

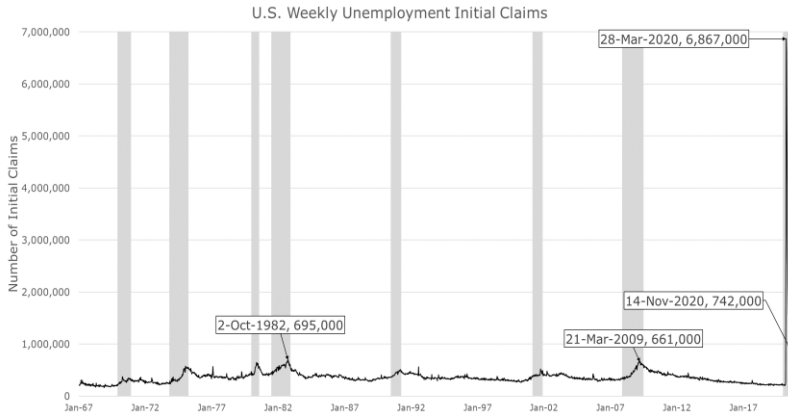
# THE SCHORK REPORT



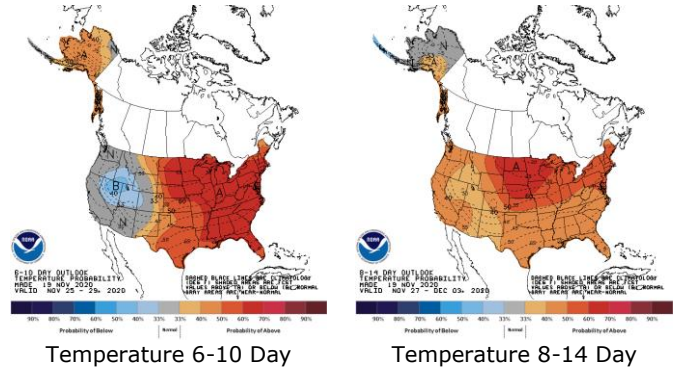
FUNDAMENTAL + TECHNICAL ANALYSIS OF THE ENERGY MARKETS

Friday, November 20, 2020

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## NOAA Outlook



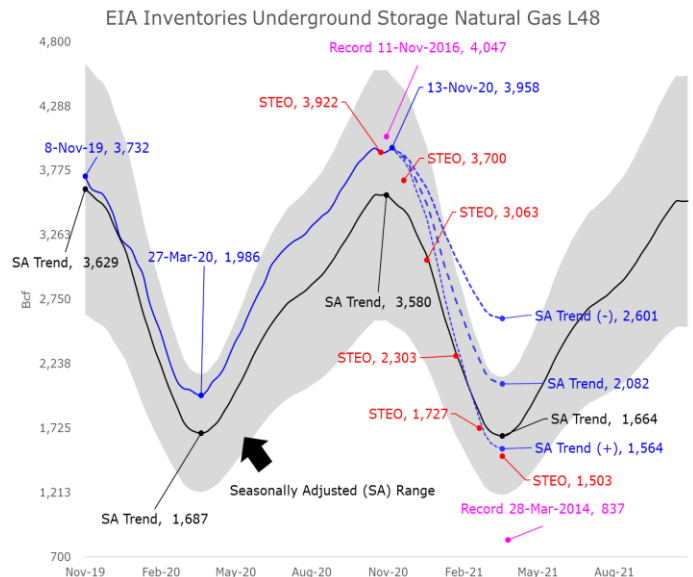
## EIA Natural Gas Review A Clear and Present Danger for Bulls

