



## DAILY ENERGY COMPLEX COMMENTARY

Friday February 02, 2024

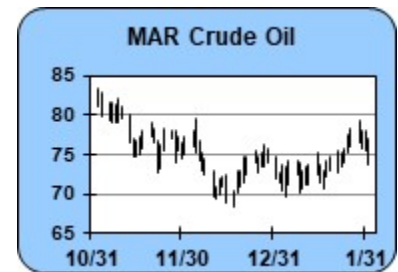
### DAILY ENERGY COMPLEX COMMENTARY

2/2/2024

#### The bear camp extends its control of petroleum and gas

**OVERNIGHT CHANGES THROUGH 6:06 AM (CT):**  
**CRUDE +25, HEATING OIL -101, UNLEADED GAS +65**

**CRUDE OIL MARKET FUNDAMENTALS:** Obviously, the petroleum markets are under a measure of pressure from escalating Chinese energy demand threats as Chinese equity markets continue to plunge, setting off margin calls which in turn could spark an economic/financial markets contagion. Overnight the petroleum markets added a measure of bearish chart action to the equation with a six-day low and a distinct failure of the 200-day moving average at \$75.44 yesterday. It is likely that energy prices will find some support from a breakdown in the dollar and from a significant downside breakout in US treasury yields. Granted, there will be a small measure of support from this week's expansion of the year-over-year EIA crude oil inventory deficit to the most significant year-over-year deficit since the middle of 2022! Other and seemingly discounted bullish developments came from suggestions that OPEC+ would consider the extension of the production restraint agreement in their next meeting and from overnight news that OPEC January crude oil output declined by 490,000 barrels per day! However, the dominating bearish theme at the end of this week is chatter of a Gaza cease-fire. Therefore, it is not surprising to see the March crude oil contract today reach the lowest level since January 23rd, but we caution the bear camp against expecting the direct progression to a cease-fire. A longer-term support for prices came earlier in the week from a Saudi decision to halt oil growth plans because world energy demand will likely not grow enough to fully utilize extra supply. In another but indirect support for oil prices came from Shell oil company who announced higher dividends in a possible sign that the company could be paying out cash to investors as opposed to plowing investment into future projects. Relatively speaking, fresh threats against Middle East supply flows have moderated, especially with some shipping companies "guaranteeing" safe passage through the Red Sea. Obviously, the March crude oil contract is vulnerable, but a reversal of the downtrend requires an unlikely trade above this week's double high of \$78.11. On the other hand, seeing the overnight low at \$73.64 breached following US payrolls projects March crude down to \$72.50.



**PRODUCT MARKET FUNDAMENTALS:** Citi has come out with a forecast of improving refinery margins, but that is likely to be the result of the lowest US refinery operating rate since the end of 2022 which should begin to reduce product inventories especially with 17.1% of US refinery capacity idled. However, in the near term, seeing the gasoline market aggressively knife through its 200-day moving average yesterday in a fashion suggests more downside action today. At the risk of boring our readers, we must remind traders of the very burdensome US gasoline inventory situation with current gasoline stocks at the highest level in nearly 2 years! Certainly, gasoline could see US supply begin to tighten with the US refinery operating rate currently sitting near the third lowest level of the pandemic era. However, seasonal implied gasoline demand tends to fall in February which will make it difficult to bring down supply quickly. With the failure below the 200-day moving average, near-term downside targeting in gasoline is \$2.156 with a lower target of \$2.136 seen early next week. While the diesel market held up better than other components of the petroleum markets this week, internal supply and demand fundamentals should not prevent an extension of the failure at the \$2.70 level.

**NATURAL GAS:** Not surprisingly, the natural gas market posted another new contract low yesterday as US temperatures look to remain mild, Japanese, gas imports dropped, and January US exports are expected to decline because of US export facility problems arising from extreme cold last week. We also see the prospect of

slowing global industrial demand for LNG after a wave of soft global manufacturing PMI readings this week. In fact, Bloomberg overnight suggested that ongoing volatility in European gas prices has "hindered industrial recovery" Not surprisingly, the in-range contraction in weekly EIA gas in working storage favors this week favors the bear camp going forward, especially with the net spec and fund short in gas remaining relatively modest. The weekly natural gas storage report showed a draw of 197 bcf. Total storage stands at 2,659 bcf or 5.1% above the 5-year average. Over the last four weeks, natural gas storage has declined 817 bcf.

