



DAILY ENERGY COMPLEX COMMENTARY

Thursday February 01, 2024

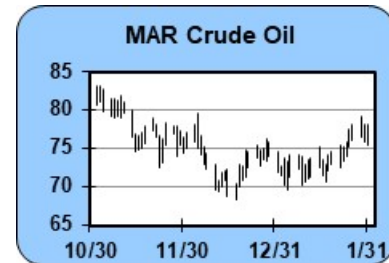
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2/1/2024

The bear camp controls petroleum and gas sentiment

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
CRUDE +60, HEATING OIL +216, UNLEADED GAS +168

CRUDE OIL MARKET FUNDAMENTALS: The bias in crude oil prices has shifted down from outside market developments with the dollar breaking out to the upside this morning, less hope of demand support from lower US interest rates, and ongoing declines in Chinese equity markets. Internal negative developments for crude oil are record US November oil production figures from the EIA, news that production idled by severe cold has returned, evidence of falling US oil exports and soft Chinese demand news derived from collapsing crack margins. On the positive side of the ledger the trade has been presented with signs of positive January demand news from Asia, with regional imports in January pegged at 28.57 million barrels per day versus 27.03 million barrels per day last month. Yet another supportive development is a shift in Indian buying back to Saudi Arabia after relying heavily on Russian supply. In fact, India is projected to post record imports this month with a private tracking entity (LSEG) projecting January arrivals of 5.33 million barrels per day versus 4.65 million barrels per day in December. In a minimally supportive supply side development Iran has threatened to "hit back hard" if the US hits targets inside their sovereign territory. However, the crude oil trade was disappointed early yesterday from a trend breaking weekly increase in EIA crude oil inventories. However, it should be noted that EIA crude oil inventories this week expanded their year over year stocks deficit to 30.7 million barrels from a 27.8-million-barrel year-over-year deficit last week. Furthermore, it should be noted that this week's EIA crude annual deficit was the largest since the middle of 2022. In a negative crude oil development but a positive product market development, the US refinery operating rate fell to the lowest level since late 2022. Looking at US refinery activity, there have been only two other instances since the pandemic where the US refinery operating rate was lower than the current rate of 82.9%. EIA crude stocks rose 1.234 million barrels and are 30.776 million barrels below year ago levels. Also, crude stocks stand 22.504 million barrels below the five-year average. Crude oil imports for the week stood at 5.605 million barrels per day compared to 5.580 million barrels the previous week. The refinery operating rate was 82.9% down, 2.6% from last week compared to 85.7% last year and the five-year average of 86.3%. With a four-day low yesterday and the approach of the 200-day moving average at \$75.44 today we give the edge to the bear.



PRODUCT MARKET FUNDAMENTALS: As indicated in the crude oil coverage today, the US refinery operating rate has declined to the third lowest level of the pandemic era, which could shift fundamentals in the petroleum market where product fundamentals improve while crude fundamentals deteriorate. However, gasoline might only garner minimal support from an increase in the weekly implied gasoline demand reading, as this week's reading remained well below last year and below five-year average levels. In fact, this week's US gasoline inventories were the highest since February 2021 meaning supply and demand are bearish! In a negative technical development, gasoline futures ventured near 200 day moving average support level of \$2.2165 again and the failure to hold that level today could project March down to \$2.1733. EIA gasoline stocks rose 1.157 million barrels and are 19.536 million barrels above last year and 3.947 million above the five-year average. Average total gasoline demand for the past four weeks was up 1.2% compared to last year. Gasoline imports came in at 400,000 barrels per day compared to 628,000 barrels the previous week. Once again, the diesel market performed relatively better than crude and/or gasoline yesterday which might be the result of weekly inventory declines in both distillate and diesel EIA inventories. It is also possible that declines in distillate and diesel year-over-year stocks surplus readings helped support diesel yesterday. Another potential supportive development

came from additional Russian refinery outages. EIA distillate stocks fell 2.541 million barrels and stand at 13.205 million barrels above last year and 7.045 million below the five-year average. Distillate imports came in at 138,000 barrels per day compared to 201,000 barrels the previous week. Average total distillate demand for the past four weeks was down 5.17% compared to last year. We see a critical support points in March diesel today at \$2.7275, with an extension up signaled with a trade above \$2.8175

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
1/26/2024	421.912	+1.234	-30.776	444.416	5.605	82.9	
DISTILLATES		Stocks			Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
1/26/2024	130.795	-2.541	+13.205	137.840		3.757	
GASOLINE		Stocks			Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
1/26/2024	254.134	+1.157	+19.536	250.187	0.400	8.144	

NATURAL GAS: In retrospect, we are surprised that March natural gas futures yesterday managed to reject the latest new contract low as US lower 48 natural gas production increased by 1.4% in the most recent tally (November). Clearly, a return to normal/slightly colder temperatures has likely prompted some shorts to bank profits, but without a severe and sustained Arctic blast, rallies off normal winter weather are likely to be shallow and short in duration. Fresh bearish overnight developments are reduced European gas demand forecasts, evidence that European inventories continue to be stable into the mid-point of the winter season and news that Russia provided full contracted gas volumes to Austria last year. In a longer-term bearish gas development India announced plans to expand coal-fired electricity capacity this year by the largest amount in six years. However, there is a slight countervailing of the bearish long-term impact from the Biden pause in LNG export facility permitting, with the US House of Representatives expected to hold a vote to reverse that presidential edict designed to get environmental votes and further the attempt to kill the US energy industry. While not a near-term impact on prices, it should be noted that open interest in natural gas has reached the highest levels since the beginning of the pandemic which could set the stage for a volatility event and perhaps a major bottom once the mild winter theme has been fully exhausted. This week's Reuters poll projects EIA working gas in storage to see a withdrawal of 166 bcf to 201 bcf.

