

THE SCHORK REPORT

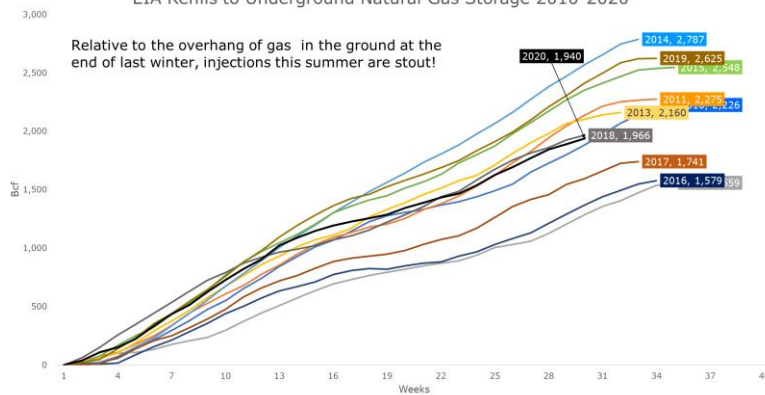


FUNDAMENTAL + TECHNICAL ANALYSIS OF THE ENERGY MARKETS

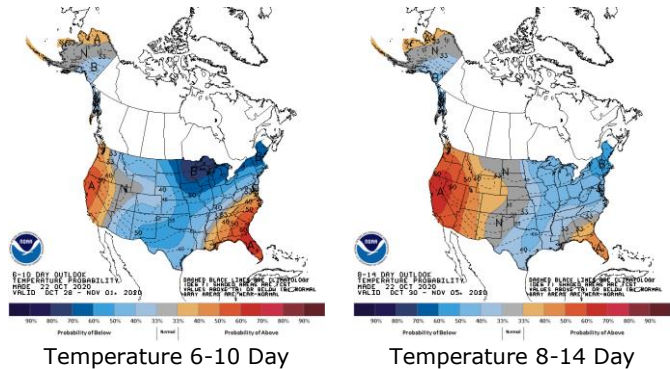
Friday, October 23, 2020

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EIA Refills to Underground Natural Gas Storage 2010-2020

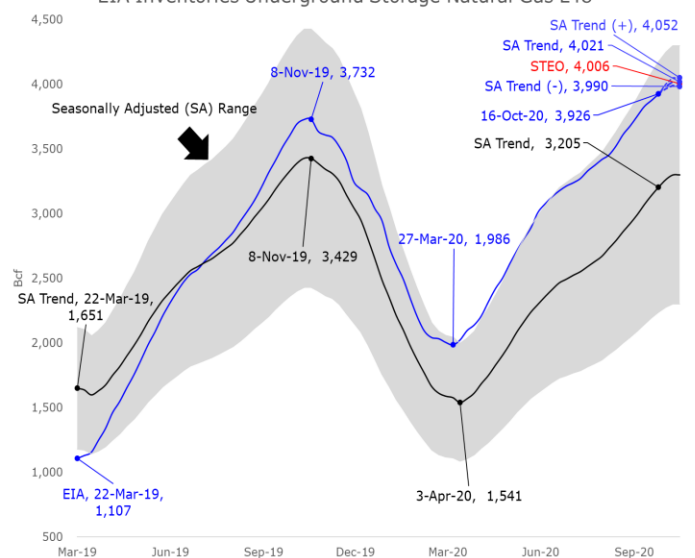


NOAA Outlook



Nota Bene: Over 65 million and counting. For the week ended October 17th, the number of Americans filing for first-time unemployment benefits was 787,000, down from the prior week's 842,000 claims. This was the second fewest number of claims since diktats from the states shut the economy down in March. Cumulative claims are now up to 65.2 million. Prior to this miserable stretch, it took 268 weeks (from January 31st, 2015 to March 14th, 2019) for cumulative claims to hit this grim milestone. On a positive note, the number of continuing claims came in at the lowest level, 8.37 million, in seven months.

EIA Inventories Underground Storage Natural Gas L48



EIA Natural Gas Review

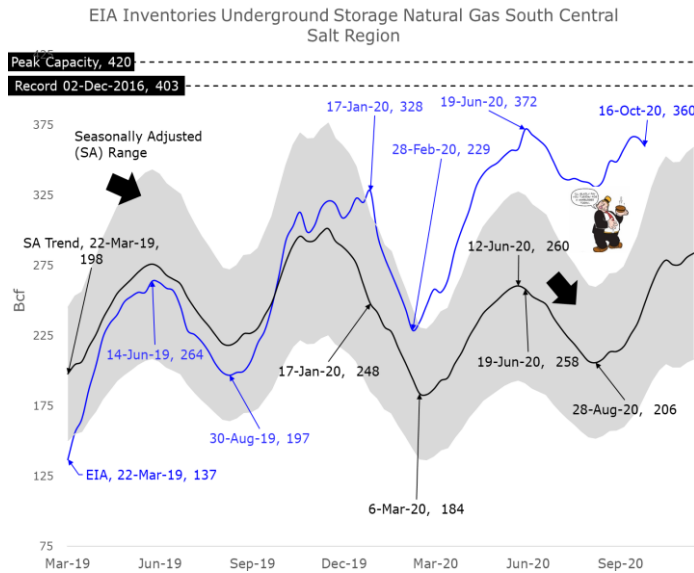
Yesterday, the EIA reported the 29th addition of natural gas into underground storage of the season. As of October 16th, a smallish 49 Bcf was injected. This report was undoubtedly impacted by disruptions to production and LNG shipments stemming from Hurricane Delta. The five-year average (interpolated) for this report is 75 Bcf and the seasonally adjusted injection is 63 ±20 Bcf. The consensus on the surveys from The Desk, Reuters, and Bloomberg were all in the low 50s Bcf, we were at 52 Bcf. Total underground storage for the Lower 48 climbed to 3.926 Tcf. Refills for this summer are veering onto the

