



DAILY ENERGY COMPLEX COMMENTARY

Monday January 22, 2024

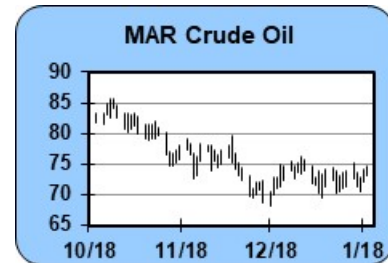
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1/22/2024

The bear camp regains control of petroleum & natural gas markets

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
CRUDE +39, HEATING OIL +78, UNLEADED GAS +252

CRUDE OIL MARKET FUNDAMENTALS: While it appears that crude oil is destined to remain within a broad five dollars per barrel trading range, prices are in the upper quarter of the range and fears of slumping global demand are ringing louder than fears of Middle East supply disruptions. Furthermore, Libya has restarted production from its largest oilfield, hedge funds reduced long positions last week and despite recent strong Chinese oil import data (apparent demand rose by 8.6% in December), signs of economic problems in China should be tempering Chinese oil demand prospects. The bear camp should be emboldened by a 3.2% increase in crude oil in global floating storage especially with floating storage in Asia jumping significantly. However, the US continues to buy crude oil for the SPR, EIA crude oil stocks declined last week and posted a material 18-million-barrel deficit to year ago stock levels. Furthermore, supply risks remain elevated with the US, Yemeni rebels, Pakistan, and Iran all launching attacks after US production was temporarily curtailed by 600,000/700,000 barrels per day due to extreme cold last week. We also see a portion of last week's recovery as classic short covering with the latest positioning report in crude oil showing the smallest/most liquidated net spec and fund long since October 2010! Crude Oil positioning in the Commitments of Traders for the week ending January 16th showed Managed Money traders reduced their net long position by 20,969 contracts to a net long 90,160 contracts. Non-Commercial & non-reportable traders reduced their net long position by 5,660 contracts to a net long 211,032 contracts. While Chinese oil imports have remained strong (2023 imports posted a new record of 11.28 million barrels per day) Russian shipments to China increased by 24% for total of 107 million metric tonnes. Unfortunately for the bull camp, positive US energy demand prospects are becoming increasingly offset by escalating economic and financial concerns for China. Apparently, last week Chinese government officials ordered heavy debt laden local governments to "halt" some infrastructure projects which creates concerns of a Chinese financial contagion. Certainly, a disruption of supply flows from the Middle East could suddenly ignite a range up extension in prices, but US product supplies are very burdensome and are likely to become even more burdensome in the weeks ahead. From a technical perspective, the crude oil market has established consolidation resistance in the March contract beginning at \$74.63 and culminating up at \$75.28. Pushed into the market we are a buyer of March bear put spreads.



PRODUCT MARKET FUNDAMENTALS: As indicated in crude oil coverage today, product market supply continues to weigh heavily on the petroleum complex with year over year surpluses in gasoline, distillate, and diesel inventories. We also suggest traders be prepared for EIA implied demand to fall this week as extreme winter conditions over the last two weeks discouraged all but necessary travel. Unlike the crude oil market, the gasoline market continues to hold burdensome net spec and fund long positioning. The January 16th Commitments of Traders report showed Gas (RBOB) Managed Money traders are net long 59,220 contracts after net selling 2,885 contracts. Non-Commercial & non-reportable traders net sold 2,891 contracts and are now net long 74,101 contracts. In conclusion, the gasoline market is oversupplied, demand is average to soft, and the speculative trade is overbought. As in crude oil, we suggest traders purchase bear put spreads in March RBOB contracts. Key resistance is at \$2.2191 with a reversal seen on a failure to respect support at \$2.1364. Even though the recent polar vortex posted record cold and a surge in heating demand, heating degree days were running significantly below normal into the outbreak of cold and have returned to normal which favor the bear camp in ULSD. Initial resistance is seen at \$2.6818 in March ULSD with a trade above \$2.70 an opportunity to

buy bear put spreads. Heating Oil positioning in the Commitments of Traders for the week ending January 16th showed Managed Money traders are net long 22,698 contracts after net selling 3,033 contracts. Non-Commercial & non-reportable traders reduced their net long position by 234 contracts to a net long 49,822 contracts.

NATURAL GAS: In retrospect, the natural gas market seemed to anticipate the polar vortex that hit the United States in the first half of January as prices ran up well ahead of the cold and with a warm-up through the end of the month it appears that the bull rally of the winter of 2024 has ended and has been reversed. However, both US and European gas trading open interest is up significantly to start 2024, and that has prompted talk of a major bottom in prices but without a major shift in physical supply statistics, prices are likely to remain under pressure. Since the early December low, US natural gas open interest has skyrocketed with European gas trading posting a 40% increase over year ago levels. The January 16th Commitments of Traders report showed Natural Gas Managed Money traders are net short 7,369 contracts after net buying 38,105 contracts. Non-Commercial & non-reportable traders reduced their net short position by 16,112 contracts to a net short 38,221 contracts. In the end, value at the early December low of \$2.098 is unlikely to hold today especially given the gap lower washout, a recent significant jump in European wind power generation and given less cold in the US forecast.

TODAY'S MARKET IDEAS:

As petroleum prices claw near the upper end of the last two months' trading ranges, we suggest traders prepare to enter bear put strategies. Certainly, residual strength in the US jobs market and the lingering potential for a material disruption of physical supply flow in the Middle East provides the bull camp with some ammunition. However, Chinese energy demand is in question, global oil in floating storage is rising and Libyan export flows have resumed! However, those looking to get short in the face of possible major supply disruption in the Middle East should utilize risk-defined bear put spreads.

