

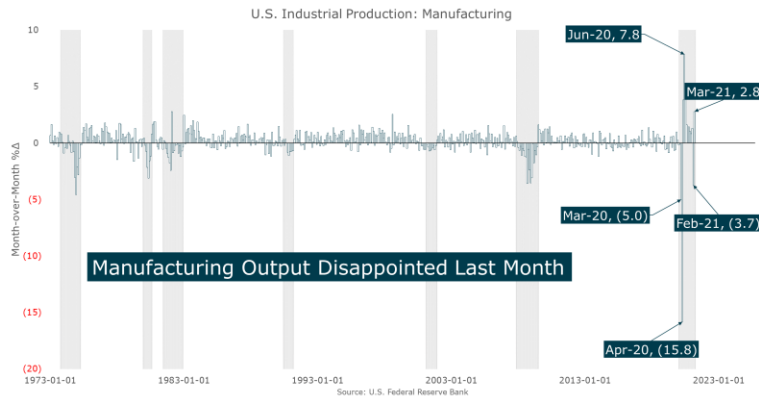
# THE SCHORK REPORT



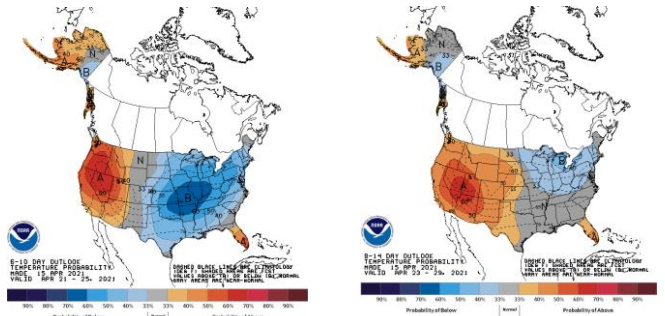
FUNDAMENTAL + TECHNICAL ANALYSIS OF THE ENERGY MARKETS

Friday, April 16, 2021

[www.schorkgroup.com](http://www.schorkgroup.com)



## NOAA Outlook



Temperature 6-10 Day

Temperature 8-14 Day

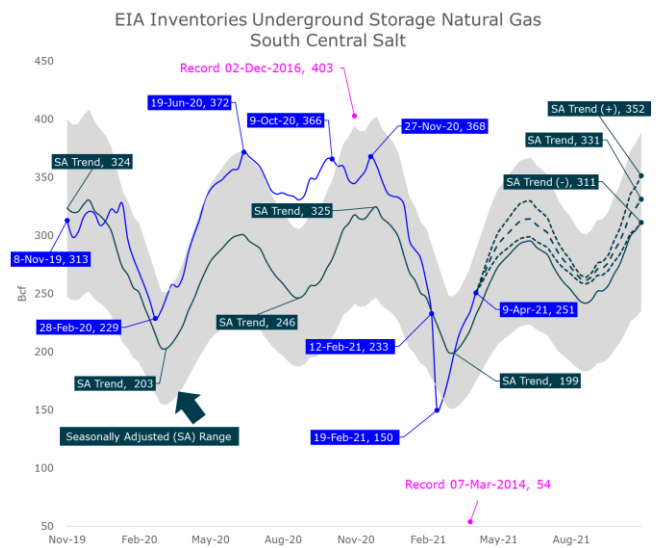
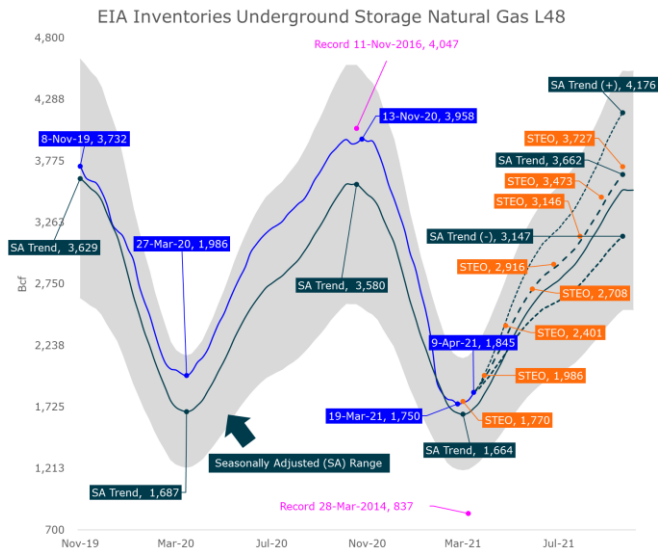
**Note Bene:** For energy bulls yearning for support from a rebound in industrial demand, the Federal Reserve Bank's estimate for U.S. industrial production (IP) for March was a letdown. After February's 2.6% plunge—residue of Winter Storm Uri's devastation through the Mid-Continent—industrial production rose by a disappointing 1.4% last month. However, given that March 2020 was the start of COVID-19 mitigation protocols, the year-over-year comp for March 2021 rose by 1.0%, the first year-over-year rise since August 2019. Manufacturing production rose by 2.9%, following February's 3.7% fall, the largest decline since last April's record 15.8% plunge. Manufacturing's contribution to total industrial production rose by 97 basis points (bps) to a four-year high of 74.8%, while oil and gas extraction's weight rose by 38 bps from a four-year low of 9.7% to 10.1%.

## Omnium Gatherum

PRICES WERE STRONG YESTERDAY... NYMEX WTI rallied to a four-week high and closed 20 cents above our \$63.26 first daily resistance at \$63.46. Natural gas for May delivery reestablished bullish momentum. The contract bottomed 9 ticks below our \$2.592 first daily support, peaked at \$2.685 and settled 4.0 cents higher at \$2.658.

