

THE SCHORK REPORT

FUNDAMENTAL + TECHNICAL ANALYSIS OF THE ENERGY MARKETS



Friday, November 6, 2020

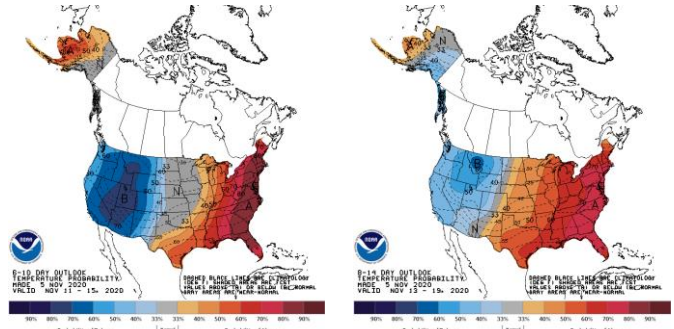
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Caddyshack <https://www.imdb.com/title/tt0080487/>

Well? We're Waiting

NOAA Outlook



Temperature 6-10 Day

Temperature 8-14 Day

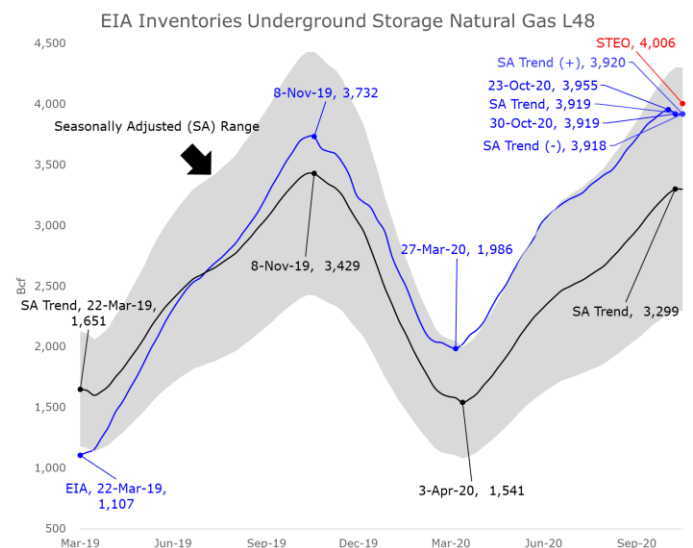
Note Bene: A national disgrace. The wealthiest, country in the world. For crying out loud, the country that invented the [programable computer](#) cannot compute votes. Three days later, [Ladbrokes](#) has Biden at a 1/17 favorite (94% chance) and Trump at a 7/1 dog (13% chance).

Omnium Gatherum

PRICES WERE WEAK YESTERDAY... NYMEX WTI for December faded a seven-session intraday high print of 39.35 and settled 36 cents lower at 38.79. NYMEX natural gas for December shrugged off the season's first delivery of gas from L48 underground storage and closed below the \$3/MMBtu threshold for the first time in five weeks.

EIA Natural Gas Review

Yesterday, the EIA reported the first delivery of natural gas from underground storage of the season. As of October 30th, a massive -36 Bcf was withdrawn out of the L48. This delivery pulled storage down to 3.919 Tcf. Remember that the typical movement for the final week of October is a 37 ±12 Bcf injection and the five-year mean (interpolated) is a 52 Bcf injection. Thus, last week's delivery was not only countercyclical, but it was also huge. For instance, the consensus on the survey from The Desk was a -29 Bcf delivery and the Reuters survey average was -26 Bcf delivery. We were at -25 Bcf. Doh!



With cooling demand expected to dissipate, injections for this season are not necessarily over. The early guess for next week's report ranges from a -20 Bcf delivery to a 5 Bcf injection. However, an injection of 5 Bcf appears overly enthusiastic. For instance, on the ICE, EIA futures are bid at a -30 Bcf delivery and offered at a -25 Bcf delivery. Looking out to the following report (week ended November 13th) the ICE market is bid at a -2 Bcf delivery, offered at an 8 Bcf injection. The report after this (week ended November 20th) is bid at a 5 Bcf injection, offered at a 42 Bcf injection!