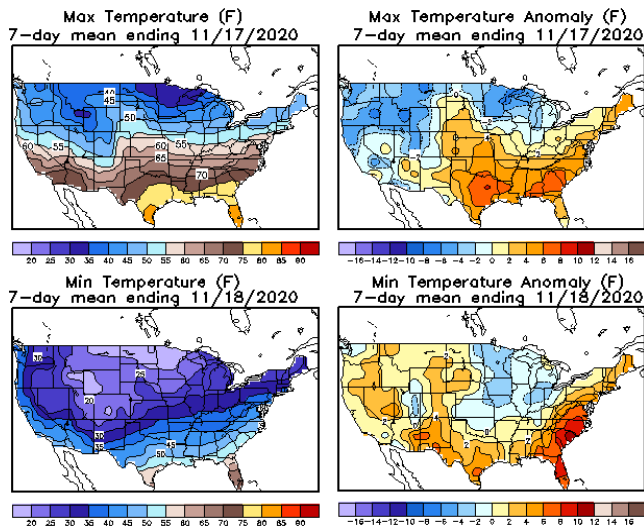
**Nota Bene:** Over 68 million and rising. For the week ended November 14<sup>th</sup>, the number of Americans filing for first-time unemployment benefits rose from a nine-month low of 711,000 to 742,000. Since diktats from the states shuttered the economy back in March, a total of 68.2 million claims have been processed. Who says the government is not efficient? It only took nine months to create 68 million claims, whereas prior to this wretched stretch, it took the market more than five years to sum 68 million.

Yesterday, the EIA reported a countercyclical injection of natural gas into underground storage. As of November 13<sup>th</sup>, a massive 31 Bcf was added to L48 stocks. The typical movement for this part of the month is a delivery of  $-40 \pm 11$  Bcf, while the five-year average (interpolated) is a delivery of -24 Bcf. Given last week's abnormally warm temps in the northern latitudes, an injection was expected, albeit not as massive as 31 Bcf. The consensus surveys ranged from a 22 Bcf injection on Reuters, down to a 10 Bcf injection on Dow Jones. Yikes!

## Omnium Gatherum

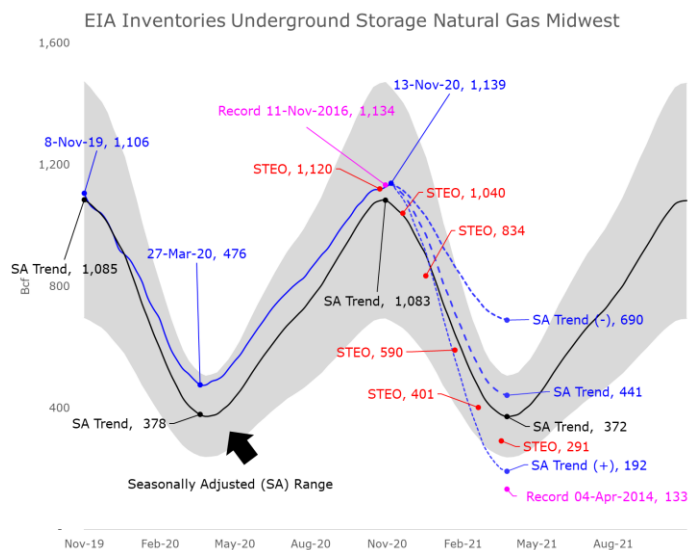
PRICES WERE WEAK YESTERDAY... NYMEX natural gas for December 2020 delivery tanked prior to the release of the EIA report. The market rallied after the report's release—in spite of a much larger than expected addition to underground storage for last week—but, the market still finished 12 cents lower at an eight-month low. The penultimate WTI contract for December 2020 closed lower for the first time this week.





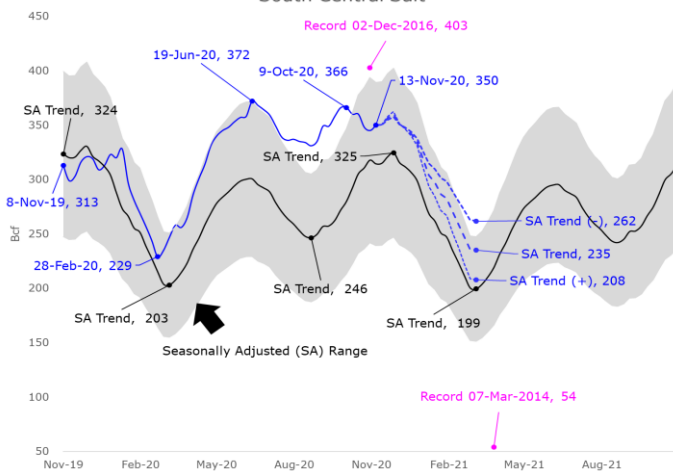
**Over the last seven days, heating demand has not been exactly November-esque!**

As of last Friday, storage climbed to a refill-season high of 3.958 Tcf... 89 Bcf shy of the all-time high of 4.047 Tcf from the week of November 11<sup>th</sup>, 2016. As far as next week's report is concerned (EIA week ended November 20<sup>th</sup>) it looks like it is going to be another supremely bearish one. Cleared futures on ICE are bid at a 15 Bcf injection, offered at a 25 Bcf injection! The typical move is a delivery of -45 ±12 Bcf, the five-year average is a delivery of -37 Bcf!



