

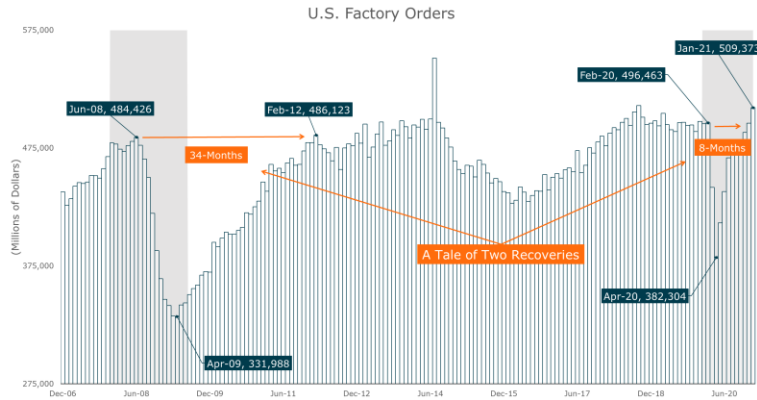
THE SCHORK REPORT



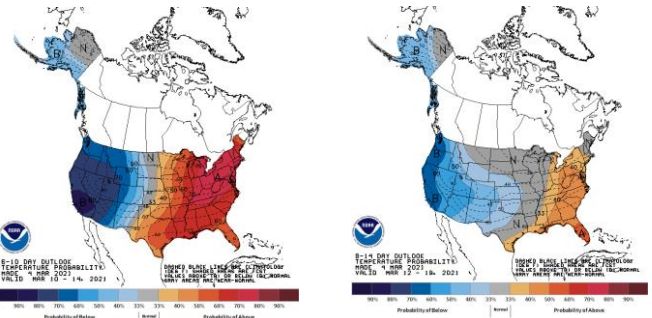
FUNDAMENTAL + TECHNICAL ANALYSIS OF THE ENERGY MARKETS

Friday, March 05, 2021

www.schorkgroup.com



NOAA Outlook



Temperature 6-10 Day

Temperature 8-14 Day

Omnium Gatherum

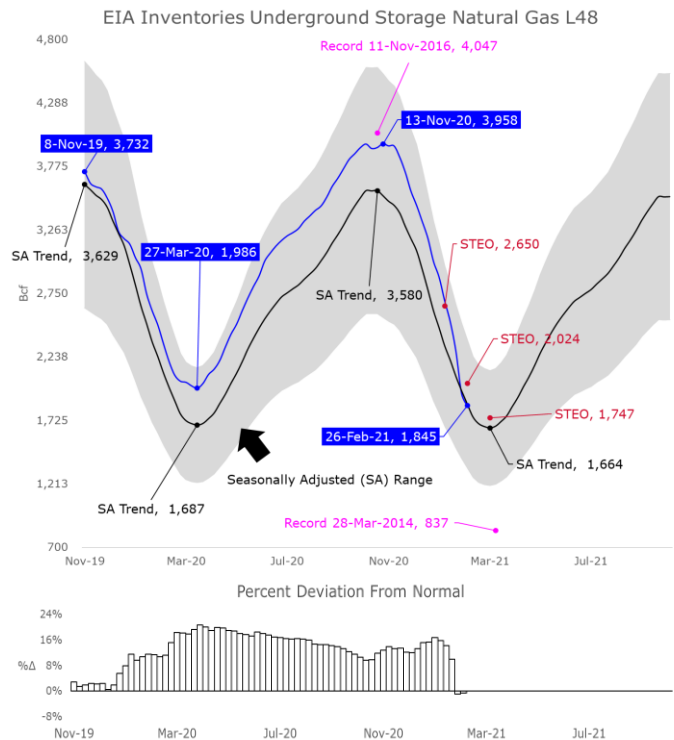
PRICES WERE MIXED YESTERDAY... NYMEX natty for April crashed to the Fibonacci 50% retracement line of 2.684 and closed down 7 cents. Oil markets surged after the Saudis sent a clear [message](#) that they are not happy with Biden's [overtures](#) to Iran. WTI bottomed 16 cents below our model's 60.68 first weekly support and rallied to close within 16 cents of our 63.99 first monthly resistance.

Note Bene: U.S. Factory orders rose for a ninth straight month, surging by 2.6% in January to a 28-month high of \$509.4 billion. After cratering in April 2020, it has taken the market a mere eight months to recover; this is amazing. For comparison sake, after cratering in April 2009 in the depths of the Great Recession, it took 34 months—until February 2012—for the smokestack economy to recover.

