



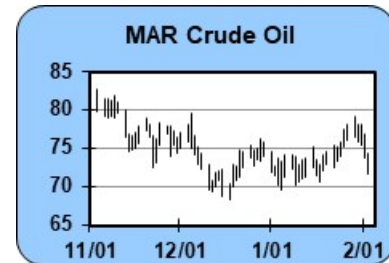
DAILY ENERGY COMPLEX COMMENTARY Monday February 05, 2024

DAILY ENERGY COMPLEX COMMENTARY 2/5/2024

The bear camp extends control of Petroleum and N-Gas

**OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
CRUDE -70, HEATING OIL +40, UNLEADED GAS -29**

CRUDE OIL MARKET FUNDAMENTALS: With strength in the dollar, ongoing significant declines in the Shanghai Stock Exchange index, news of a decline in Spanish 2023 crude oil imports and perhaps most importantly, a lack of positive price action from intense US and UK attacks in the Middle East, the bias in energy prices remains down. Furthermore, crude oil in floating storage increased 8.3% last week and buyers are beginning to avoid the Red Sea with attempts to buy from closer selling destinations. With the sharp plunge in crude to end last week's trade reaching the lowest level since January 17th, the market could be headed down to \$70.00 unless there is a clear sign that Iran or some other Middle East country has stepped in in favor of Iran. Fortunately for the bull camp, the net spec and fund long in crude oil (accounting for the post COT report slide of two dollars) is possibly the lowest since 2010 which could reduce selling interest on further declines. Crude Oil positioning in the Commitments of Traders for the week ending January 30th showed Managed Money traders added 16,088 contracts to their already long position and are now net long 150,228. Non-Commercial & non-reportable traders net bought 16,500 contracts and are now net long 244,843 contracts. In retrospect, last week saw the definitive bull case in crude oil eroded by an increase in weekly EIA crude oil stocks and by a plummeting US refinery operating rate which should reduce physical crude demand in the US. The US refinery operating rate is now at the lowest level since December 2022 and could facilitate a rebuilding of what is a 30-million-barrel year-over-year deficit in EIA crude oil supplies. On the other hand, the very low US refinery operating rate should begin to deflate what has become a very burdensome supply issue for products in the US. In conclusion, with Chinese demand fears front and center and potentially a major bearish force, the dollar should be monitored closely especially given last week's upside breakout and the highest trade since early November! With key uptrend channel support from the December and January lows failing early today at \$71.72, the next downside target becomes \$71.19.



PRODUCT MARKET FUNDAMENTALS: While gasoline will find some intermediate support from the extremely low US refinery operating rate, spillover pressure from weakness in crude oil and negative charts should give the bear camp an edge to start the new trading week. Unfortunately for the bull camp, the latest COT positioning in gasoline showed a net spec and fund long near the highest levels since February 2021 and that should leave more selling fuel in place. Gas (RBOB) positioning in the Commitments of Traders for the week ending January 30th showed Managed Money traders were net long 68,422 contracts after increasing their already long position by 1,477 contracts. Non-Commercial & non-reportable traders net bought 1,093 contracts and are now net long 82,487 contracts. In fact, gasoline fundamentals remain the most bearish in the petroleum complex with a year over year EIA surplus of 19.5 million barrels. Therefore, it will take a sustained low US refinery operating rate or a noted pickup in demand to alter the bearish gasoline supply condition. Uptrend channel support from the December and January lows is \$2.0800 today with open interest very high (near the highest level since last September) and therefore the bear camp holds a fundamental and technical edge. With the diesel market holding up better than crude oil and gasoline in the face of last week's washout, the market may have catch up selling ahead. However, EIA ULSD inventories have contracted for two consecutive weeks and have reduced year-over-year surplus readings. The diesel market is also less vulnerable from a technical perspective as its net spec and fund long has declined by 30,000 contracts from the high of 2023. Heating Oil positioning in the Commitments of Traders for the week ending January 30th showed Managed Money traders net bought 6,913 contracts and are

now net long 23,767 contracts. Non-Commercial & non-reportable traders net bought 1,069 contracts and are now net long 41,794 contracts.

NATURAL GAS: Despite a modest rejection of last week's new contract low into the close Friday, and a higher high this morning, the path of least resistance remains down in natural gas. While we are unclear of the ultimate impact of open interest nearing 1.5 million contracts, a long-held net spec and fund short in natural gas has remained low despite declining prices and that could suggest some long accumulation. However, the bearish drumbeat continues with US temperatures trending in a fashion that winter heating degree days in the US are likely to be way below normal. Furthermore, while there was one very large withdrawal from US storage, European storage levels remain solid, and the European trade is shifting its focus to summer supplies in a sign bearish sentiment continues to dominate. Unfortunately for the bull camp the net spec and fund short in natural gas is not significant and is unlikely to produce significant short covering. The January 30th Commitments of Traders report showed Natural Gas Managed Money traders added 32,585 contracts to their already short position and are now net short 70,011. Non-Commercial & non-reportable traders added 17,780 contracts to their already short position and are now net short 75,876. Thin and unreliable support in March natural gas is \$2.696, with new contract lows likely.

