



DAILY ENERGY COMPLEX COMMENTARY

Thursday January 04, 2024

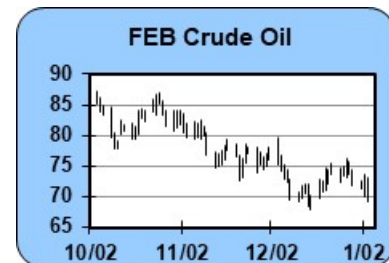
DAILY ENERGY COMPLEX COMMENTARY

1/4/2024

Bullishness charts & supply threats face key macro decisions today

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
CRUDE +76, HEATING OIL +181, UNLEADED GAS +26

CRUDE OIL MARKET FUNDAMENTALS: Apparently, the fear of a global oil supply glut has been discounted this week with crude oil prices rising in the face of a plethora of bearish annual price forecasts. However, last week API crude oil stocks fell by a very significant 7.4 million barrels and that bullish news is underpinned by escalating Middle East tensions. Unfortunately for the bull camp crude oil storage in the ARA last week was unchanged and the markets will be presented with significant signals on the direction of US energy demand from an avalanche of US jobs related reports in the coming 36 hours. Furthermore, it is possible that the EIA report today will yield further evidence of record US production which should revive the global supply glut theme and possibly stem the 24-hour recovery bounce of \$3.60 in March crude oil. Unfortunately for the bear camp in the energy markets yesterday, an early washout was largely rejected perhaps because of intensified attacks on merchant ships in the Middle East but also because of an upward revision in estimates for the decline in EIA crude oil stocks today. Initial poll figures from Reuters pegged the EIA crude oil stocks decline at 2 million barrels with the latest poll predicting a decline of 3.7 million barrels. However, the bull camp is not without additional ammunition as OPEC crude oil output in December fell by 40,000 barrels per day and two Libyan oilfields have halted production this week because of protests. Furthermore, the API survey yesterday afternoon said that US crude oil stocks fell by 7.418 million barrels which was a much larger decline than trade forecasts. Other fresh supportive developments are news of an OPEC+ meeting on February 1st, and ongoing US strategic supply buying. Keep in mind, the primary argument of the bear camp over the last two months has been the prospect of a "glut of supply". In the end, we think yesterday's rally was a bit overstated, but we also realize concerning developments in the Middle East seem to be picking up in frequency and with the killing of the second in command of Hamas in Lebanon earlier this week, and the Iranian naval ship moving into the Red Sea, there are many incendiary potentials. Furthermore, the crude oil market has likely corrected and heavily liquidated the spec and fund long position with the decline yesterday putting prices nearly \$6.00 below the level where the net spec and fund long was nearing the lowest levels since 2011. In other words, the crude oil market was likely nearing value at the lows yesterday with that low of \$69.28 a potential long entry point for aggressive traders.



PRODUCT MARKET FUNDAMENTALS: We see the product markets following crude oil prices in the coming sessions with Middle East supply concerns likely to result in a heavy trade focus on crude. Furthermore, this week's Reuters poll projects EIA crude stocks to have fallen sharply last week while estimates for gasoline and diesel stocks predict only minimal changes. However, the API survey said that US gasoline stocks increased by a massive 6.913 million barrels which was a much larger increase than market expectations. As indicated yesterday, China announced they will dramatically reduce fuel exports this month, but that news is a psychological support rather than a fundamental support considering the relative size of Chinese fuel exports compared to the world fuel markets. Like the crude oil market, the gasoline market might have found value at yesterday's low of \$2.0670 but with the last net spec and fund long reading in gasoline a lofty 79,416 contracts, the gasoline market could still be prone to a quick exhaustion of speculative buying interest. Therefore, the failure to hold a close in support level of \$2.1450 could unleash a profit taking washout. The API survey said that US distillate stocks increased by a very lofty 6.686 million barrels which was in sharp contrast to trade forecasts for a minimal weekly decline. With the charts in the diesel market more constructive than in gasoline or crude oil, and

news of a 191% month over month reduction in Chinese diesel exports for this month the odds of a technical and fundamental low are improved. Key support in February diesel today is \$2.5590.

Weekly EIA Petroleum Estimates - Week Ending 12/29/2023 - In Million Barrels

	High Estimate	Low Estimate	Stocks Last Week	Stocks Change Last Week
Crude Oil	-3.5	-3.9	436.6	-7.1
Distillates	0.8	0.4	115.8	0.7
Gasoline	0	-0.4	226.1	-0.7

NATURAL GAS: With the range up move overnight extending the December rally, the bull camp is garnering respect from the trade. While it is possible that events in the Middle East could disrupt global LNG flows, the largest Russian oil company yesterday indicated they had achieved a record daily gas pipeline flow to China and that probably offsets a portion of the Middle East supply threat. However, it should be noted that a Libyan oilfield was shut down yesterday because of protests with Libyan gas flow to Europe representing a very large percentage of supply for Europe. Therefore, the Libyan oilfield shutdown impact is not to be discounted. On the other hand, some of the strength in prices over the last 24 hours is attributable to colder temperatures and to a lesser degree from projections of increased power use in Vietnam during the upcoming dry season. Uptrend channel support in February gas is now \$2.578 with the trade above \$2.738 overnight potentially sparking a compacted wave of stop loss buying ahead.

