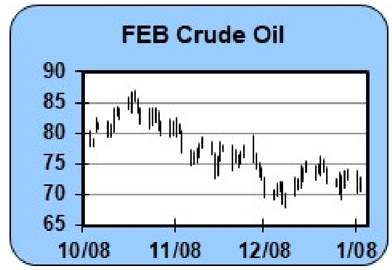
DAILY ENERGY COMPLEX COMMENTARY
Wednesday January 10, 2024

DAILY ENERGY COMPLEX COMMENTARY
1/10/2024

cold weather provides temporary cushion against a bare bias



OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
CRUDE +10, **HEATING OIL** +125, **UNLEADED GAS** +269

CRUDE OIL MARKET FUNDAMENTALS: We see the failure to rally off another large decline in API crude oil stocks as a sign of a lack of bullish confidence/interest. In fact, if the EIA produces a similar outsized decline today stocks will have declined sharply in five of the last six weeks and that will also likely result in the US crude oil year-over-year surplus falling 66% since the beginning of December! Perhaps the crude oil trade is limited by comments from Russian oil company official's indicating Russian deliveries last year were at the same level as the previous year which clearly signals little impact from the sanction efforts. While not significantly bullish developments, the petroleum markets were boosted yesterday by news that Indian refineries are giving off signs of becoming bargain hunting buyers perhaps because of the very large Saudi price cut but also from news that 300,000 barrels per day of production is still out of commission in Libya. While 300,000 barrels per day is not significant in the short time frame, a prolonged extension of that shutdown could become a supply side changing development. After the close, the weekly API survey said that US crude oil stocks had a weekly decline of 5.215 million barrels which is a much larger decline than trade forecasts. However, the crude oil market continues to face a steady flow of bearish fundamental developments with China posting record oil production last year, US November crude oil exports posting a four-month low (a combination of slumping demand and a relatively high dollar at that time) and an EIA prediction yesterday forecasting US crude oil production this year will post another record albeit a very minimal new record. Downtrend channel resistance in February crude oil today is $73.41 and declines to $72.85 are likely. In fact, without a return to big picture macroeconomic risk-on, February crude is not likely to respect support at $70.00.

PRODUCT MARKET FUNDAMENTALS: Both gasoline and diesel continue to face bearish conditions with last week's sharp jumps in EIA product readings accentuated by continuing declines in US pump prices and indications that Chinese refiners will ramp up production this month. In other words, more active Chinese refineries not only reduces the prospect of product imports, but they could also result in increased product exports. In retrospect, EIA implied demand readings can be very volatile with last week's readings surprisingly soft and accompanied by very bearish massive outsized single-week inflows to gasoline, diesel, and distillate inventories. In fact, the weekly increases in the three primary products were above 10 million barrels, which qualify as historically large. The API survey said that US gasoline stocks had a weekly increase of 4.896 million barrels which was above market expectations. Given internal gasoline market fundamentals and the overbought condition of speculative traders, we see gasoline following crude oil lower, leading diesel on the downside and lagging diesel on the upside. Like the gasoline market, the distillate and diesel markets also face definitively bearish EIA data prospects today with the markets seeing an additive negative from news yesterday that Asian and US jet fuel demand softened. The API survey said that US distillate stocks had a weekly increase of 6.873 million barrels which was a much larger increase than trade forecasts. The diesel market showed extremely impressive action yesterday which we suspiciously label as an overreaction to a current cold pattern in the eastern portion of the US and in the UK. While we would not fight near-term bullish weather psychology, upside follow-through from yesterday's rally in diesel should offer an opportunity to get short soon at more favorable risk and reward levels.

NATURAL GAS: The trade has clearly experienced consistent buying from the approach of very cold weather in the United States and UK. In fact, very cold temperatures are expected through this weekend in the US and UK which will likely temporarily override entrenched views of a very mild heating season in the northern hemisphere. However, as indicated in petroleum market coverage today, US heating degree days are currently running 32 "degree-days" below normal which would explain last week's much smaller than anticipated withdrawal. On the other hand, the trade is facing the coldest temperatures of the early 2024 winter season with the last positioning report showing the natural gas market continues to hold a relatively large net spec and fund short of 77,936 contracts, which probably means some of the recent gains have been stop loss buying. In retrospect, the magnitude of the gains in natural gas prices in the month of January suggests something other than short covering is operating in the market. Nonetheless, we see fundamental resistance from record December exports from Norway and from an annual EIA forecast of record US production and record US demand which will think will see the rate of US production gains outpace the rate of US demand gains. In our opinion, the recent rally is possibly the result of annual long fund allocation following the extraordinarily weak 2023 price action or it is more likely the result of the first significant cold pattern of the year. Even though we are very skeptical of the current rally, the magnitude of the gains give the move credibility with the next upside targeting an astounding $3.50. However, we see the risk and reward of fresh long positions at current levels as very unattractive.