Storage in the Midwest and East is stacked. The Midwest reported a countercyclical injection of 12 Bcf. You normally expect a 13 ±5 Bcf delivery for this report. A total of 664 Bcf has been injected this season, which is within 7% of the seasonal baseline. To date, 105% of last winter's delivery has been replaced. **Storage now stands at an all-time high of 1.139 Tcf, 5 Bcf greater than the previous record from the week ended November 11<sup>th</sup>, 2016.** Storage is also above the EIA's forecast for the month of October of 1.120 Tcf.

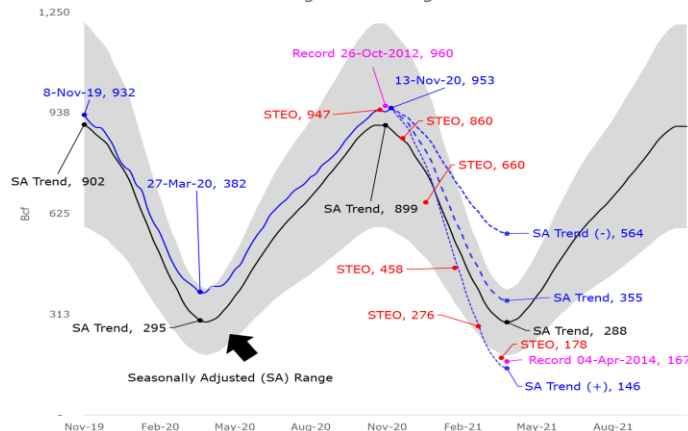
EIA Inventories Underground Storage Natural Gas South Central Salt



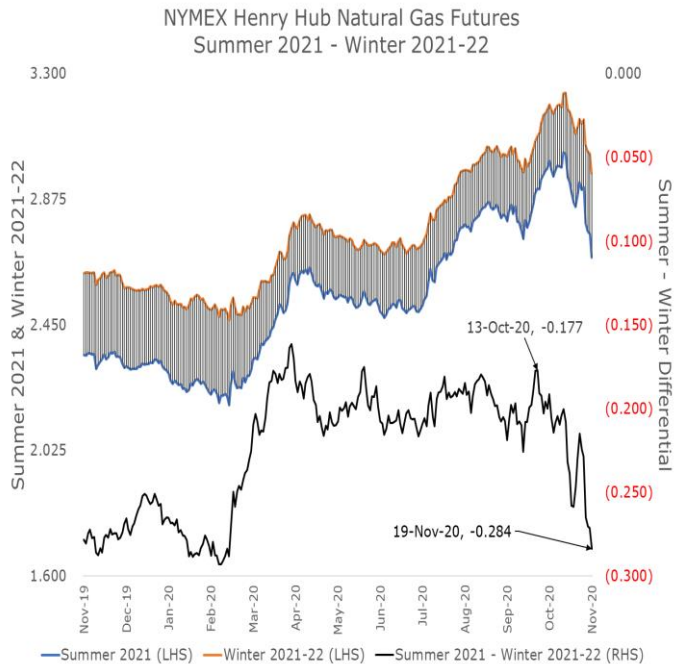
After three deliveries and two no changes, the Salt Region injected gas for the first time since the week ended October 02<sup>nd</sup>. As of last Friday, storage rose by 5 Bcf to 350 Bcf. The seasonally adjusted norm for last week was a 3 ±1 Bcf injection. Keep in mind that it is not uncommon to see injections in this market area through the first week of December. The surplus to a year ago rose for the first time in nine weeks, rising 19 Bcf to 51 Bcf or 17%.

The East also reported a countercyclical addition. A total of 11 Bcf was injected, one week after the first delivery (5 Bcf) was reported. The seasonal norm is 13 ±5 Bcf delivery. Inventories climbed to 953 Bcf. To date, 571 Bcf has been injected this season. In return, 104% of last winter's delivery has been replaced. The year-over-year surplus rose by 34 Bcf to 44 Bcf, a seven-week high. **Storage is within 7 Bcf of the 960 Bcf record from the week of October 26<sup>th</sup>, 2012** and is 6 Bcf above the EIA's latest forecast for the month of October.