TODAY'S MARKET IDEAS:

While we give the edge to the bull camp in the petroleum complex, upcoming strength will require more distinct supply threats in the Middle East as recent outside financial market action has shifted negative for physical commodities and the markets overall are heavily invested in the prospect of an early US rate cut this year. As mentioned already, we see the crude oil market as the primary leading indicator with the supply issues in the Middle East directly impacting crude and only indirectly impacting the products. Unfortunately for the bear camp in crude oil, the latest COT spec and fund long positioning was very low, potentially reducing the amount of stop loss selling on key chart failures.

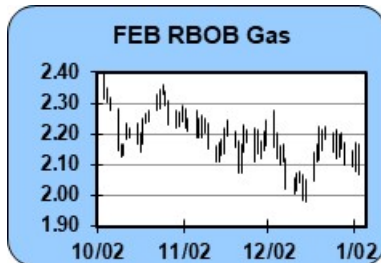
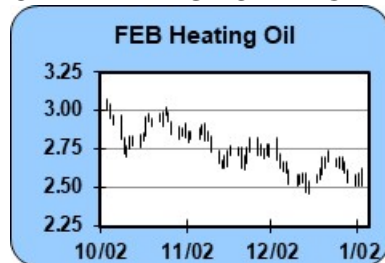
NEW RECOMMENDATIONS:

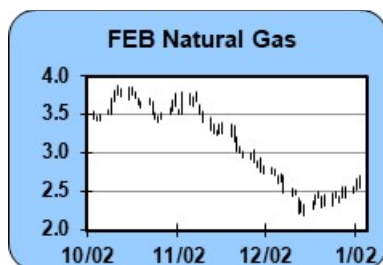
None.

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 (FEB) 01/04/2024: Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. The upside closing price reversal on the daily chart is somewhat bullish. Market positioning is positive with the close over the 1st swing resistance. The next downside target is 68.20. The next area of resistance is around 74.93 and 76.01, while 1st support hits today at 71.03 and below there at 68.20.

HEATING OIL (FEB) 01/04/2024: Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market now above the 18-day moving average suggests the intermediate-term trend has turned up. The outside day up and close above the previous day's high is a positive signal. The market setup is supportive for early gains with the close over the 1st swing resistance. The next downside target is now at 247.10. The next area of resistance is around 266.57 and 270.23, while 1st support hits today at 255.01 and below there at 247.10.

RBOB GAS (FEB) 01/04/2024: The major trend could be turning up with the close back above the 40-day moving average. Stochastics trending lower at midrange will tend to reinforce a move lower especially if support levels are taken out. The intermediate trend could be turning up with the close back above the 18-day moving average. The upside daily closing price reversal gives the market a bullish tilt. A positive setup occurred with the close over the 1st swing resistance. The next downside target is now at 203.72. The next area of resistance is around 220.93 and 223.91, while 1st support hits today at 210.83 and below there at 203.72.

NATURAL GAS (FEB) 01/04/2024: Momentum studies are trending higher but have entered overbought levels. The market's short-term trend is positive on the close above the 9-day moving average. With the close over the 1st swing resistance number, the market is in a moderately positive position. The near-term upside objective is at 2.837. The next area of resistance is around 2.774 and 2.837, while 1st support hits today at 2.592 and below there at 2.474.

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										
CLAG24	72.98	50.56	48.30	55.04	52.41	71.70	73.13	72.21	74.96	76.96
CLAH24	73.14	49.37	47.65	54.80	51.21	71.83	73.29	72.41	74.96	76.74
HOAG24	260.79	50.24	47.63	43.84	41.12	2.55	2.60	2.59	2.67	2.73
HOAH24	257.38	50.65	47.88	44.96	42.62	2.52	2.57	2.55	2.64	2.69
RBAG24	215.88	54.53	51.98	61.62	61.57	2.11	2.15	2.12	2.15	2.18
RBAH24	217.75	54.60	52.09	63.14	63.00	2.13	2.16	2.13	2.17	2.19
NGAG24	2.683	63.99	53.66	65.62	79.21	2.58	2.50	2.44	2.87	3.06
NGAH24	2.463	59.28	50.07	59.07	73.83	2.39	2.32	2.30	2.70	2.87

Calculations based on previous session. Data collected 01/03/2024

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						
CLAG24	Crude Oil	68.19	71.02	72.10	74.93	76.01
CLAH24	Crude Oil	68.52	71.25	72.29	75.02	76.06
HOAG24	Heating Oil	247.09	255.00	258.66	266.57	270.23
HOAH24	Heating Oil	243.81	251.66	255.24	263.09	266.67
RBAG24	RBOB Gas	203.71	210.83	213.81	220.93	223.91
RBAH24	RBOB Gas	205.74	212.78	215.67	222.71	225.60
NGAG24	Natural Gas	2.473	2.592	2.655	2.774	2.837
NGAH24	Natural Gas	2.312	2.394	2.449	2.530	2.585

Calculations based on previous session. Data collected 01/03/2024

Data sources can & do produce bad ticks. Verify before use.

***This report includes information from sources believed to be reliable and accurate as of the date of this publication, but no independent verification has been made and we do not guarantee its accuracy or completeness. Opinions expressed are subject to change without notice. Any information or recommendation contained herein: (i) is not based on, or tailored to, the commodity interest or cash market positions or other circumstances or characterizations of particular investors or traders; (ii) is not customized or personalized for any such investor or trader; and (iii) does not take into consideration, among other things, risk tolerance, net worth, or available risk capital. Any use or reliance upon the information or recommendations is at the sole discretion and election of the subscriber. The risk of loss in trading futures contracts or commodity options can be substantial, and traders should carefully consider the inherent risks of such trading in light of their financial condition. Any reproduction or retransmission of this report without the express written consent of Lakefront Futures is strictly prohibited.