



DAILY ENERGY COMPLEX COMMENTARY

Wednesday January 31, 2024

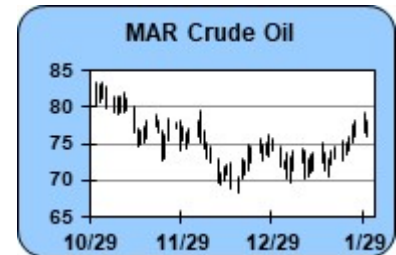
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1/31/2024

Without a large EIA crude stocks decline bears control

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
CRUDE -89, HEATING OIL -170, UNLEADED GAS -221

CRUDE OIL MARKET FUNDAMENTALS: The early corrective action in crude oil is justified by renewed Chinese energy demand concerns following soft Chinese data, a 10% decline in Japanese December crude oil imports and a lack of a definitive bullish view from the Russian oil minister overnight. In fact, Russian comments that "current oil prices are adequate" is hardly a ringing endorsement of the bull case. However, the bull camp is not without support today with Middle East tensions continuing, signs of reinstating sanctions against Venezuela (from the violation of promises of free elections), a much larger than expected decline in API crude oil stocks, and residual support from the Aramco request to lower its maximum production capacity. It should be noted that the latest Reuters poll projects EIA crude oil inventories to decline by only 200,000 barrels. It goes without saying that the bull case is heavily reliant on expectations of a US retaliation against those responsible for the deaths of three US military personnel in the region. On the other hand, the US Department of Defense has indicated they were not looking for a war with Iran, but they would punish those involved in the drone attack. Yesterday, crude oil prices were held back by noted weakness in oil patch shares which were apparently under pressure from fears of sagging energy demand in China which were revived by overnight slack Chinese data. Initial projections from Reuters for weekly EIA crude oil stocks call for a minimal decline which would be in sharp contrast with the 12-million-barrel decline in EIA stocks over the prior two weeks. After the close, the API survey said that US crude oil stocks had a weekly decline of 2.5 million barrels which was a larger decline than trade forecasts for the EIA today. While the net spec and fund long in crude oil likely remains very modest, short-term technical indicators flashed overbought signals into the Monday spike high. In fact, stochastics yesterday registered a sell signal, while trading volume has fallen off with activity over the last six days well below the first two weeks of January! Uptrend channel support in March crude oil today is \$76.43 with initial resistance today pegged at \$79.29.



PRODUCT MARKET FUNDAMENTALS: While the RBOB market should find support from news of further reductions in Russian refinery activity, that news is easily overshadowed by fresh Chinese energy demand concerns following the release of scheduled data overnight. Another bearish influence early today is yesterday's minimal increase of 600,000 barrels in API gasoline inventories. From a longer-term perspective gasoline could derive support from a continued plunge in the US refinery operating rate which could fall to levels not seen since late 2022. In the end, the RBOB market had a very volatile trade yesterday, a large two-day trading range of \$0.15 and has seen open interest decline since the blowoff rallies last Friday and this Monday. However, the Bull camp was cheered by the market's capacity to aggressively reject a probe of the \$2.20 level but short-term technical measures like stochastics registered the first strong sell signal since early September. This week's Reuters poll projects an inflow of 1.5 to 2.0 million barrels in gasoline stocks which would extend the weekly inflows to five straight weeks! In our opinion, it will take an upside breakout in crude oil prices to return March gasoline prices back to this week's high at \$2.3514, with uptrend channel support significantly lower today at \$2.2140 which indicates we expect another day of price volatility. In retrospect, the setback in diesel futures yesterday was not as violent as in crude and gasoline markets, suggesting the bulls retain some fundamental confidence in higher diesel prices ahead. On the other hand, overnight headlines on Reuters suggested disappointment among the bull camp as product inventories failed to drop from the severe Arctic temperatures of the past two weeks. Unfortunately for the bull camp both distillate and diesel inventories maintain large surpluses versus year ago levels and the Reuters poll predicts EIA distillate stocks today to decline by an inconsequential

400,000 barrels. Counter to the headlines that distillate stocks did not respond significantly to the arctic blasts in the US and Europe, the API survey said that US distillate stocks had a large weekly decline of 2.1 million barrels which was a much larger decline than trade forecasts. Uptrend channel support in March diesel today is far down on the charts \$2.6880 with that support line increasing to \$2.70 on Thursday.

Weekly EIA Petroleum Estimates - Week Ending 1/26/2024 - In Million Barrels				
	High Estimate	Low Estimate	Stocks Last Week	Stocks Change Last Week
Crude Oil	-0.7	-1.1	420.7	-9.2
Distillates	-0.3	-0.7	133.3	-1.4
Gasoline	1.9	1.5	253	4.9

NATURAL GAS: In our opinion, the natural gas market is short-term oversold but not exhausted yet. While stochastics remain in "sell" mode, open interest continues to rise as if there is some bargain hunting buying surfacing. In fact, Bloomberg stories overnight suggested there were signs of European bargain hunting buying. However, given the dominating bearish impact from mild weather, a recent reduction in US LNG export flows and EIA inventories holding at a surplus to five-year average inventories of 5.2%, bottom pickers have little evidence to support their case. This week's Reuters poll projects EIA natural gas in storage to decline by 166 BCF to as much as 201 BCF. However, reports that European solar panel companies are requesting emergency support could result in Europe needing LNG to replace solar power if company failures disrupt infrastructure. Downtrend channel selling resistance in March natural gas today is \$2.1680 with new contract lows likely.