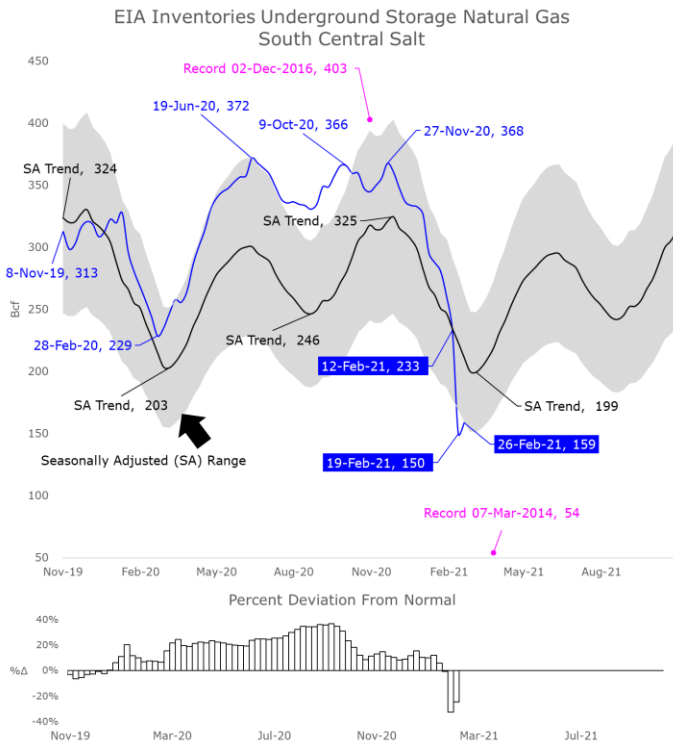
EIA Natural Gas Review

Yesterday the EIA reported an inexplicable delivery of -98 Bcf from L48 underground storage, one week after reporting the second largest delivery, -338 Bcf, on record. The last two EIA updates have of course been skewed by the collapse in ERCOT during last month's ice storms.

The typical delivery for this report is -106 ±30 Bcf. Therefore, in the abstract last week's delivery is as normal as it gets. However, heading into the report, ICE storage futures were bid at -139 Bcf, offered at -125 Bcf and the consensus surveys ranged from -136 Bcf on Reuters to -144 Bcf on Dow Jones. This is one of the biggest misses—if not the biggest miss—by the cognoscenti that we can ever recall.



This season's hitherto delivery is a large 2.113 Tcf which is 15% above the five-year mean, 23% above the seasonally adjusted time series, and 29% above last year's weather/COVID-19 addled pace. After yesterday's report, we calculate a 10% probability (odd of 9-to-1) of ending winter at/above the EIA's forecast of 1.747 Tcf. ICE end-of-season storage futures were last bid at 1.575 Tcf, we calculate at 36% probability (odds of 9-to-5) of ending winter at/above this level.



One week after reporting a colossal 83 Bcf delivery (232% greater than the previous record) out of the Salts (South Central Region), the EIA yesterday reported the first injection, 9 Bcf, since November. As a result, the year-over-year deficit, which quadrupled to 94 Bcf or -39% after last week's update, narrowed by 24 Bcf to 70 Bcf or -31%. As illustrated, even with last week's injection, storage is still outside, albeit slightly, the range of the seasonally adjusted time series.

In the Nonsalt Region, the EIA reported a 9 Bcf delivery. So, one week after reporting a 156 Bcf—5x the seasonal norm—in the entire South Central market area, yesterday the EIA reported unchanged! The deficit to the seasonally adjusted trendline for the entire market improved by 358 basis points from -10.69% to -7.11%. This area began the season with at 23.23% surplus to the trendline, so this has been a big winter.

Storage in the Midwest fell by a normal 43 Bcf as Midwesterners turned down their thermostats. Last week, temperatures in the Chicago market area nearly trebled to a normal mean of 32°F. As a result, heating degree

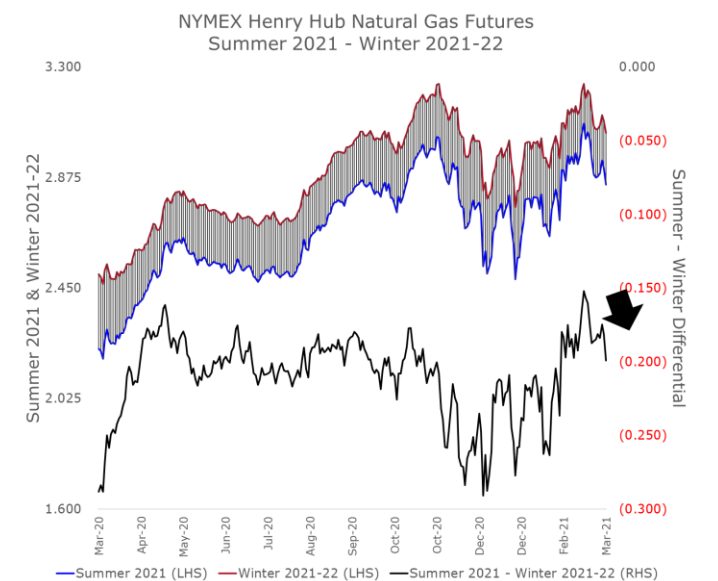
days fell by 38%. At the end of January, season-to-date heating degree days for Chicagoland were 13% below normal. As of last week, degree days were 2% below normal. This season's cumulative delivery of 674 Bcf is 6% greater than the five-year mean, 10% above the seasonally adjusted trendline, and 22% above a year ago.

In the East, storage dropped by a firm 41 Bcf to 383 Bcf. The year-over-year deficit increase by 8 Bcf to 68 Bcf (-15%). The season-to-date delivery of 570 Bcf is 8% above the five-year average, 12% above the seasonal trend and 19% greater than a year ago.

The typical delivery for next week's report is -104 ± 29 Bcf.

Our 50/50 line on the end-of-season balance of L48 underground natural gas storage improved from 1.434 Tcf to 1.574 Tcf.

This was a neutral report but, given the consensus miss, the report was traded bearishly on the NYMEX.



After rallying over the last five-weeks, summer 2021 gas on the NYMEX is once again slipping against next winter.

The term structure of any commodity reflects the market's perception of scarcity. Markets in which scarcity is high—i.e. fewer goods are available to meet demand—will trade in backwardation as the market bids up the front-end of the curve.

On the other hand, when scarcity is low, the market shifts to contango as the bid on the front-end eases. Therefore a contango, especially a contango that is growing, as is the current case with gas, is a telltale of diminished supply concerns. It is a bearish thing.