TODAY'S MARKET IDEAS:

As indicated in our initial coverage today, we are surprised with yesterday's rally in petroleum prices and suggest fading rallies after some additional short covering. In fact, the diesel market showed significant upside breakout action on the charts yesterday with the trade indicating the rally was fueled by the approach of the coldest temperatures of the current winter cycle. However, US heating degree days are running 32-degree days below normal meaning the bull camp needs a surprise extension of much colder than normal temperatures to avoid lower than normal winter consumption of gas for heating. On the other hand, a pattern of winter storms in the US and cold temperatures in the UK have stimulated speculative interest of an increase in consumption from heating needs. In fact, diesel could be lifted further with temperatures in portions of the US dipping precipitously through the coming weekend.

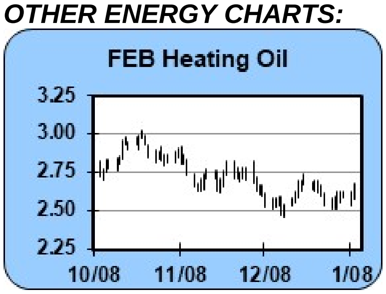
NEW RECOMMENDATIONS:

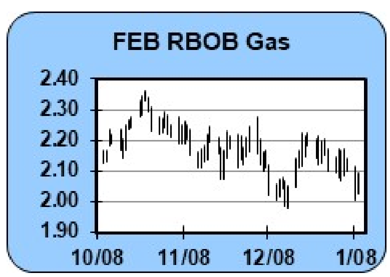
None.

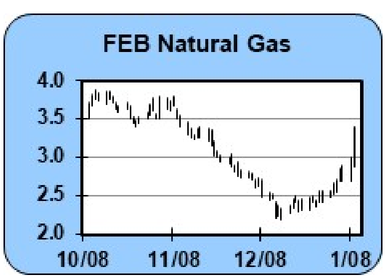
PREVIOUS RECOMMENDATIONS:

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) 01/10/2024: The moving average crossover down (9 below 18) indicates a possible developing short-term downtrend. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market's short-term trend is positive on the close above the 9-day moving average. The market has a slightly positive tilt with the close over the swing pivot. The next downside target is now at 69.51. The next area of resistance is around 73.47 and 74.43, while 1st support hits today at 71.01 and below there at 69.51.

HEATING OIL (FEB) 01/10/2024: The cross over and close above the 40-day moving average indicates the longer-term trend has turned up. The crossover up in the daily stochastics is a bullish signal. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next upside target is 273.46. The next area of resistance is around 269.83 and 273.46, while 1st support hits today at 260.27 and below there at 254.35.

RBOB GAS (FEB) 01/10/2024: 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 has a slightly positive tilt with the close over the swing pivot. The next downside objective is 200.00. The next area of resistance is around 211.19 and 213.79, while 1st support hits today at 204.29 and below there at 200.00.

NATURAL GAS (FEB) 01/10/2024: The market now above the 60-day moving average suggests the longer-term trend has turned up. Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. A positive signal for trend short-term was given on a close over the 9-bar moving average. The market setup is supportive for early gains with the close over the 1st swing resistance. The near-term upside objective is at 3.683. The market is approaching overbought levels with an RSI over 70. The next area of resistance is around 3.467 and 3.683, while 1st support hits today at 2.959 and below there at 2.668.

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	72.23	48.45	47.34	47.75	43.42	72.25	72.18	72.61	74.21	76.39
CLAH24	72.30	47.99	47.10	46.95	42.02	72.36	72.34	72.81	74.28	76.24
HOAG24	265.05	57.65	52.88	42.02	45.33	2.61	2.58	2.61	2.65	2.72
HOAH24	259.89	55.55	51.57	42.42	44.18	2.57	2.54	2.57	2.62	2.67
RBAG24	207.73	44.21	45.17	43.08	33.28	2.08	2.10	2.13	2.14	2.17
RBAH24	210.42	44.98	45.77	45.26	35.25	2.11	2.13	2.15	2.16	2.19
NGAG24	3.213	84.05	73.08	84.00	87.89	2.98	2.74	2.57	2.81	3.01
NGAH24	2.713	73.40	62.82	80.55	87.08	2.62	2.48	2.37	2.63	2.81

Calculations based on previous session. Data collected 01/09/2024

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	69.50	71.00	71.97	73.47	74.43
CLAH24	Crude Oil	69.69	71.12	72.05	73.48	74.41
HOAG24	Heating Oil	254.34	260.27	263.90	269.83	273.46
HOAH24	Heating Oil	250.71	255.74	259.00	264.03	267.29

RBAG24	RBOB Gas	199.99	204.29	206.89	211.19	213.79
RBAH24	RBOB Gas	202.98	207.15	209.51	213.68	216.04
NGAG24	Natural Gas	2.667	2.959	3.175	3.467	3.683
NGAH24	Natural Gas	2.424	2.582	2.686	2.844	2.948

Calculations based on previous session. Data collected 01/09/2024
Data sources can & do produce bad ticks. Verify before use.