TODAY'S MARKET IDEAS:

Given yesterday's relatively mundane EIA inventory report which featured a trend breaking inflow to crude oil inventories, the highest EIA gasoline inventories since February 2021 and a softer implied distillate demand reading the bear camp should be confident again. It also appears that the bull camp is losing its patience on positioning for a US retaliation of the deadly drone attack. With a four-day low yesterday and the approach of the 200-day moving average at \$75.44 we give the edge to the bear camp today.

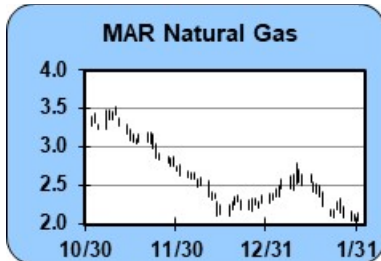
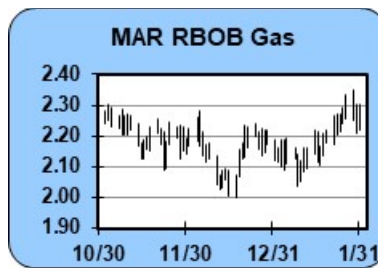
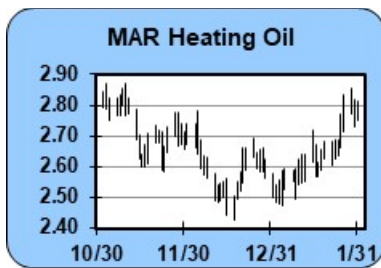
NEW RECOMMENDATIONS:

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) 02/01/2024: A crossover down in the daily stochastics is a bearish signal. Momentum studies trending lower from overbought levels is a bearish indicator and would tend to reinforce lower price action. The market's short-term trend is negative as the close remains below the 9-day moving average. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside objective is now at 73.72. Short-term indicators on the defensive. Consider selling an intraday bounce. The next area of resistance is around 77.08 and 78.89, while 1st support hits today at 74.50 and below there at 73.72.

HEATING OIL (MAR) 02/01/2024: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's close above the 9-day moving average suggests the short-term trend remains positive. The close over the pivot swing is a somewhat positive setup. The next upside objective is 284.31. The market is becoming somewhat overbought now that the RSI is over 70. The next area of resistance is around 281.63 and 284.31, while 1st support hits today at 275.75 and below there at 272.55.

RBOB GAS (MAR) 02/01/2024: Stochastics turning bearish at overbought levels will tend to support lower prices if support levels are broken. The market's short-term trend is negative as the close remains below the 9-day moving average. The downside closing price reversal on the daily chart is somewhat negative. The close below the 1st swing support could weigh on the market. The next downside target is now at 215.92. Short-term indicators on the defensive. Consider selling an intraday bounce. The next area of resistance is around 226.82 and 232.69, while 1st support hits today at 218.44 and below there at 215.92.

NATURAL GAS (MAR) 02/01/2024: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. A negative signal for trend short-term was given on a close under the 9-bar moving average. The outside day up is somewhat positive. A positive setup occurred with the close over the 1st swing resistance. The next downside objective is 1.991. The next area of resistance is around 2.185 and 2.232, while 1st support hits today at 2.065 and below there at 1.991.

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	75.79	54.14	54.09	78.48	74.44	77.10	75.91	74.20	73.50	74.35
CLAJ24	75.65	54.14	54.03	78.18	74.35	76.97	75.79	74.15	73.56	74.35
HOAH24	278.69	71.20	65.72	79.39	79.59	2.79	2.73	2.66	2.61	2.63
HOAJ24	272.40	73.41	66.63	81.35	82.02	2.72	2.66	2.60	2.56	2.58
RBAH24	222.63	50.79	52.50	80.30	72.74	2.28	2.26	2.19	2.16	2.17
RBAJ24	245.76	54.45	55.48	82.66	76.30	2.50	2.47	2.40	2.36	2.37
NGAH24	2.125	35.05	37.03	13.40	9.44	2.10	2.15	2.36	2.38	2.55
NGAJ24	2.144	34.80	37.22	14.40	9.91	2.13	2.18	2.35	2.37	2.51

Calculations based on previous session. Data collected 01/31/2024
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	73.71	74.49	76.30	77.08	78.89
CLAJ24	Crude Oil	73.61	74.38	76.14	76.91	78.67
HOAH24	Heating Oil	272.54	275.75	278.43	281.63	284.31
HOAJ24	Heating Oil	267.13	269.94	272.05	274.86	276.97
RBAH24	RBOB Gas	215.91	218.43	224.30	226.82	232.69
RBAJ24	RBOB Gas	240.45	242.43	247.10	249.08	253.75
NGAH24	Natural Gas	1.990	2.064	2.111	2.185	2.232
NGAJ24	Natural Gas	2.019	2.087	2.131	2.199	2.243

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