Nevertheless, total L48 underground storage has peaked for the year. Therefore, we have started the heating season with 3.955 Tcf in the ground. This is a lot of gas but, it is short of the >4.0 Tcf record that appeared assured just a few weeks ago.

The Salt Region stole the show in yesterday's report. Land and offshore markets around the Gulf of Mexico are reeling from constant disruptions due to unprecedented tropical weather activity this season. As we noted here last week... "With Zeta working its way through the Gulf this week and the potential of yet another system forming next week (Hurricane Eta?), forecasting the Salts will be a crap shoot over the next couple of weeks".

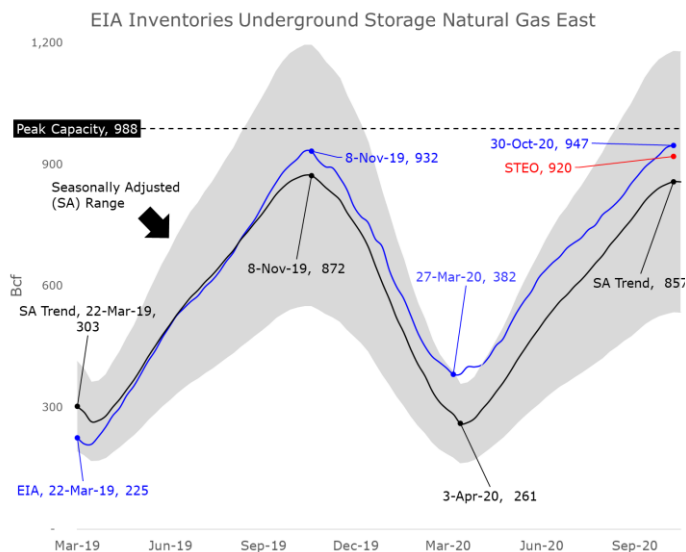
Indeed. The seasonally adjusted norm for last week was an 11 ±3 Bcf injection, whereas the EIA reported a 12 Bcf delivery. For the entire South Central market area (Salt and Nonsalt), a massive 36 Bcf of gas was delivered... as opposed to the seasonal norm of a 17 ±5 Bcf injection.

Meanwhile, Eta has pulled a U-turn and is now backtracking towards the Florida Keys and is expected to enter the Gulf next week. The system currently does not appear to be much of a threat but, it bears watching. As is such, forecast the Salts will continue to be a crap shoot for the next several reports.

Last week's delivery notwithstanding, gas in the Salts stands at 348 Bcf which is 14.9% above a year ago and 1.0% above-normal.

Storage in the Midwest and East is stacked. The Midwest reported a small 1 Bcf injection. A total of 644 Bcf has been injected this season, which is within 6% of the seasonal baseline. To date, 102% of last winter's delivery has been replaced. Storage stands at a solid 1.119 Tcf for this winter. In its latest STEO, the EIA forecast for end-of-season storage was 1.129 Tcf.

The East reported a solid 6 Bcf injection—the seasonal norm is 6 ±3 Bcf. Inventories climbed to 947 Bcf. To date, 565 Bcf has been injected this season. In return, 103% of last winter's delivery has been replaced. Storage is now 1.6% greater than a year ago, 10.5% above the seasonally adjusted baseline and 27 Bcf above the EIA's 920 Bcf end-of-season forecast.



Bulls Have Had a Nice Run but, All Things Must Pass

The NYMEX Summer Strip for 2021 has grown on average by 0.18% over the last two weeks. This market also peaked at a 52-week high of \$3.033/MMBtu at the start of this week. Summer gas is also now consistently trading above the \$3.000/MMBtu threshold for the first time since September 2016.

The strip for next winter (Winter 2021-22) has recently outgained the Summer 2021 strip, rising on average by 0.24% per day over the last two weeks. This market peaked at its own 52-week high of \$3.236/MMBtu on Monday of this week.

Gas for next summer and the following winter set new 52-week highs this week. These new heights notwithstanding, market bulls are starting to show signs of exhaustion. Over the last two weeks, the bullish momentum in summer 2021 gas has trailed the momentum in winter 2021-22. Therefore, the discount (contango) on summer gas to next winter has been growing on average by 1.06% and is now trading around levels (-\$0.213/MMBtu) not seen since the end of summer.

Whenever a contango grows, it is sign of a well-supplied market, i.e. it is not a bullish signal.