Omnium Gatherum

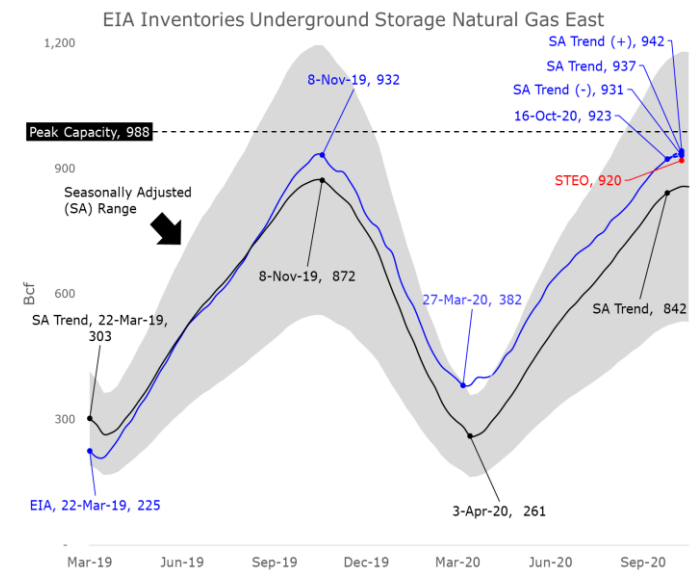
PRICES WERE FLAT YESTERDAY... NYMEX WTI for December delivery traded below \$40/b for a second straight session but managed to scramble to a \$40.64 close. Following Wednesday's \$3.023/MMBtu close, NYMEX November gas settled yesterday at \$3.007. This is the first time since **September 2016** that November 2020 gas settled above \$3.00 on back-to-back sessions.

off ramp and the market has replaced 111% of the gas that was delivered last winter.

As you would expect, the Salt Region bore the brunt of shut-ins from Hurricane Delta. Inventories fell from a 14-week high of 366 Bcf to 360 Bcf. This is abnormal, i.e. for the middle of October you normally see an injection in the range of 10 Bcf to 17 Bcf. Nevertheless, gas in the salts is brimming.



This summer's injection is 44% greater than last summer's injection and the market has replaced 142% of the gas that was delivered last winter. Over the last five weeks, *Wimpy*—utilities in the northern latitudes—have repaid 29 Bcf of the 41 Bcf of gas that he *borrowed* through the dog days.



Storage in the Midwest and East is stacked. The Midwest reported a solid 24 Bcf injection. A total of 630 Bcf has been injected to date, which is within 3.1% of the seasonal baseline. Thus far, 99% of last winter's delivery has been replaced. Storage stands at 1.105 Tcf and remains on pace to finish the season above the EIA's (STEO) upwardly revised forecast of 1.129 Tcf.

The East reported a nice 15 Bcf injection—the seasonal norm is 14 ±5 Bcf. Inventories climbed to 923 Bcf. To date, 541 Bcf has been injected this season. In return, 98% of last winter's delivery has been replaced. **Storage is now above the EIA's 920 Bcf end-of-season forecast.**

For next week's report (EIA week ended October 23rd), the typical injection is 57 ±18 Bcf and the five-year average is 67 Bcf. Cleared futures on the ICE for this report are bid at 46 Bcf and offered at 49 Bcf. For the following week (October 30th), the bid is 35 Bcf, offer 41 Bcf, while for the next report (November 06th) the bid is flat, offer 6 Bcf. **These market's notwithstanding, we have noticed a lot of chatter that next week's report will be the last injection of the season.** Of course, this just might be derivative of bulls *talking their books*, but regardless of this posturing, it deserves your attention.

The abundance of gas in the ground notwithstanding, the bulls have wrested control of the NYMEX Henry Hub futures market. For instance, on Wednesday of this week, spot gas on the NYMEX closed above the \$3 threshold for the first time since January 25th, 2019. Further out along the curve, the 2020-21 Winter Strip posted a **52-week high** of \$3.315/ MMBtu this past Wednesday. On the same day, the Summer Strip for 2021 peaked at a 52-week high of \$3.004/MMBtu. **This is the first time since September 2016 that summer 2021 gas traded above \$3.00/MMBtu.**

Over the last several weeks we have commented that the prospects of heading into this winter with a record amount of storage set the table for weakness on the front-end of the NYMEX curve. However, this weakness has thus far failed to materialize. Over the last week, the premium on winter gas to next summer grew on average by 0.67% with winter peaking on Wednesday at seven-session high of \$0.311. **This kind of strength cannot be ignored.**

