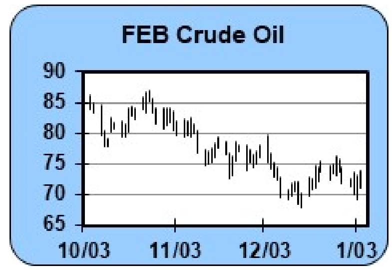
DAILY ENERGY COMPLEX COMMENTARY
1/5/2024

A lack of bullish reaction to lower crude stocks and risk on is bearish



OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
CRUDE +49, **HEATING OIL** +84, **UNLEADED GAS** -4

CRUDE OIL MARKET FUNDAMENTALS: It is not surprising to see crude oil prices generally chopping back and forth within a trading range of four dollars this week as the overriding fear of a coming global supply glut was countervailed this week by a very large declines in US API and EIA crude oil inventories. Certainly, prices continue to be cushioned by the "prospects" of a Middle East supply glitch from a physical clash between the US Navy and Iran. However, uncertainty toward supply flow in the Middle East is also ratcheted upward by the potential of an inland US attack of Yemeni rebels as US Arab-based backlash typically intensifies if a physical breach of sovereign territory is seen. Unfortunately for the bull camp the weekly inventory reports showed very bearish large inflows to product inventories and implied demand readings for gasoline and distillates were very soft! In fact, the jump in US gasoline stocks this week was the largest weekly increase since 1993! Another market structure bearish signal is the approach of contango pricing in Brent crude oil. On the other hand, Iran has apparently reduced its discount pricing for Chinese customers in a sign that might be seen as solid demand. It should also be noted that 3 out of 5 weekly ARA product inventory readings declined this week, potentially signaling residual demand in Europe. It should also be noted that the world's largest oil ETF saw an outflow of more than $100 million yesterday in a sign that speculators are giving up on the bull case. EIA crude stocks fell 5.503 million barrels and are 10.419 million barrels above year ago levels. Also, crude stocks stand 10.02 million barrels below the five-year average. Crude oil imports for the week stood at 6.895 million barrels per day compared to 6.276 million barrels the previous week. The refinery operating rate was 93.5% or a gain of 0.2% from last week compared to 79.6% last year and the five-year average of 88.1%. In the end, it is possible that part of yesterday's reversal was the result of the previous day's overreaction on the upside following an increase in tensions in the Middle East. Unfortunately for the bull camp, strong US jobs data yesterday did not help energy demand expectations, perhaps because both EIA gasoline and distillate implied demand readings plummeted. In conclusion, the crude oil supply glut fears were not removed this week and without a physical supply disruption of consequence the bear camp holds an edge.

PRODUCT MARKET FUNDAMENTALS: As mentioned in the crude oil market coverage today, the EIA report yesterday was definitively bearish for the product markets. Furthermore, the jump in EIA gasoline stocks yesterday was the largest weekly build since 1993 which is compounded by extremely weak implied gasoline demand results. In addition to 10 million barrel plus inflows to the top three product inventory readings, both gasoline and distillates implied demand readings plummet, with gasoline demand the second lowest of the year and distillate demand plummeting to the lowest level of the pandemic era. Another bearish headline inventory reading is the fact that all three product markets saw their year-over-year inventory annual surplus levels expand. EIA gasoline stocks rose 10.900 million barrels and are 14.292 million barrels above last year and 4.084 million above the five-year average. Average total gasoline demand for the past four weeks was up 2.7% compared to last year. Gasoline imports came in at 659,000 barrels per day compared to 521,000 barrels the previous week. We see significant resistance in February gasoline at $2.1680 and see a failure price today at $2.0670. Once again, the diesel market showed relatively better action on the charts than other sectors of the energy complex. However, long-held year-over-year deficit stocks readings in distillate and diesel storage shifted from deficits to moderate surpluses! EIA distillate stocks rose 10.090 million barrels and stood at 7.070 million barrels above last year and 5.424 million below the five-year average. Distillate imports came in at 194,000 barrels per day compared to 238,000 barrels the previous week. Average total distillate demand for the past four weeks was down 1.62% compared to last year. Today we see initial resistance in February diesel at $2.6287 and critical support/failure pricing at $2.5554.

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**
12/29/2023	431.065	-5.503	+10.419	441.085	6.895	93.5	
DISTILLATES	Stocks				Imports	Demand	
Week Of	**Current**	**Weekly Change**	**Yearly Change**	**5 Year Average**	**Current**	**Current**	**Year Ago**
12/29/2023	125.855	+10.090	+7.070	131.279		2.658	
GASOLINE	Stocks				Imports	Demand	
Week Of	**Current**	**Weekly Change**	**Yearly Change**	**5 Year Average**	**Current**	**Current**	**Year Ago**
12/29/2023	236.954	+10.900	+14.292	232.870	0.659	7.954	

NATURAL GAS: While the gains in natural gas prices this week were impressive considering market action over the last year, there does not appear to be a significant shift in fundamentals in favor of the bull camp. However, the ability to sustain a higher early trade yesterday in the wake of a very small weekly withdrawal, and in the face of a massive jump in the surplus to five-year average stock levels from 10% last week to 13% this week, should have been a serious blow to the bull camp. The weekly natural gas storage report showed a draw of only 14 bcf. Total storage stands at 3,476 bcf or 13.0% above the 5-year average. Over the last four weeks, natural gas storage has declined 243 bcf. While the markets clearly saw buying interest from a shift to colder temperatures early this week, the market has started off softer this morning likely because Asian buyers appear to have stepped back because of high prices. Longer-term the market should see support from from strong Chinese gas demand forecasts for 2024 and from the shutdown of two Libyan oil fields. As indicated yesterday, Libya supplies Europe with notable LNG supply and therefore events in Libya should not be discounted. While the technical trend is up our fundamental sense questions this week's rally.

