.



PRODUCT MARKET FUNDAMENTALS: Like the crude oil market, the gasoline market has exhibited significant volatility to start the trading week with a sharply higher opening yesterday initially rejected. In fact, March gasoline at times yesterday fell back by eight cents per gallon and did not appear to be drafting support from talk of increased US refinery maintenance, a refinery outage in Germany and perhaps more importantly from the distinct escalation of tensions in the Middle East. This week's Reuters survey pegs EIA gasoline inventories to increase by 1.7 million barrels which would be the fifth straight week of moderately large builds. Unfortunately for the bull camp, RBOB prices are likely to be held back given the fact that EIA gasoline inventories have the largest year-over-year surplus of the petroleum markets. It should also be noted that EIA implied gasoline demand has declined consistently since the middle of December and sits significantly below five-year average demand readings for this time of the year. Another element capable of holding back gasoline is its relatively large net spec and fund long position which is obviously understated given the \$0.12 rally since the report was measured. Close in uptrend channel support in March gasoline was violated today at \$2.2520 with further out uptrend channel support down at \$2.203. While the diesel market does not have as bearish of a supply condition as gasoline, distillates and diesel inventories have large year-over-year surplus readings and implied distillate demand has been below year ago levels for four straight weeks. This week's Reuters survey projects EIA distillate stocks to decline by 500,000 barrels. An ongoing modest negative for diesel is above normal/mild temperatures in Europe and the US. Unfortunately for the bull camp, given massive gains late last week, uptrend channel support in ULSD is off the market down at \$2.7340 today.

NATURAL GAS: With mild temperatures extended into February in Europe and the US, and concern toward Chinese natural gas demand the trade simply shrugged off news of a reduction in North Dakota gas production from cold weather. The bull camp and the natural gas industry were extremely disappointed with last week's US administration's decision to suspend the approval process for new LNG export facilities. However, the Freeport LNG export terminal shutdown provides ongoing selling interest as some supply is backing up onshore. Granted, the pause in certification for the export facilities is not a near-term physical impact on US supply but it will likely result in some facilities halting construction, investment in natural gas supply will be reduced significantly and the US could cut production dramatically if prices fall significantly below \$1.90. Unfortunately for the bull camp, the net spec and fund short in natural gas remains relatively low at 58,000 contracts compared to the largest net spec and fund short last year of 150,000 contracts. This week's Reuters poll projects EIA natural gas in storage to see a decline within a range of 180 BCF to 201 BCF. Resistance in March natural gas is \$2.05 with next lower support and targeting at \$1.96.

TODAY'S MARKET IDEAS:

Even though we downgrade the edge of the bull camp because of yesterday's failure to hold early strength, the situation in the Middle East could result in an explosive rally without notice if US and Iranian forces engage directly. In fact, the markets are anticipating a US response to the killing of its military personnel, but that potential supply disrupting event is less likely following US Pentagon statements that they are not looking for a war with Iran. Unfortunately for the bull camp, a threat against energy demand from developments in China increases the risk of being long, especially after recent significant gains. However, risk and reward parameters favor the bull camp as a disruption of Iranian exports would likely launch prices sharply higher.

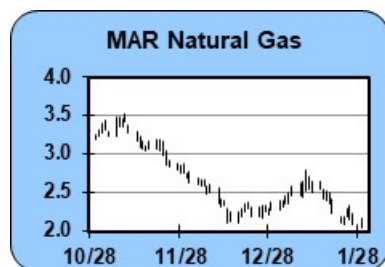
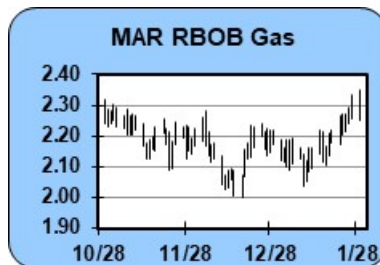
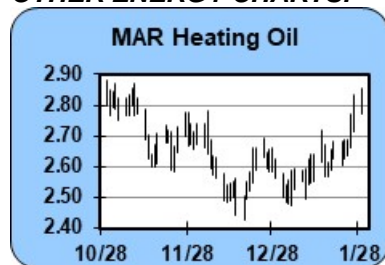
NEW RECOMMENDATIONS:

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) 01/30/2024: Rising stochastics at overbought levels warrant some caution for bulls. The market's close above the 9-day moving average suggests the short-term trend remains positive. The market could take on a defensive posture with the daily closing price reversal down. It is a slightly negative indicator that the close was lower than the pivot swing number. The next upside target is 80.28. The next area of resistance is around 78.40 and 80.28, while 1st support hits today at 75.52 and below there at 74.53.

HEATING OIL (MAR) 01/30/2024: Rising stochastics at overbought levels warrant some caution for bulls. The market's close above the 9-day moving average suggests the short-term trend remains positive. The downside closing price reversal on the daily chart is somewhat negative. The close over the pivot swing is a somewhat positive setup. The near-term upside target is at 289.22. With a reading over 70, the 9-day RSI is approaching overbought levels. The next area of resistance is around 284.65 and 289.22, while 1st support hits today at 276.43 and below there at 272.77.

RBOB GAS (MAR) 01/30/2024: A crossover down in the daily stochastics is a bearish signal. Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. The market's close above the 9-day moving average suggests the short-term trend remains positive. The downside closing price reversal on the daily chart is somewhat negative. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside target is now at 218.52. The next area of resistance is around 231.97 and 238.57, while 1st support hits today at 221.95 and below there at 218.52.

NATURAL GAS (MAR) 01/30/2024: Daily stochastics are trending lower but have declined into oversold territory. The market's short-term trend is negative as the close remains below the 9-day moving average. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside target is now at 1.965. The next area of resistance is around 2.119 and 2.202, while 1st support hits today at 2.001 and below there at 1.965.

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	76.96	64.22	59.74	79.72	83.14	76.86	75.14	73.74	73.49	74.47
CLAJ24	76.86	62.82	58.87	78.91	82.25	76.68	75.00	73.72	73.55	74.45
HOAH24	280.54	77.88	69.27	78.92	85.01	2.76	2.69	2.64	2.61	2.63
HOAJ24	273.18	74.66	67.11	80.19	84.99	2.69	2.63	2.58	2.56	2.58
RBAH24	226.96	59.37	57.97	84.66	84.53	2.28	2.24	2.18	2.16	2.17
RBAJ24	250.00	64.00	61.42	86.33	86.96	2.50	2.45	2.39	2.36	2.37
NGAH24	2.060	30.28	34.16	18.65	11.38	2.17	2.24	2.40	2.41	2.59
NGAJ24	2.094	30.92	34.88	20.16	12.13	2.19	2.25	2.39	2.40	2.55

Calculations based on previous session. Data collected 01/29/2024

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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
ENERGY COMPLEX						
CLAH24	Crude Oil	74.52	75.52	77.40	78.40	80.28
CLAJ24	Crude Oil	74.48	75.46	77.27	78.25	80.06
HOAH24	Heating Oil	272.76	276.42	280.99	284.65	289.22
HOAJ24	Heating Oil	266.29	269.50	273.65	276.86	281.01
RBAH24	RBOB Gas	218.51	221.94	228.54	231.97	238.57
RBAJ24	RBOB Gas	242.57	245.62	251.32	254.37	260.07
NGAH24	Natural Gas	1.964	2.000	2.083	2.119	2.202
NGAJ24	Natural Gas	2.003	2.037	2.115	2.150	2.227

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