THE SCHORK REPORT™

FUNDAMENTAL + TECHNICAL ANALYSIS OF THE ENERGY MARKETS

Friday, November 19, 2021

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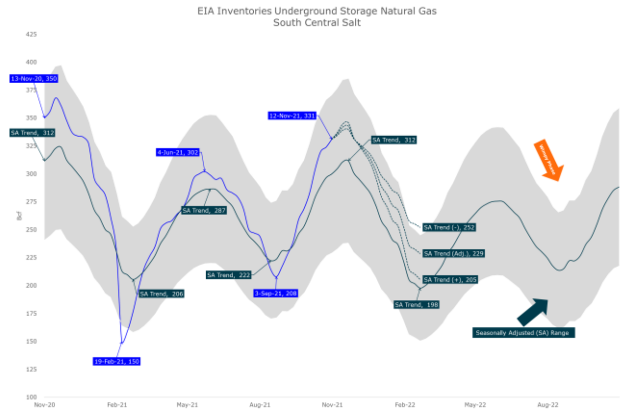

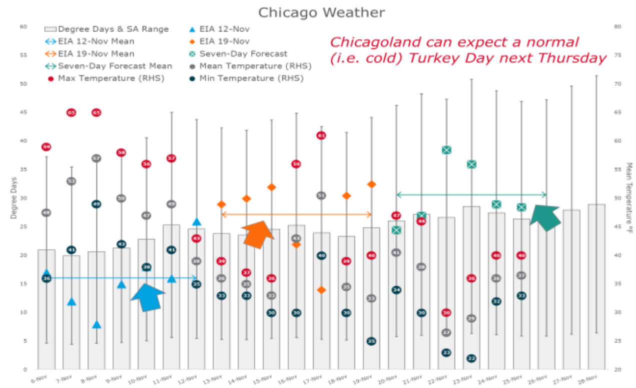

Note Bene: White House Chief of Staff, Ron Klain is an obvious Political (i.e. willfully ignorant) Tool. Yesterday, Klain tweeted out this pearl of wisdom… "Oil prices are falling. Now, when will the industry bring down gas prices ????"

Perhaps if Klain had real majors from Georgetown and Harvard (majors where the answer is discovered through rigorous quantitative enquiry and deductive reasoning, instead of majors where the "correct" answer is contingent on the professor's mood), he could understand that companies simply cannot wave a magic wand and "bring down" prices.

For crying out loud, Klain is the same guy who recently retweeted a tone-deaf conceit, oozing with contempt for ordinary Americans. Proudly displaying his economic illiteracy for all to see, Klain pooh-poohed our current economic problems, namely inflation and supply chain chaos, as "high-class problems".

Hmm? Inflation is growing at an annualized rate 6.5% (the fastest pace since the double-dip recession in 1981), real wages are falling by 2.1%, and real disposable income is falling at a 2.0% rate.

As Thomas Sowell reminds us, inflation takes the same percentage from the poorest person in the country as it does from the richest. It is the ultimate tool to tax and transfer wealth form both the have and have-nots to a government that expands the money supply.

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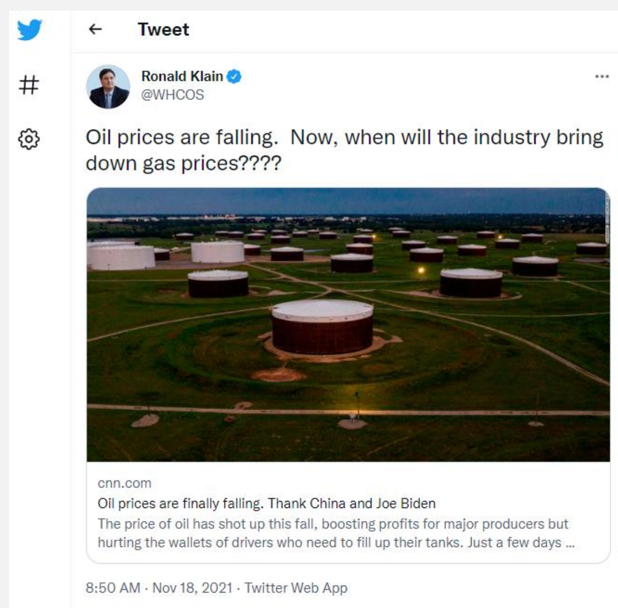

