



DAILY ENERGY COMPLEX COMMENTARY

Thursday January 25, 2024

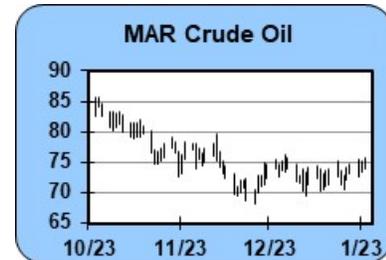
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1/25/2024

China stimulus & equity strength still sparking short covering

OVERNIGHT CHANGES THROUGH 6:06 AM (CT):
CRUDE +92, HEATING OIL +533, UNLEADED GAS +256

CRUDE OIL MARKET FUNDAMENTALS: The bull camp has extended its control this morning with an upside breakout and the highest trade since December 1st. The upside track is justified by improved energy demand views and supportive US supply information from the EIA yesterday. Not surprisingly, the outlook for the Chinese economy and therefore Chinese energy demand is improved with the government offering another stimulus package and Chinese equities posting gains between 2% and 3% today. Adding into the bullish track is yesterday's larger than expected outflow of EIA crude oil inventories especially with the year over year deficit approaching 28 million barrels. With the upside breakout it goes without saying that technical action remains positive in crude oil with the market extending the pattern of higher lows and higher highs and the March contract reaching the highest level since the end of November. Once again, the weekly EIA report was a mixed bag for the petroleum complex with another large crude oil stock decline lifting crude oil prices. However, the net takeaway from the weekly EIA report was bearish to the products and could eventually be bearish toward crude oil as product inventories continue to surge to excessive levels. In other words, the US refinery operating rate and refinery margins are destined to narrow which in turn should temper the buildup of excess product supply next month. The US Operating rate was artificially knocked sharply lower (-7.1%) from extreme cold which resulted in a 15% outage of Gulf Coast refinery activity, and that in turn could mean crude supplies next week could rebound sharply. However, generally positive macroeconomic sentiment remains in place, technical signals have shifted positive with the latest higher high and because of a Citi forecast of \$90 oil overnight off predictions of a Middle East supply disruption. On the other hand, implied volatility in crude oil markets has reached four-month lows and open interest has not jumped significantly on the January rally. In fact, open interest currently sits at 1.66 million contracts versus 1.79 million contracts into the September high. EIA crude stocks fell 9.233 million barrels and are 27.870 million barrels below year ago levels. Also, crude stocks stand at 24.208 million barrels below the five-year average. Crude oil imports for the week stood at 5.58 million barrels per day compared to 7.420 million barrels the previous week. The refinery operating rate was 85.5%, down 7.1% from last week compared to 86.1% last year and the five-year average of 87.9%. Fundamental improvements in supply and demand leave the bull camp with an edge while the historically low net spec and fund long positioning in crude oil should provide ongoing speculative buying fuel especially with the late December high of \$76.31 taken out this morning.



PRODUCT MARKET FUNDAMENTALS: Unfortunately for the bull camp, EIA gasoline stocks yesterday reached the highest level since February 2021 following this week's large injection to inventories which adds to the already bearish overhang in place over the last several months! Fortunately for the bull camp, the US refinery operating rate fell 7.1% due to refinery closures along the Gulf Coast as that could temper what has become an extreme buildup of gasoline supplies. Another potential supportive development for the coming weeks is an increase in US refinery maintenance and a fire at a Russian black Sea facility. With EIA implied gasoline demand coming in below week ago and below year ago levels, the bear case is also supported by the demand side of the equation. EIA gasoline stocks rose 4.912 million barrels and are 20.955 million barrels above last year and 4.016 million above the five-year average. Average total gasoline demand for the past four weeks was up 3.7% compared to last year. Gasoline imports came in at 628,000 barrels per day compared to 549,000 barrels the previous week. In conclusion, the gasoline market does not have the bullish fundamentals to climb in complete sync with crude oil and will need very definitive risk on optimism to extend the last three weeks upward channel. Uptrend channel

support in March gasoline today is \$2.2430 with initial resistance at \$2.2715. With EIA distillate and diesel stocks falling more than expected, year-over-year surplus inventory levels declining, and implied distillate demand above the previous week, the diesel market has a better fundamental look than gasoline. Furthermore, with the upside breakout in diesel prices this morning the diesel market has stronger technical signals than gasoline. Unfortunately for the bull camp, maintaining the upward track in ULSS is difficult with the near-term US temperature forecast favoring the bear camp. EIA distillate stocks fell 1.417 million barrels and stand at 18.066 million barrels above last year and 5.167 million below the five-year average. Distillate imports came in at 201,000 barrels per day compared to 115,000 barrels the previous week. Average total distillate demand for the past four weeks was down 6.91% compared to last year. Uptrend channel support in March diesel today is \$2.6690 with initial resistance today at \$2.74.

