

THE SCHORK REPORT



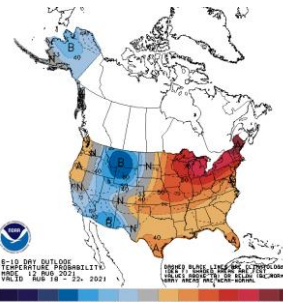
FUNDAMENTAL + TECHNICAL ANALYSIS OF THE ENERGY MARKETS

Friday, August 13, 2021

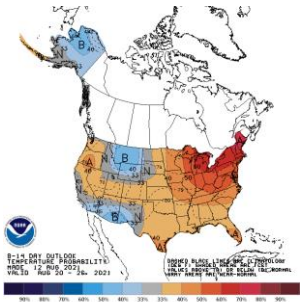
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EIA Weekly Natural Gas Status Report				
Storage Δ (Bcf)	EIA 30-Jul	Seasonally Adjusted Norm	EIA 06-Aug	Bias
L48	13	45 ± 13	49	Neutral
South Central	(23)	(2) ± 0	3	Bearish
Salt	(19)	(5) ± 1	(3)	Bearish
Nonsalt	(3)	3 ± 1	6	Bearish
Midwest	17	26 ± 9	22	Neutral
East	21	21 ± 7	25	Neutral
Mountain	0	2 ± 1	1	Neutral
Pacific	(2)	0 ± (0)	(3)	Bullish

NOAA Outlook



Temperature 6-10 Day



Temperature 8-14 Day

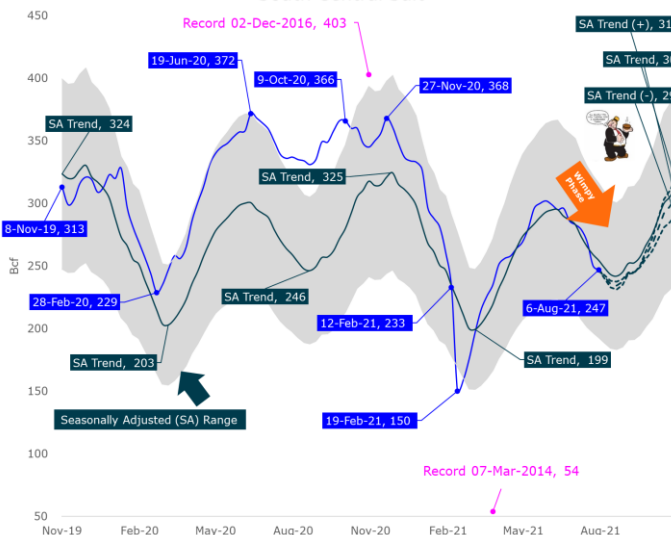
Omnium Gatherum

PRICES WERE WEAK YESTERDAY... Henry Hub gas futures on the NYMEX for September delivery tanked below our second support target of \$3.912/MMBtu in a post-EIA retch. NYMEX September WTI meandered lower in listless trading.

EIA Natural Gas Review

Yesterday, the EIA reported the twentieth injection of the season into L48 natural gas underground storage. Stocks rose by a normal 49 Bcf to 2.776 Tcf for the week ended August 06th. This report typically yields a 45 Bcf ± 13 Bcf injection. The whisper number ranged from 44 Bcf on the Platts' survey to 49 Bcf on the Reuters' survey. We were on the high-end of estimates at 54 Bcf.