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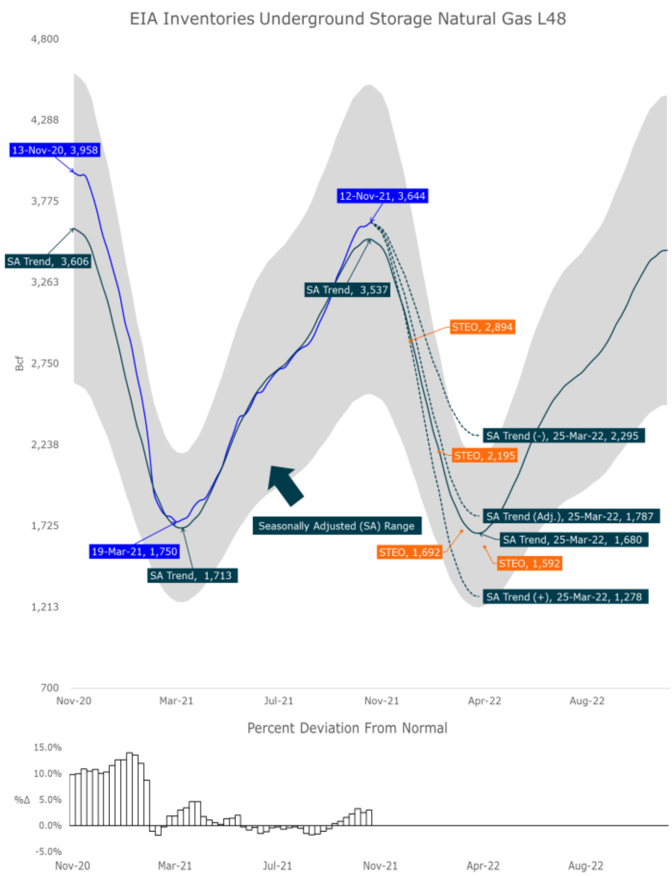
Contrary to Klain's ignorant boast, inflation is not high-class, it is grotesque. Given Klain's lack of (real) education, it is little wonder he does not understand why the industry cannot "bring down" prices.

Omnium Gatherum

PRICES WERE MIXED YESTERDAY… NYMEX Henry Hub gas was strong early, weak late and the penultimate WTI contract was weak early, strong late.

Natural Gas Review

Yesterday, the EIA reported a boxcar injection of 26 Bcf of natural gas into L48 underground storage for the week of November 12th. Inventories rose to 3.644 Tcf and ended the season in impressive fashion. Two months ago, in a best-case scenario, the market was on pace to finish the season with 3.558 Tcf in the ground. The market now heads into winter with a 2½% deficit to the five-year average but at a 3.0% surplus to the seasonally adjusted time series.

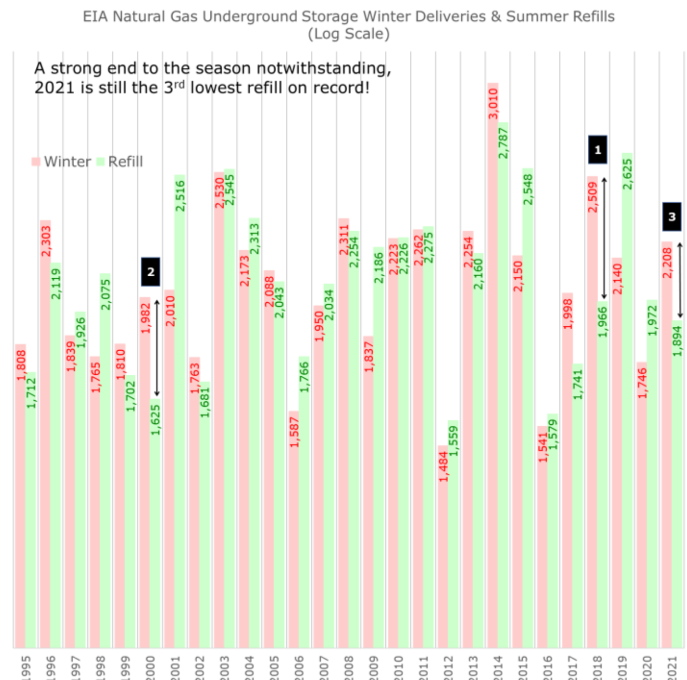


Storage in the Salts rose by a large 7 Bcf and inventories moved to 331 Bcf. This summer's delivery summed a mammoth 94 Bcf which is 58% above normal. Since Labor Day, utilities have repaid all of this *borrowed* gas, plus an additional 29 Bcf. This season's net refill is up to 181 Bcf, an **eyepopping** 54% (63 Bcf) outside the upper band of the seasonally adjusted time series.

The Nonsalt Region reported a solid 10 Bcf injection. Storage rose to 860 Bcf and the surplus to the seasonally adjusted trend opened the heating season at 40 Bcf (2.4%). All told, a solid 16 Bcf was injected into the South-Central market area. This season's refill improved to a **massive** 521 Bcf, 20 Bcf (4%) above the upper band of the seasonally adjusted time series.

Storage in the Midwest reported a countercyclical injection of 4 Bcf, when we normal see a 7 ±3 Bcf delivery at this early stage of the heating season. Inventories rose to a comfortable 1.079 Tcf. This season's refill is up to an impressive 681 Bcf which is 8 Bcf (1.2%) above the seasonally adjusted time series and even 17 Bcf (3%) above last year's COVID addled pace.

Storage in the East rose by a countercyclical 3 Bcf. Storage rose to an even 900 Bcf. The market will now open the heating season with a 17 Bcf (1.9%) surplus to the seasonally adjusted time series. This season's refill is up to 595 Bcf which is spot on the seasonally adjusted norm and 24 Bcf (4%) above last year's pace. This is impressive. Remember that at the start of the summer, refills were in a 56 Bcf (9.7%) deficit to the seasonally adjusted time series and on pace to enter winter at 840 Bcf.



Bottom Line

The early consensus for next week is calling for the first delivery of the season, somewhere in the low 20s Bcf, i.e. essentially spot on the seasonally adjusted norm of 22 ±6 Bcf.