NEW RECOMMENDATIONS:

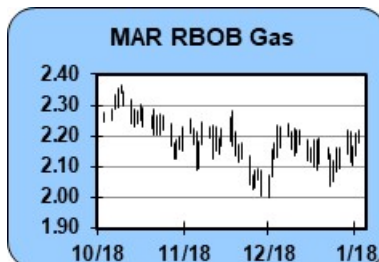
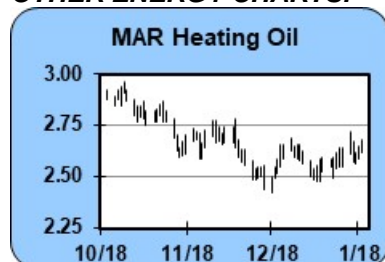
None.

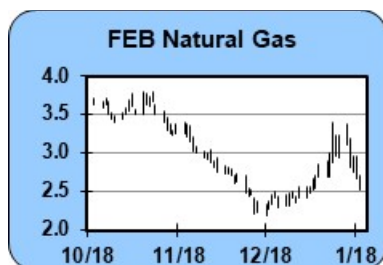
PREVIOUS RECOMMENDATIONS:

None.

Commitment of Traders - Futures and Options - 1/9/2024 - 1/16/2024						
	Non-Commercial			Commercial		Non-Reportable
	Net Position	Weekly Net Change	Net Position	Weekly Net Change	Net Position	Weekly Net Change
Energies						
Crude Oil	189,477	-8,025	-211,031	+5,661	21,555	+2,365
Heating Oil	30,996	-1,285	-49,821	+235	18,826	+1,051
Natural Gas	-55,532	+9,906	38,221	-16,112	17,311	+6,206
Gas (RBOB)	69,016	-3,243	-74,102	+2,890	5,085	+352

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) 01/22/2024: Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. The close above the 9-day moving average is a positive short-term indicator for trend. The downside closing price reversal on the daily chart is somewhat negative. With the close higher than the pivot swing number, the market is in a slightly bullish posture. The near-term upside objective is at 75.62. The next area of resistance is around 74.62 and 75.62, while 1st support hits today at 72.92 and below there at 72.21.

HEATING OIL (FEB) 01/22/2024: The major trend has turned down with the cross over back below the 60-day moving average. Stochastics are at mid-range but trending higher, which should reinforce a move higher if resistance levels are taken out. A positive signal for trend short-term was given on a close over the 9-bar moving average. The daily closing price reversal down is a negative indicator for prices. The market's close below the pivot swing number is a mildly negative setup. The next upside target is 274.66. The next area of resistance is around 270.13 and 274.66, while 1st support hits today at 263.43 and below there at 261.25.

RBOB GAS (FEB) 01/22/2024: Daily stochastics have risen into overbought territory which will tend to support reversal action if it occurs. The market's close above the 9-day moving average suggests the short-term trend remains positive. The downside closing price reversal on the daily chart is somewhat negative. The market has a slightly positive tilt with the close over the swing pivot. The near-term upside target is at 221.77. The next area of resistance is around 219.60 and 221.77, while 1st support hits today at 215.36 and below there at 213.28.

NATURAL GAS (FEB) 01/22/2024: The close below the 40-day moving average is an indication the longer-term trend has turned down. Declining momentum studies in the neutral zone will tend to reinforce lower price action. The market's short-term trend is negative as the close remains below the 9-day moving average. The market setup is somewhat negative with the close under the 1st swing support. The next downside target is now at 2.369. The next area of resistance is around 2.623 and 2.768, while 1st support hits today at 2.424 and below there at 2.369.

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	73.77	54.20	51.36	52.30	60.50	73.11	72.39	72.63	73.45	75.04
CLAH24	73.56	54.87	51.66	50.14	58.58	73.13	72.45	72.74	73.57	75.00
HOAG24	266.78	55.87	53.32	56.12	58.42	2.67	2.65	2.62	2.64	2.68
HOAH24	263.35	58.36	54.53	57.39	62.27	2.63	2.60	2.58	2.60	2.64
RBAG24	217.48	57.93	54.29	59.44	71.47	2.15	2.11	2.12	2.13	2.15
RBAH24	219.69	58.23	54.63	60.55	72.16	2.17	2.14	2.14	2.15	2.17
NGAG24	2.524	37.39	41.45	56.34	36.81	2.75	2.96	2.78	2.73	2.93
NGAH24	2.245	33.40	37.56	50.05	31.51	2.41	2.52	2.46	2.52	2.71

Calculations based on previous session. Data collected 01/19/2024
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	72.20	72.91	73.91	74.62	75.62
CLAH24	Crude Oil	72.04	72.74	73.68	74.38	75.32
HOAG24	Heating Oil	261.24	263.42	267.95	270.13	274.66
HOAH24	Heating Oil	258.35	260.38	264.28	266.31	270.21
RBAG24	RBOB Gas	213.27	215.35	217.52	219.60	221.77
RBAH24	RBOB Gas	215.55	217.59	219.74	221.78	223.92
NGAG24	Natural Gas	2.369	2.424	2.569	2.623	2.768
NGAH24	Natural Gas	2.108	2.155	2.288	2.335	2.468

Calculations based on previous session. Data collected 01/19/2024
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