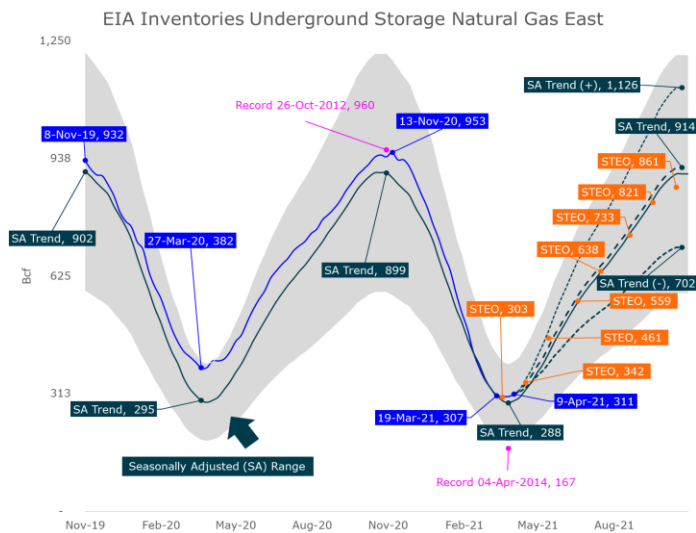
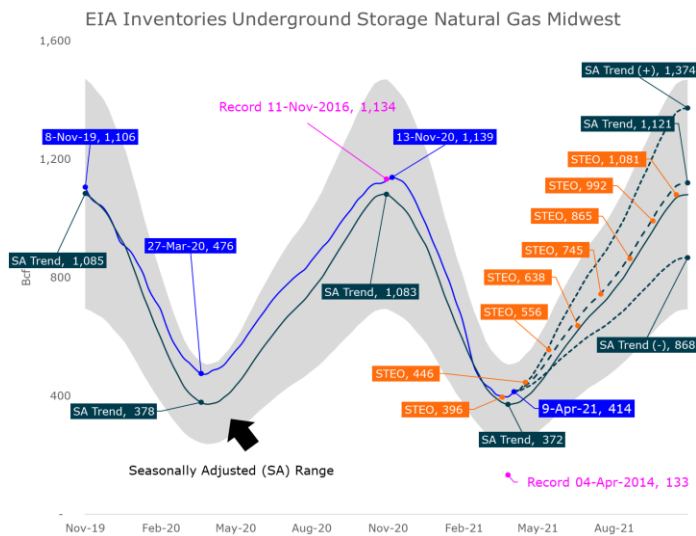
## EIA Natural Gas Review

The EIA reported the third injection into L48 underground storage. Stocks rose by a large 61 Bcf to 1.845 Tcf for the week ended April 09<sup>th</sup>. Over the last three weeks, injections sum 95 Bcf, 179% above the five-year mean and 87% above the seasonally adjusted trend. However, given last year's COVID-19 added demand function, the year-over-year deficit rose by 12 Bcf to 252 Bcf (-12.0%).



The Salts (South Central Region) reported a seventh straight injection. Storage rose by a normal 16 Bcf to 251 Bcf. The year-over-year deficit moved out by 5 Bcf to 35 Bcf or -12.2%. Over the last seven weeks, a total of 101 Bcf has been injected, thereby offsetting the historic 83 Bcf delivery for the week ended February 19<sup>th</sup> at the height of Winter Storm Uri. Injections are running 359% above the five-year average, 214% above the seasonally adjusted time series and 77% above a year ago.

In the Nonsalt Region, a normal 14 Bcf was added. Therefore, the entire South Central market area reported a normal 30 Bcf injection. The surplus to the seasonally adjusted trendline rose by 32 basis points to 4.9%, a post-Uri high. This season's hitherto refill is up to a robust 128 Bcf, 161% above the five-year average, 92% above the seasonally adjusted time series and on par to a year ago.



Storage in the Midwest reported the first injection of the season, 16 Bcf or 4x the statistical norm. The surplus to the seasonally adjusted trendline jumped by 50% to

10.6%, a two-month high. Even though heating degree days in the all-important Chicago market area came in 8.9% below normal, this winter's delivery in the Midwest was hefty. The cumulative drawdown was 741 Bcf, 6% above the five-year mean, 4% above the seasonally adjusted time series and 17% above last winter.

The East reported the first injection of the season, 6 Bcf, right on par to the statistical norm. The surplus to the seasonally adjusted trendline rose by 15 basis points to a ten-week high of 6.0%. This winter's delivery of 648 Bcf was large, 6% above the five-year mean, 6% above the seasonally adjusted trendline and 18% above a year ago.

The early whisper number for next Thursday's report ranges for a normal injection of 50 Bcf, up to a heavyish injection of 65 Bcf. The typical injection for this report is 45 ±13 Bcf. We are now about one-tenth of the way into the season. Although it is still early, we calculate the probability of coming in at/above the EIA's end-of-season forecast of 3.727 Tcf at 63% (odds of 3-5) and the probability of coming in above the seasonally adjusted time series of 3.662 Tcf at 64% (odds of 5-9).

### NYMEX Henry Hub Spreads

The NYMEX term structure is fundamentally bearish. The front-end of the curve (VWAP) of the NYMEX Henry Hub futures curve, and the front-end of next winter's curve are sliding deeper into contango. The market is unwilling to pay up for either the start of the refill season or the start of next winter. **This is a bearish fundamental.** After all, rising discounts on the market's term structure are a corollary of shrinking concerns regarding supply scarcity.