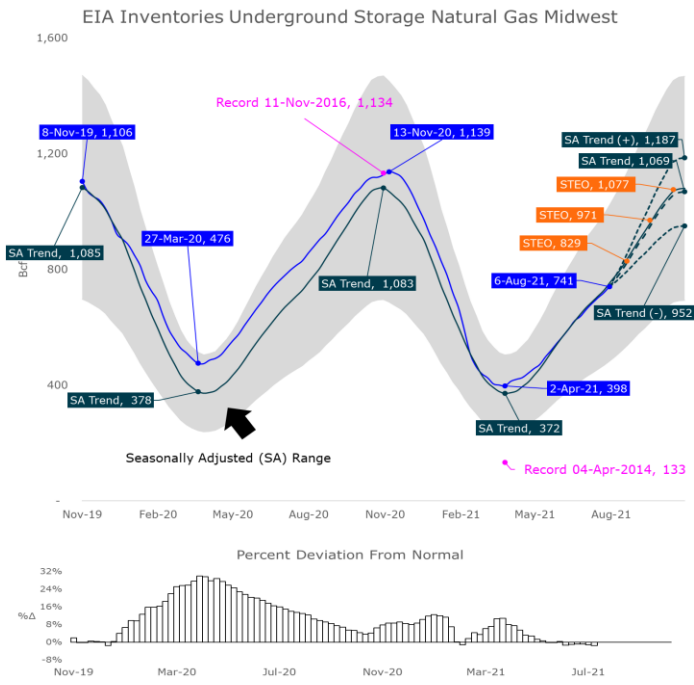
EIA Inventories Underground Storage Natural Gas South Central Salt



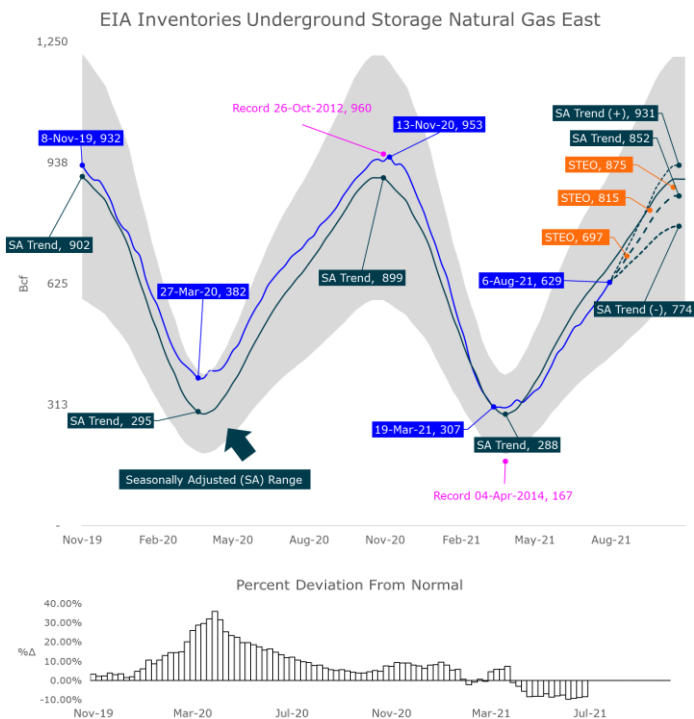
Note Bene: The [Climate Prediction Center \(CPC\)](https://climatepredictioncenter.org/) reiterated its [La Niña watch](https://climatepredictioncenter.org/la-nina/). The CPC's model "... suggest the onset of a weak La Niña in the coming months, persisting through winter 2021-22. The forecaster consensus continues to favor these models, which is also supported by the noticeable decrease in the observed subsurface temperature anomalies this past month. In summary, ENSO-neutral is favored for the remainder of summer (~60% chance in the July-September season), with La Niña possibly emerging during the August-October season and lasting through the 2021-22 winter (~70% chance during November-January). A typical La Niña winter in the U.S. brings cold and snow to the Northwest and unusually dry conditions to most of the southern tier of the U.S. The Southeast and mid-Atlantic also tend to see warmer-than-average temperatures during a La Niña winter.

The Salts (South Central Region) reported a light delivery of 3 Bcf, one week following a gargantuan delivery of 19 Bcf. As of last Friday, stocks fell to 247 Bcf and the deficit to the seasonally adjusted time series narrowed by 63 basis points to 3.0%. This season's net refill of 97 Bcf is 62 Bcf (177%) above the five-year average, 42 Bcf (76%) above the seasonally adjusted time series but 11 Bcf (10%) below last year's COVID pace. This region is on trend to begin winter with ~304 Bcf in the ground, 41 Bcf or 11.9% below the five-year mean.