TODAY'S MARKET IDEAS:

We suspect the petroleum markets continue to catch a bid from anticipation of a US retaliation against those involved in the drone attack that killed three US military personnel. Unfortunately for the bull camp slightly expanded concerns of slumping Chinese energy demand surfaced last night following anemic scheduled Chinese data. Uptrend channel support in March crude oil today is \$76.43 with initial resistance today pegged at \$79.29. In our opinion, it will take an upside breakout in crude oil prices to return March gasoline prices back to this week's high at \$2.3514 uptrend channel support today is \$2.214 which indicates we expect another day of price volatility.

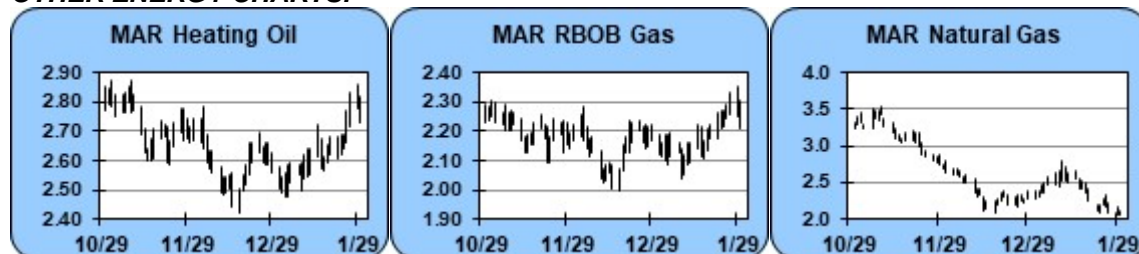
NEW RECOMMENDATIONS:

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) 01/31/2024: 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 upside closing price reversal on the daily chart is somewhat bullish. The market has a slightly positive tilt with the close over the swing pivot. The next upside target is 79.64. The next area of resistance is around 78.85 and 79.64, while 1st support hits today at 76.57 and below there at 75.07.

HEATING OIL (MAR) 01/31/2024: Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The market's short-term trend is positive on the close above the 9-day moving average. The market's close below the pivot swing number is a mildly negative setup. The near-term upside target is at 286.10. The next area of resistance is around 281.67 and 286.10, while 1st support hits today at 272.79 and below there at 268.33.

RBOB GAS (MAR) 01/31/2024: Daily stochastics turning lower from overbought levels is bearish and will tend to reinforce a downside break especially if near term support is penetrated. The market's short-term trend is positive on the close above the 9-day moving average. The daily closing price reversal up is a positive indicator that could support higher prices. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside target is now at 217.88. The next area of resistance is around 233.92 and 236.73, while 1st support hits today at 224.50 and below there at 217.88.

NATURAL GAS (MAR) 01/31/2024: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's close below the 9-day moving average is an indication the short-term trend remains negative. 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 downside target is 2.016. The next area of resistance is around 2.130 and 2.161, while 1st support hits today at 2.058 and below there at 2.016.

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	77.71	66.65	61.55	80.35	82.13	77.47	75.70	74.00	73.50	74.44
CLAJ24	77.52	66.23	61.22	79.90	81.89	77.31	75.57	73.96	73.56	74.43
HOAH24	277.23	68.91	64.23	79.14	80.24	2.79	2.71	2.65	2.61	2.63
HOAJ24	271.13	71.19	65.21	80.86	82.21	2.72	2.65	2.59	2.56	2.58
RBAH24	229.21	63.50	60.78	84.07	82.90	2.29	2.26	2.19	2.16	2.17
RBAJ24	251.12	66.47	63.14	85.84	84.87	2.52	2.47	2.40	2.36	2.37
NGAH24	2.094	34.19	36.55	15.66	9.86	2.13	2.19	2.38	2.40	2.57
NGAJ24	2.117	34.13	36.86	16.88	10.34	2.15	2.21	2.37	2.38	2.53

Calculations based on previous session. Data collected 01/30/2024

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	75.06	76.56	77.35	78.85	79.64
CLAJ24	Crude Oil	74.96	76.41	77.18	78.63	79.40
HOAH24	Heating Oil	268.32	272.78	277.21	281.67	286.10
HOAJ24	Heating Oil	262.95	267.27	270.66	274.98	278.37
RBAH24	RBOB Gas	217.87	224.49	227.30	233.92	236.73
RBAJ24	RBOB Gas	241.79	247.16	249.71	255.08	257.63
NGAH24	Natural Gas	2.015	2.057	2.088	2.130	2.161
NGAJ24	Natural Gas	2.053	2.086	2.114	2.147	2.175

Calculations based on previous session. Data collected 01/30/2024

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