TODAY'S MARKET IDEAS:

Despite favorable economic signals from the US economy last Friday, bearish internal supply and demand factors in the petroleum markets leave the path of least resistance heading lower. However, there is the potential for a sudden jump in trading volatility given the US and UK attacks of Yemeni targets over the weekend. Unfortunately for the bull camp, China could produce very negative energy demand signals with further significant declines in equities and no word from the government on a stimulus package. Key uptrend channel support in March crude oil from the December and January lows failed early today at \$71.39 with the next downside target \$71.19! Uptrend channel support from the December and January lows is \$2.0800 in March gasoline today with open interest very high (near the highest level since last September) and therefore the bear camp holds a fundamental and technical edge.

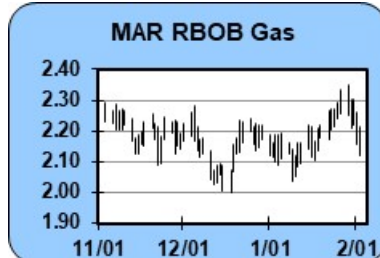
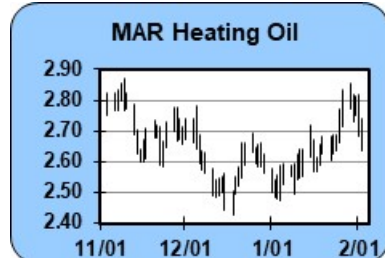
NEW RECOMMENDATIONS:

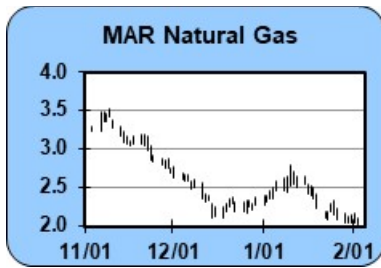
None.

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) 02/05/2024: The market back below the 40-day moving average suggests the longer-term trend could be turning down. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The close below the 9-day moving average is a negative short-term indicator for trend. The market setup is somewhat negative with the close under the 1st swing support. The next downside objective is 69.92. The next area of resistance is around 73.50 and 75.37, while 1st support hits today at 70.78 and below there at 69.92.

HEATING OIL (MAR) 02/05/2024: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. It is a slightly negative indicator that the close was under the swing pivot. The next downside objective is 257.06. The next area of resistance is around 271.14 and 277.59, while 1st support hits today at 260.88 and below there at 257.06.

RBOB GAS (MAR) 02/05/2024: The market back below the 60-day moving average suggests the longer-term trend could be turning down. Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market's short-term trend is negative as the close remains below the 9-day moving average. The close below the 1st swing support could weigh on the market. The next downside objective is 205.96. The next area of resistance is around 218.35 and 224.51, while 1st support hits today at 209.07 and below there at 205.96.

NATURAL GAS (MAR) 02/05/2024: Momentum studies are still bearish but are now at oversold levels and will tend to support reversal action if it occurs. The market's short-term trend is negative as the close remains below the 9-day moving average. The upside closing price reversal on the daily chart is somewhat bullish. It is a mildly bullish indicator that the market closed over the pivot swing number. The next downside target is now at 1.997. The next area of resistance is around 2.130 and 2.154, while 1st support hits today at 2.052 and below there at 1.997.

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	72.14	38.34	43.24	64.09	46.48	74.91	75.69	74.27	73.37	74.13
CLAJ24	72.18	38.47	43.29	63.79	46.28	74.83	75.59	74.21	73.43	74.13
HOAH24	266.01	44.77	49.22	70.04	57.67	2.73	2.74	2.68	2.61	2.63
HOAJ24	260.34	44.90	49.32	72.30	60.17	2.67	2.67	2.61	2.56	2.58
RBAH24	213.71	38.77	43.90	64.90	46.21	2.21	2.25	2.20	2.16	2.17
RBAJ24	237.07	42.14	46.93	69.58	53.84	2.45	2.47	2.41	2.36	2.37
NGAH24	2.091	37.01	37.98	10.61	9.07	2.08	2.13	2.30	2.35	2.51
NGAJ24	2.097	35.56	37.35	11.20	9.28	2.10	2.15	2.30	2.34	2.47

Calculations based on previous session. Data collected 02/02/2024
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DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
ENERGY COMPLEX						
CLAH24	Crude Oil	69.91	70.77	72.64	73.50	75.37
CLAJ24	Crude Oil	70.04	70.87	72.66	73.49	75.28
HOAH24	Heating Oil	257.05	260.87	267.32	271.14	277.59
HOAJ24	Heating Oil	252.47	255.72	261.71	264.96	270.95
RBAH24	RBOB Gas	205.95	209.07	215.23	218.35	224.51
RBAJ24	RBOB Gas	230.11	232.83	238.59	241.31	247.07
NGAH24	Natural Gas	1.996	2.051	2.075	2.130	2.154
NGAJ24	Natural Gas	2.012	2.061	2.083	2.132	2.154

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