

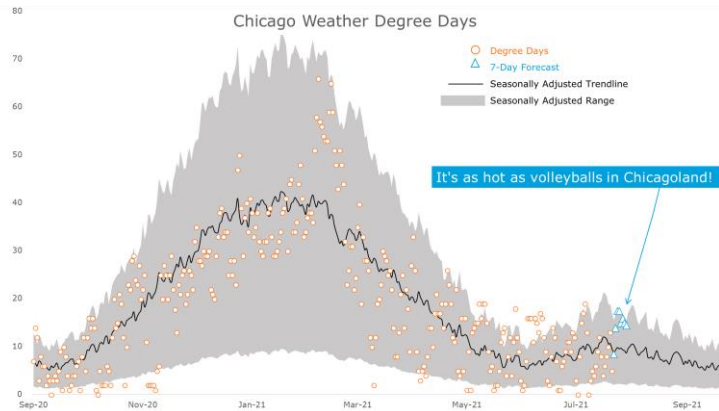
THE SCHORK REPORT



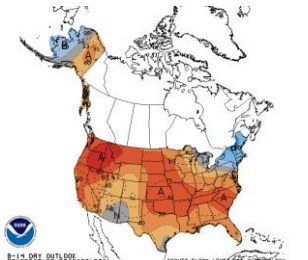
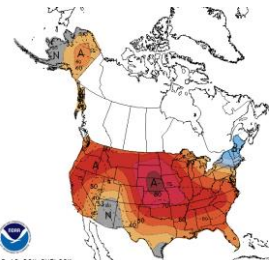
FUNDAMENTAL + TECHNICAL ANALYSIS OF THE ENERGY MARKETS

Friday, July 23, 2021

www.schorkgroup.com



NOAA Outlook



Omnium Gatherum

PRICES WERE STRONG YESTERDAY... August natty on the NYMEX breached the \$4 threshold for the first time since January 2015 with the contract peaking within 5 ticks of our \$4.011 first daily resistance. September WTI has now recovered all the ground lost at the start of the week. Yesterday, the contract bottomed within 38 cents of our \$69.48 first weekly support, peaked within 16 cents of our \$72.19 second daily resistance and settled \$1.61 higher at \$71.91. Since Tuesday, the market has seen a trough-to-peak rally of \$7.02 or 10.8%.

EIA Natural Gas Review

Yesterday, the EIA reported the seventeenth injection of the season into L48 natural gas underground storage. Stocks rose by a solid 49 Bcf to 2.678 Tcf for the week ended July 16th. The typical injection for this report is 32 Bcf \pm 9 Bcf and the five-year mean is 49 Bcf. The consensus ranged from a low of 43 Bcf on the Platts' and Bloomberg surveys, and a high of 45 Bcf on the Dow Jones Survey. We were at 48 Bcf.

The Salts (South Central Region) reported a small delivery of 4 Bcf, i.e. for this report, we typically see the largest delivery of the season, 10 \pm 3 Bcf delivery. As of last Friday, stocks fell to 279 Bcf as the deficit to the five-year average was cut in half to 5 Bcf. This season's net refill is running at 70 Bcf (119%) above the five-year average, 55 Bcf (74%) above the seasonally adjusted time series and 9 Bcf (8%) above last year's COVID pace.

In the Nonsalt Region, a heavy 11 Bcf was added. All told, the entire South Central market area reported a

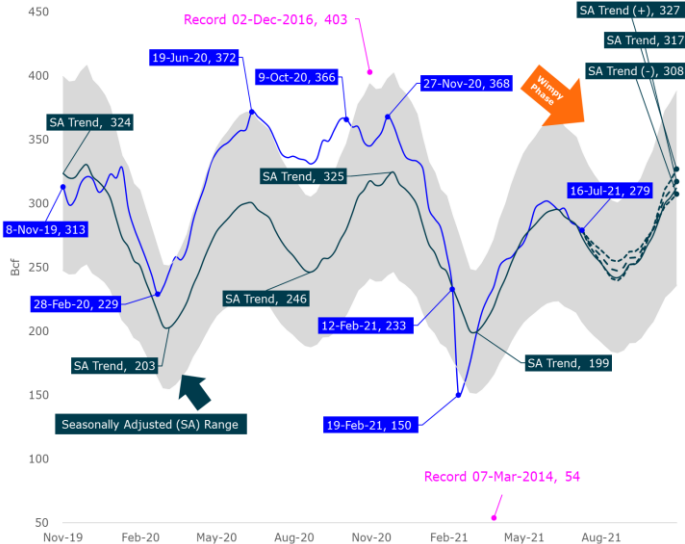
Note Bene: As it turns out, the White House is in favor of pipelines, just not pipelines in the U.S. [WaPo](#): "The Biden administration has [reached an agreement](#) with Germany that allows for the completion of the Nord Stream 2 natural gas pipeline between Russia and Germany, ending a longstanding dispute between the two allies, the *Washington Post* reports. Because Nord Stream 2 circumvents Ukraine, the Ukraine government stands to lose \$2B in annual payments from Russia as part of a transit contract for gas that is set to end in 2024, and it worries the Kremlin will feel emboldened in the ongoing conflict in eastern Ukraine, where Ukrainian regular forces are battling Kremlin-directed separatists".