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
1/19/2024	420.678	-9.233	-27.870	444.886	5.580	85.5	
DISTILLATES		Stocks			Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
1/19/2024	133.336	-1.417	+18.066	138.503		3.784	
GASOLINE		Stocks			Imports	Demand	
Week Of	Current	Weekly Change	Yearly Change	5 Year Average	Current	Current	Year Ago
1/19/2024	252.977	+4.912	+20.955	248.961	0.628	7.880	

NATURAL GAS: The short covering track has extended in natural gas this morning despite several negative headlines regarding the Chinese LNG market. In addition to Russia projecting 2024 gas pipeline exports to expand sharply the trade sees the Russian share of exports to China increasing again. Obviously, several Chinese stimulus efforts have improved Chinese commodity demand prospects this year. So far this week, the trading range in natural gas has been extremely narrow with reports from the gas market in Europe of implied volatilities falling to the low levels seen prior to the start of the Ukraine war. While further short covering might be seen, mild temperatures through the end of the month in the US certainly leaves the bear camp confident especially with prices up and away from the recent low and many traders not expecting a surprise from the weekly EIA working gas in storage report later today. In our opinion, a larger than expected withdrawal might lift prices slightly, while a smaller than expected injection will likely throw prices quickly back to the recent low.

TODAY'S MARKET IDEAS:

Surprisingly, the bull camp maintains an edge throughout the petroleum markets despite divergent supply fundamentals between crude oil and the product markets from this week's inventory reports. Apparently, tightening crude oil stocks has allowed the product markets to trade opposite of their bearish supply fundamentals, perhaps because of a 15% idling of US refinery capacity last week which is likely to result in some supply tightening next week. In the end, the bias is up, from improved global energy demand hopes surfacing from improving global economic vibes. However, we are adverse to the current risk and reward set up of the long side at this morning's highs.

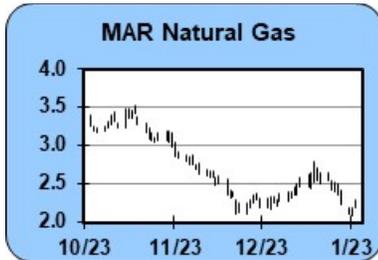
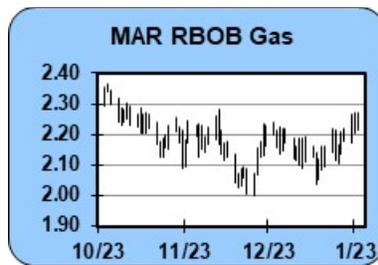
NEW RECOMMENDATIONS:

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 (MAR) 01/25/2024: The cross over and close above the 60-day moving average indicates the longer-term trend has turned up. Rising stochastics at overbought levels warrant some caution for bulls. The close above the 9-day moving average is a positive short-term indicator for trend. The market setup is supportive for early gains with the close over the 1st swing resistance. The next upside target is 77.02. The next area of resistance is around 76.32 and 77.02, while 1st support hits today at 74.44 and below there at 73.25.

HEATING OIL (MAR) 01/25/2024: 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 could take on a defensive posture with the daily closing price reversal down. The close over the pivot swing is a somewhat positive setup. The next upside objective is 271.53. The next area of resistance is around 268.81 and 271.53, while 1st support hits today at 263.51 and below there at 260.94.

RBOB GAS (MAR) 01/25/2024: Momentum studies are trending higher but have entered overbought levels. The close above the 9-day moving average is a positive short-term indicator for trend. It is a mildly bullish indicator that the market closed over the pivot swing number. The near-term upside objective is at 230.15. The next area of resistance is around 227.43 and 230.15, while 1st support hits today at 221.72 and below there at 218.72.

NATURAL GAS (MAR) 01/25/2024: Daily stochastics are trending lower but have declined into oversold territory. The close below the 9-day moving average is a negative short-term indicator for trend. The market's close above the 2nd swing resistance number is a bullish indication. The next downside target is 2.166. The next area of resistance is around 2.334 and 2.359, while 1st support hits today at 2.238 and below there at 2.166.

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										
CLAH24	75.38	62.59	57.11	66.64	78.19	74.44	73.51	72.77	73.49	74.65
CLAJ24	75.27	60.75	55.89	64.65	75.69	74.26	73.44	72.78	73.54	74.60

HOAH24	266.15	60.47	56.34	66.07	70.81	2.65	2.63	2.59	2.60	2.63
HOAJ24	260.58	60.90	56.28	67.89	74.17	2.59	2.57	2.53	2.55	2.58
RBAH24	224.58	63.14	58.85	76.45	83.93	2.23	2.19	2.15	2.15	2.17
RBAJ24	245.12	65.13	60.27	77.87	85.22	2.43	2.39	2.35	2.35	2.36
NGAH24	2.286	42.84	42.98	28.99	21.62	2.21	2.37	2.44	2.46	2.66
NGAJ24	2.300	44.07	44.10	31.43	23.76	2.23	2.37	2.42	2.44	2.60

Calculations based on previous session. Data collected 01/24/2024

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						
CLAH24	Crude Oil	73.24	74.43	75.13	76.32	77.02
CLAJ24	Crude Oil	73.17	74.34	75.02	76.19	76.87
HOAH24	Heating Oil	260.93	263.51	266.23	268.81	271.53
HOAJ24	Heating Oil	255.45	258.04	260.52	263.11	265.59
RBAH24	RBOB Gas	218.71	221.71	224.43	227.43	230.15
RBAJ24	RBOB Gas	239.01	242.22	244.80	248.01	250.59
NGAH24	Natural Gas	2.165	2.237	2.262	2.334	2.359
NGAJ24	Natural Gas	2.191	2.256	2.278	2.343	2.365

Calculations based on previous session. Data collected 01/24/2024

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