



## DAILY ENERGY COMPLEX COMMENTARY

Tuesday January 09, 2024

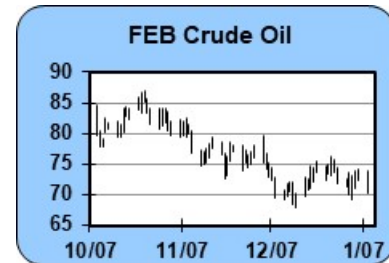
### DAILY ENERGY COMPLEX COMMENTARY

1/9/2024

#### Demand fears to weigh heavily on petroleum prices not on gas

**OVERNIGHT CHANGES THROUGH 6:06 AM (CT):**  
**CRUDE +159, HEATING OIL +577, UNLEADED GAS +596**

**CRUDE OIL MARKET FUNDAMENTALS:** In the near term, we see the prospect of a trading range in February crude oil of \$73.95 and \$70.06 as more likely than a fresh trend. While Bloomberg overnight carried a story suggesting OPEC+ will extend and perhaps expand production restraint because of deteriorating demand, the trade is doubtful of full compliance with more restrictive policies. However, there is a flicker of hope from the demand side of the equation with the trade presented with signs of ongoing strength in Indian fuel demand and indications Chinese refiners are planning to increase run rates this month. On the other hand, the market yesterday was presented with a widely embraced sign of softening energy demand from the Saudi price cut to Asian customers to 27-month lows, with traders taking that large reduction as a sign of less bids from China. Yet another negative price force is the continuation of hedge fund selling and the net spec and fund short venturing toward the lowest levels since 2011 as that highlights broadly bearish spec and fund views in the marketplace. This week's Reuters poll projects EIA crude stocks to decline by 1.2 million barrels with last week's 5.5-million-barrel EIA crude stocks decline one of the few bullish factors in the weekly EIA report. Even though the slackening demand theme is entrenched in market sentiment already, a second straight week of massive declines in EIA implied gasoline and distillates would add to the negative demand argument. Bearish news flows from the supply side of the equation include EIA crude oil stocks maintaining a 10.4-million-barrel surplus to year ago levels and news yesterday that global floating storage of crude oil increased by 2.1% last week! While the supply disruption in Libya continues and concern for shipping in the Middle East remains in place, an increase in OPEC production last month and US production registering record output readings on a regular basis a return to the December low in crude oil down at \$67.98 is possible especially if near-term support at \$69.28 is violated.



**PRODUCT MARKET FUNDAMENTALS:** As indicated several times recently, last week's EIA implied gasoline and distillate demand figures fell sharply, increasing the confidence of the bear camp. Furthermore, RBOB gasoline is burdened with a large net spec and fund long of 83,407 contracts and therefore remains significantly overbought and vulnerable to additional stop loss selling. This week's Reuters poll projects EIA gasoline stocks to increase by 4 million barrels which added to the massive 10.9-million-barrel inflow last week will result in a two-week inflow of more than 15 million barrels! Furthermore, the gasoline trade was presented with fresh negative news from reports that Chinese refinery activity at both small and large refiners will ramp up this month leaving both supply and demand influences in favor of the bear camp. Near-term and unreliable support in February gasoline is \$2.0072 with more substantial support at the December low down at \$1.9794. Even though fundamentals in the diesel market are not nearly as bearish as in gasoline, expectations of another large build in EIA distillate stocks from Reuters of 4 million barrels would replicate the two week 15-million-barrel inflow in the gasoline market. Furthermore, last week implied distillate demand fell to only 2.65 million barrels per day, which is the lowest level in recent history. Fortunately for the bull camp, a glitch in Russian diesel production provides some supply side support for prices but that bullish influence is heavily discounted by very low US heating demand with recent readings projecting degree days are running 32-degree days less than normal. In fact, the trade is embracing the idea that without extreme cold for the remainder of January and all of February the northern hemisphere winter will be judged as very mild! In another sign of soft demand consumption of jet fuel Asia and North America has dropped in the first two weeks of this year, falling by 1.7% and 0.6%. Fortunately for the bull camp the net spec and fund long in diesel has declined by 24,000 contracts over the last several weeks

increasing the potential February diesel will respect key support at \$2.5075.

**NATURAL GAS:** With another higher high extension overnight the natural gas market continues to defy bearish fundamentals. In fact, overnight Bloomberg coverage suggests that without a sudden shift to much below normal temperatures over the next 50 days, the northern hemisphere winter is likely to be judged as very mild. Along those lines US heating degree day readings were running 32 degree days below normal. The surprising rally overnight has virtually discounted an overnight analyst prediction that US natural gas stockpiles will remain burdensome despite an outbreak of cold US temperatures slated for January 13th and 17th. In yet another bearish discounted development Chinese gas output last year was documented to be a record seventh straight annual increase with a gain of 5.6%. However, the charts in gas remain bullish with yesterday's attempted washout rejected and the pattern of higher highs and higher lows extended today. We continue to think a long-held speculative short positioning in the market is being liquidated with several Middle East supply threats (Libya and Iran) and the approach of the coldest portion of the northern hemisphere winter causing shorts to bank profits. Unfortunately for the bull camp traders should remain on alert for reports of record US gas production as increased production from pre-drilled wells continues to come online. This week's Reuters poll projects EIA natural gas in working storage to decline by 111 to 104 BCF. However, with the much smaller than expected draw last week (the smallest of the current withdrawal season) it is possible that the trade could be surprised with a larger than expected withdrawal this week. In the end, we are suspicious of the bull case despite the bullish evolving charts.