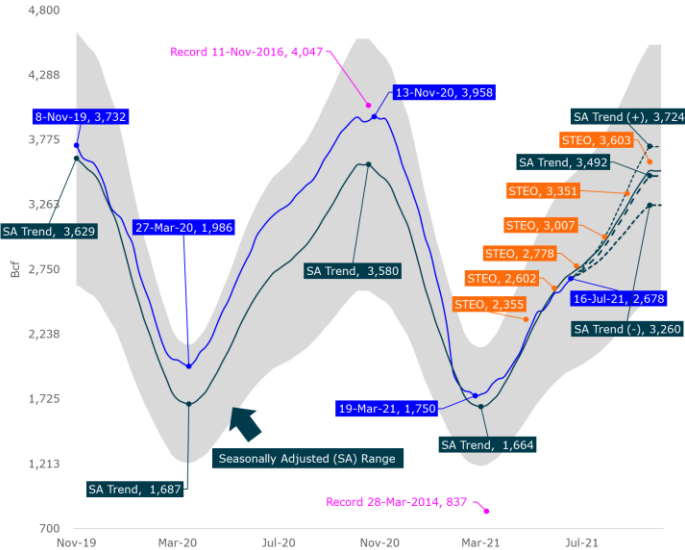
Heck, who cares about the environment when you have the chance to embolden Putin?

countercyclical net injection of 7 Bcf. This season's hitherto refill is up to 332 Bcf, 39 Bcf (13%) above the five-year average and 20 Bcf (6%) above the seasonally adjusted time series.

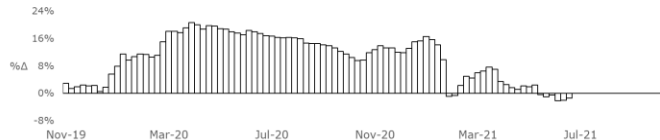
EIA Inventories Underground Storage Natural Gas South Central Salt



EIA Inventories Underground Storage Natural Gas L48



Percent Deviation From Normal

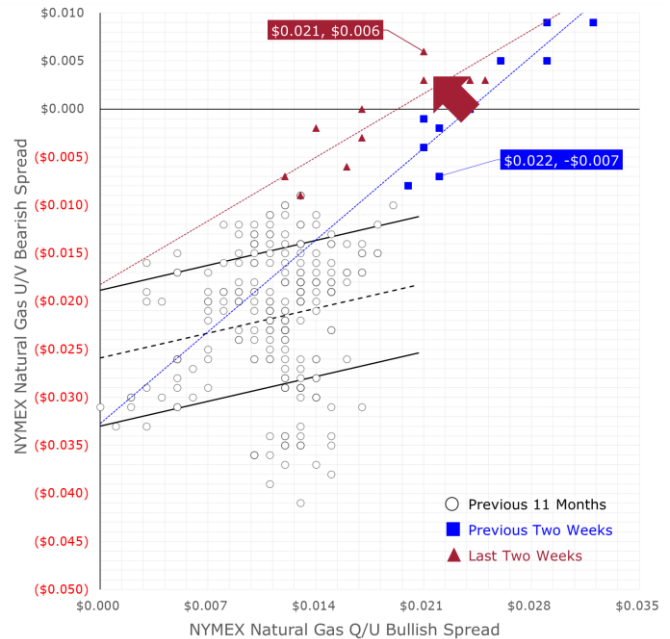


Storage in the Midwest reported the fifteenth injection of the season, a normal 21 Bcf was added which pushed inventories to 683 Bcf. This season's refill is up to a respectable 285 Bcf which is 14 Bcf (5%) below the five-year average and 32 Bcf (10%) below the seasonally adjusted time series. As illustrated, for this season to date, injections have been essentially spot-on our model's time series analysis. As is such, the Midwest is zeroed in on an end-of-season balance of 1.076 Tcf of gas in the ground, i.e. within 20 Bcf (1.9%) of the five-year mean of 1.096 Tcf.

Storage in the East rose by a normal 19 Bcf and the deficit to the seasonally adjusted trendline improved by 45 basis points to 8.8%. Two weeks ago, this deficit stood at a **two-year high** to 9.2%. This season's refill to date is up to a paltry 257 Bcf which is 58 Bcf (18%) below the five-year average and 71 Bcf (22%) below the historical time series.

Bottom Line

This season's hitherto refill is 928 Bcf, 126 Bcf (-12%) below the five-year mean, 125 Bcf (-12%) below the seasonally adjusted trend, and a whopping 301 Bcf (-24%) below last year's COVID pace. We are now at the halfway point of the season. As of last week's injection, the market has replaced 42% of last winter's 2.208 Tcf delivery.



The term structure is rallying with the end-summer Sep/Oct (U/V) moving into backwardation!

As far as next week's report goes, unprecedented demand for cooling Btus west of the Rockies has finally eased, while demand elsewhere remained weak. The injection for next Thursday's report is typically one of the lowest of the season at 32 Bcf ±10 Bcf and the five-year mean is 28 Bcf. The early consensus is calling for a large injection, albeit with a large range from the low 40s Bcf to the low 60s Bcf.

After yesterday's report, we calculate a 71% probability of finishing this season with at least 3.49 Tcf in the ground and a 58% probability of topping the EIA's end-of-season forecast of 3.603 Tcf.