#### **TODAY'S MARKET IDEAS:**

While we give the edge to the bear camp today, the Middle East remains a wildcard with the weekend looming and traders unable to react to any developments until Monday. However, despite a long track record of failed peace efforts in the Middle East, that prospect has discouraged buyers even with prices significantly below last week's highs. Fortunately for the bull camp, signs of a downside breakout in the dollar, indications of lower US interest rates and ongoing optimism flowing from the new high pattern in US equities could moderate weakness.

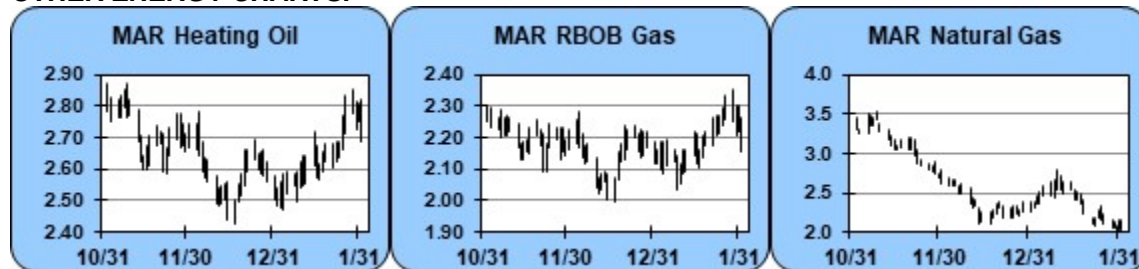
#### **NEW RECOMMENDATIONS:**

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) 02/02/2024:** The major trend has turned down with the cross over back below the 60-day moving average. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside objective is now at 71.40. The next area of resistance is around 75.59 and 77.89, while 1st support hits today at 72.35 and below there at 71.40.

**HEATING OIL (MAR) 02/02/2024:** The daily stochastics have crossed over down which is a bearish indication. 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 close below the 9-day moving average is a negative short-term indicator for trend. The outside day down is somewhat negative. The defensive setup, with the close under the 2nd swing support, could cause some early weakness. The next downside target is 260.42. The next area of resistance is around 279.10 and 287.15, while 1st support hits today at 265.74 and below there at 260.42.

**RBOB GAS (MAR) 02/02/2024:** Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The close below the 18-day moving average is an indication the intermediate-term trend has turned down. The market tilt is slightly negative with the close under the pivot. The next downside objective is now at 209.81. The next area of resistance is around 224.95 and 230.74, while 1st support hits today at 214.49 and below there at 209.81.

**NATURAL GAS (MAR) 02/02/2024:** Daily stochastics declining into oversold territory suggest the selling may be

drying up soon. 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 market tilt is slightly negative with the close under the pivot. The next downside target is 1.937. The next area of resistance is around 2.110 and 2.206, while 1st support hits today at 1.976 and below there at 1.937.

## 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>										
CLAH24	73.97	45.32	48.25	73.10	62.16	76.11	76.00	74.21	73.48	74.26
CLAJ24	73.93	45.33	48.21	72.74	61.85	75.99	75.88	74.16	73.53	74.26
HOAH24	272.42	55.85	56.68	76.66	71.30	2.77	2.74	2.67	2.61	2.63
HOAJ24	266.64	57.32	57.48	78.79	73.96	2.71	2.67	2.61	2.56	2.58
RBAH24	219.72	46.39	49.46	74.35	62.06	2.25	2.26	2.20	2.16	2.17
RBAJ24	242.79	48.88	51.72	77.45	66.59	2.48	2.48	2.41	2.36	2.37
NGAH24	2.043	31.69	34.80	11.26	6.97	2.07	2.13	2.32	2.36	2.53
NGAJ24	2.055	30.59	34.38	11.99	7.17	2.09	2.15	2.32	2.35	2.49

Calculations based on previous session. Data collected 02/01/2024

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>						
CLAH24	Crude Oil	71.39	72.34	74.64	75.59	77.89
CLAJ24	Crude Oil	71.50	72.39	74.57	75.46	77.64
HOAH24	Heating Oil	260.41	265.73	273.78	279.10	287.15
HOAJ24	Heating Oil	255.82	260.58	267.94	272.70	280.06
RBAH24	RBOB Gas	209.80	214.48	220.27	224.95	230.74
RBAJ24	RBOB Gas	234.07	238.05	243.55	247.53	253.03
NGAH24	Natural Gas	1.936	1.975	2.071	2.110	2.206
NGAJ24	Natural Gas	1.953	1.989	2.083	2.119	2.213

Calculations based on previous session. Data collected 02/01/2024

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