EIA Inventories Underground Storage Natural Gas East

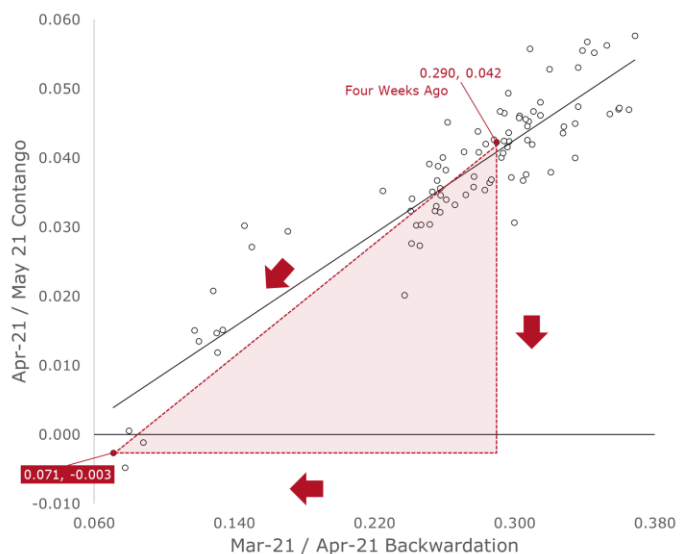
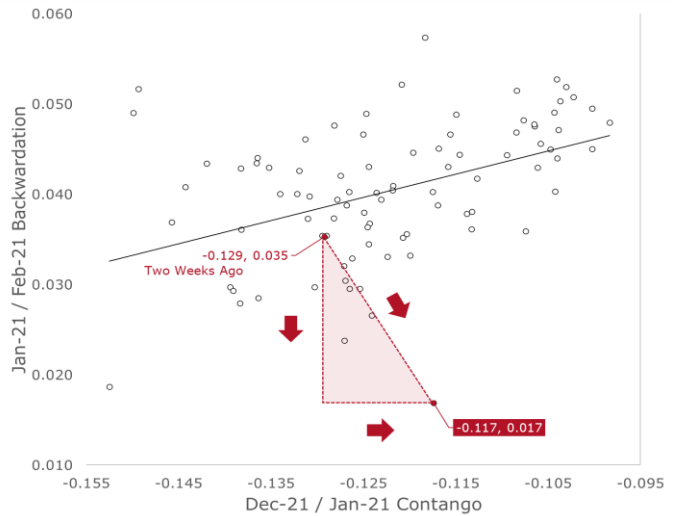


The NYMEX summer strip for 2021 peaked at a 52-week high of \$3.033/MMBtu at the end of last month on Friday, October 30<sup>th</sup>. Over the last two weeks, **the market has trended bearish**, shrinking on average by -0.48% per session. Yesterday, the strip settled at a three-month low of \$2.679.



Gas for next winter has also faded over the last two weeks. The NYMEX 2021-22 winter strip peaked at the beginning of this month on Monday, November 02<sup>nd</sup>, at a 52-week high of \$3.236/MMBtu. Over the last two weeks, **the market has trended bearish**, shrinking on average by -0.34% per session. Yesterday, the strip settled at a three-month low of \$2.963.

In return, the trend in the discount (contango) on summer gas to next winter has grown over the last two weeks by 1.39% per session, rising from -\$0.221/MMBtu to -\$0.253/MMBtu. Therefore, the market continues to signal ample supply by virtue of the growth in the summer 2021 discount to the following winter. This is a bearish thing.



### This is Not the Start Bulls Were Hoping For

A countercyclical addition to underground storage in the second week of November, along with a potential addition in the third week of November is not what bulls need right now. The NYMEX's three main winter contracts (December 2020, January 2021, and February 2021) are therefore trading accordingly. Over the last two weeks, the trend in the contango on December 2020 gas to the January 2021 contract narrowed by 9% but, the trend in the backwardation in January 2021 to February 2021 has been cut in half. Further out along the curve, the backwardation in the end-of-season March 2021 to April 2021 spread has plunged by 75% over the last four weeks. **This is a clear and present bearish telltale.**