**TODAY'S MARKET IDEAS:**

Both supply and demand favor the bear camp with technical signals also pointing down. From the latest positioning reports crude oil and gasoline are more vulnerable to stop loss selling than diesel but all petroleum markets appear to be vulnerable to this week's inventory reports. Credible support in February crude oil is \$69.28 but a violation of that low project's prices down to \$67.98. Near-term and unreliable support in February gasoline is \$2.0072 with more substantial support the December low down at \$1.9794. Fortunately for the bull camp the net spec and fund long in diesel has declined by 24,000 contracts over the last several weeks increasing the potential February diesel will respect key support at \$2.5075.

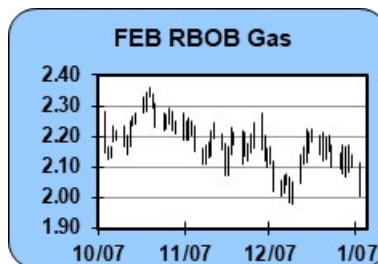
**NEW RECOMMENDATIONS:**

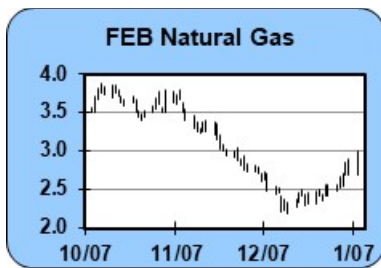
None.

**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) 01/09/2024:** The daily stochastics gave a bearish indicator with a crossover down. Momentum studies trending lower at mid-range could accelerate a price break if support levels are broken. The market back below the 18-day moving average suggests the intermediate-term trend could be turning down. The market is in a bearish position with the close below the 2nd swing support number. The next downside target is now at 67.72. The next area of resistance is around 72.94 and 75.35, while 1st support hits today at 69.12 and below there at 67.72.

**HEATING OIL (FEB) 01/09/2024:** 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 downside closing price reversal on the daily chart is somewhat negative. The market's close below the 1st swing support number suggests a moderately negative setup for today. The next downside target is 248.13. The next area of resistance is around 263.79 and 268.48, while 1st support hits today at 253.61 and below there at 248.13.

**RBOB GAS (FEB) 01/09/2024:** The downside crossover of the 9 and 18 bar moving average is a negative signal. Stochastics trending lower at midrange will tend to reinforce a move lower especially 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 market is in a bearish position with the close below the 2nd swing support number. The next downside objective is now at 194.12. The next area of resistance is around 209.20 and 215.81, while 1st support hits today at 198.36 and below there at 194.12.

**NATURAL GAS (FEB) 01/09/2024:** 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. The close over the pivot swing is a somewhat positive setup. The next upside target is 3.220. The 9-day RSI over 70 indicates the market is approaching overbought levels. The next area of resistance is around 3.110 and 3.220, while 1st support hits today at 2.793 and below there at 2.585.

## 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>										
CLAG24	71.03	42.75	43.61	50.31	44.86	72.43	72.58	72.44	74.43	76.52
CLAH24	71.18	41.62	42.92	49.42	42.69	72.51	72.72	72.63	74.48	76.35
HOAG24	258.70	47.33	46.15	40.82	38.81	2.60	2.58	2.60	2.66	2.72
HOAH24	254.74	45.01	44.80	41.54	38.17	2.56	2.55	2.56	2.62	2.68
RBAG24	203.78	34.81	39.43	47.98	33.70	2.10	2.12	2.12	2.14	2.17
RBAH24	206.53	35.30	39.88	50.27	36.06	2.12	2.14	2.14	2.16	2.19
NGAG24	2.952	77.88	66.34	82.05	91.61	2.84	2.65	2.51	2.82	3.02
NGAH24	2.563	66.89	57.23	77.29	86.95	2.56	2.43	2.34	2.65	2.82

Calculations based on previous session. Data collected 01/08/2024  
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>						
CLAG24	Crude Oil	67.71	69.11	71.53	72.94	75.35
CLAH24	Crude Oil	67.91	69.31	71.64	73.04	75.37
HOAG24	Heating Oil	248.12	253.61	258.30	263.79	268.48
HOAH24	Heating Oil	244.54	249.73	254.56	259.75	264.58
RBAG24	RBOB Gas	194.11	198.35	204.96	209.20	215.81
RBAH24	RBOB Gas	197.23	201.30	207.69	211.76	218.15
NGAG24	Natural Gas	2.584	2.792	2.902	3.110	3.220
NGAH24	Natural Gas	2.328	2.451	2.552	2.675	2.776

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