EIA Natural Gas Storage Report Summary

In Billion Cubic Feet

Week Of	Week Change	Total Storage	Change From Last Year	4 Week Combined Weekly Change	Percent Change vs 5 Year Average	Percent Change vs 10 Year Average
12/29/2023	-14	3476	553	-243	13.0%	

TODAY'S MARKET IDEAS:

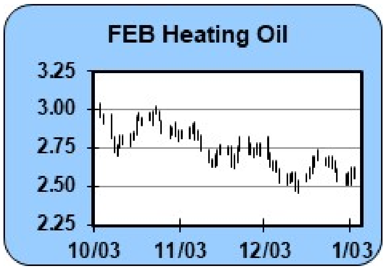
Even though we give the edge to the bear camp today, traders should be aware of the potential to see a temporary shift up in pricing following today's US monthly nonfarm payroll release. In other words, the bias is down and without the demand needle moving clearly to the upside we expect a poor finish in the petroleum markets this week. Along those lines energy markets yesterday did not respond favorably to signs of resiliency in the US jobs data and the EIA implied demand readings for distillates and gasoline were extremely soft! The best hope for the bull camp today is for Goldilocks US economic readings and a very definitive and significant risk on vibe flowing from equities. However, there is a very good chance that a risk on vibe will not lift petroleum prices.

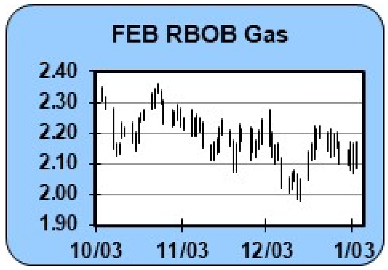
NEW RECOMMENDATIONS:

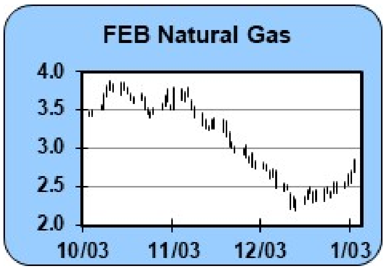
None.

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) 01/05/2024: Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The close below the 9-day moving average is a negative short-term indicator for trend. The market could take on a defensive posture with the daily closing price reversal down. The market has a slightly positive tilt with the close over the swing pivot. The next downside target is now at 69.52. The next area of resistance is around 73.84 and 75.39, while 1st support hits today at 70.91 and below there at 69.52.

HEATING OIL (FEB) 01/05/2024: 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. The daily closing price reversal down is a negative indicator for prices. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The next downside target is 251.76. The next area of resistance is around 262.62 and 266.41, while 1st support hits today at 255.30 and below there at 251.76.

RBOB GAS (FEB) 01/05/2024: The close under the 40-day moving average indicates 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 close under the 18-day moving average indicates the intermediate-term trend could be turning down. The market could take on a defensive posture with the daily closing price reversal down. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is 203.32. The next area of resistance is around 215.60 and 220.85, while 1st support hits today at 206.84 and below there at 203.32.

NATURAL GAS (FEB) 01/05/2024: The cross over and close above the 40-day moving average is an indication the longer-term trend has turned positive. 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. Since the close was above the 2nd swing resistance number, the market's posture is bullish and could see more upside follow-through early in the session. The next upside target is 2.992. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 2.940 and 2.992, while 1st support hits today at 2.758 and below there at 2.629.

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	72.38	47.87	46.59	52.91	49.41	71.78	72.89	72.35	74.76	76.80
CLAH24	72.50	47.54	46.53	52.85	48.96	71.96	73.07	72.56	74.79	76.60
HOAG24	258.96	47.64	46.12	42.35	39.38	2.56	2.59	2.59	2.67	2.73
HOAH24	255.50	47.87	46.27	43.57	40.80	2.53	2.56	2.56	2.63	2.69
RBAG24	211.22	46.23	46.97	59.31	54.67	2.12	2.13	2.12	2.15	2.18
RBAH24	213.53	47.23	47.67	61.10	57.01	2.14	2.15	2.14	2.16	2.19
NGAG24	2.849	72.68	61.32	72.01	85.49	2.65	2.55	2.46	2.85	3.05
NGAH24	2.583	67.62	56.89	66.27	81.55	2.44	2.36	2.31	2.69	2.85

Calculations based on previous session. Data collected 01/04/2024
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	69.51	70.91	72.45	73.84	75.39
CLAH24	Crude Oil	69.70	71.06	72.59	73.94	75.47
HOAG24	Heating Oil	251.75	255.29	259.08	262.62	266.41
HOAH24	Heating Oil	248.77	252.07	255.62	258.92	262.47
RBAG24	RBOB Gas	203.31	206.83	212.08	215.60	220.85
RBAH24	RBOB Gas	206.02	209.37	214.34	217.69	222.66
NGAG24	Natural Gas	2.628	2.758	2.810	2.940	2.992
NGAH24	Natural Gas	2.432	2.521	2.555	2.644	2.678

Calculations based on previous session. Data collected 01/04/2024
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