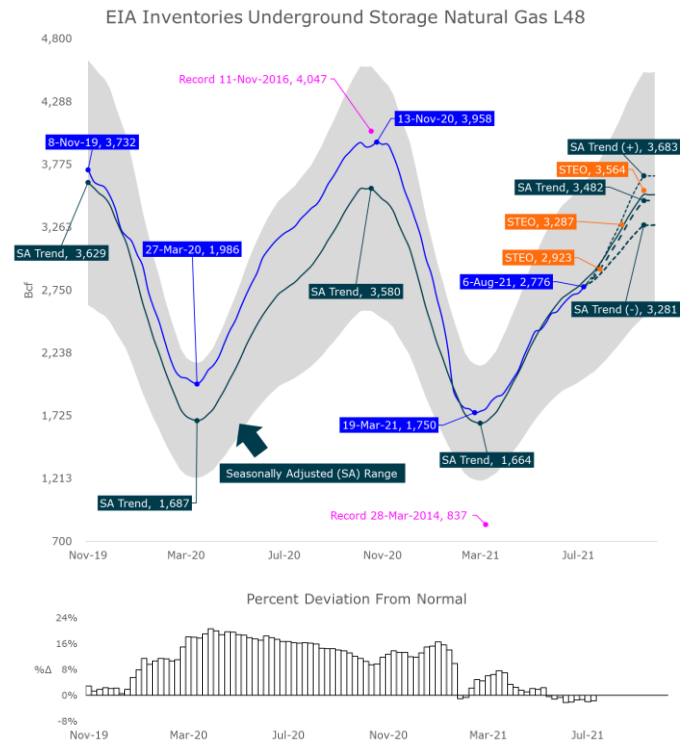
In the Nonsalt Region, a heavy 6 Bcf was added. All told, the entire South Central market area reported a countercyclical net injection of 3 Bcf. This season's hitherto refill is up to 309 Bcf, 37 Bcf (14%) above the five-year average and 11 Bcf (4%) above the seasonally adjusted time series.



Storage in the Midwest reported the eighteenth injection of the season, a normal 22 Bcf was added which pushed inventories to 741 Bcf. This season's refill is up to 343 Bcf which is 16 Bcf (4%) below the five-year average and 39 Bcf (10%) below the seasonally adjusted time series. As illustrated, 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 1.069 Tcf of gas in the ground, i.e. within 8 Bcf (0.7%) of the EIA's 1.077 Tcf forecast and within 27 Bcf (2½%) of the five-year mean of 1.096 Tcf.



Storage in the East rose by a normal 25 Bcf and the deficit to the seasonally adjusted trendline improved by 89 basis points to a three-month low of 6½%. At the end of June, this deficit stood at a two-year high to 9.70%. This season's refill to date is up to a meager 324 Bcf which is 47 Bcf (13%) below the five-year average and 61 Bcf (16%) below the historical time series. This market area is on trend to enter winter at 852 Bcf or 23 Bcf (2.6%) below the EIA's forecast of 875 Bcf.



Bottom Line

This season's hitherto refill is 1.026 Tcf, 128 Bcf (-11%) below the five-year mean, 135 Bcf (-12%) below the seasonally adjusted trend, and a whopping 320 Bcf (-24%) below last year's COVID-addled pace. We are now three-fifths of the way through the season. As of last week's injection, the market replaced only 46% of last winter's 2.208 Tcf delivery.

As far as next week's report goes, scorching demand for cooling Btus east of the Rockies, especially through the Great Lakes and Northeast, will translate to a smallish (if not meager) addition to storage. The typical injection is 46 ±17 Bcf. The early consensus ranges from a de minimis addition in the mid-teens, to the mid-30s Bcf.

We calculate a 58% probability of topping the EIA's (newly revised) end-of-season forecast of 3.564 Tcf, along with 50% chance of closing above 3.632 Tcf. Therefore, best case scenario is the market enters winter with *only* a 326 Bcf (-8.3%) deficit to last winter's starting balance of 3.958 Tcf.