THE SCHORK REPORT™
FUNDAMENTAL + TECHNICAL ANALYSIS OF THE ENERGY MARKETS

Friday, May 06, 2022
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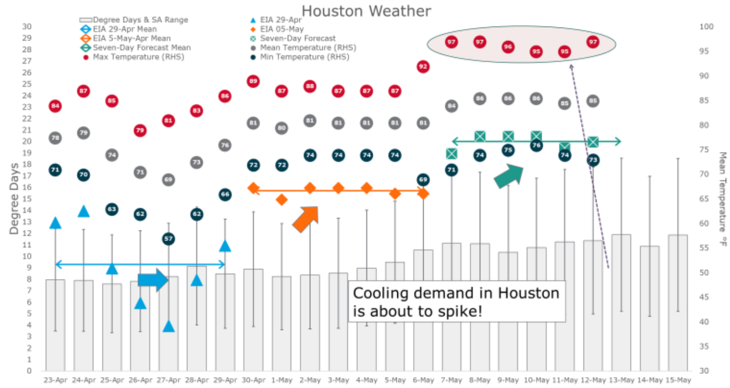
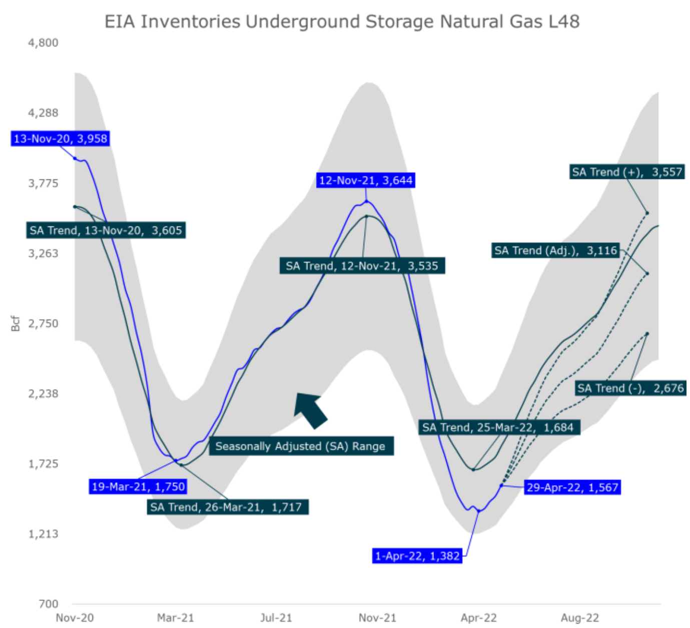
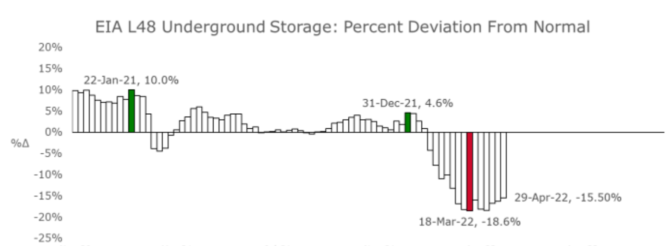


EIA Weekly Natural Gas Status Report				
Storage Δ (Bcf)	22-Apr	Seasonally Adjusted Norm	29-Apr	Bias
L48	40	76 ± 21	77	Neutral
South Central	31	25 ± 6	40	Bearish
Salt	14	8 ± 2	18	Bearish
Nonsalt	18	17 ± 4	22	Bearish
Midwest	5	15 ± 5	15	Neutral
East	0	19 ± 7	15	Neutral
Mountain	1	4 ± 1	2	Bullish
Pacific	2	7 ± 2	5	Neutral

Omnium Gatherum

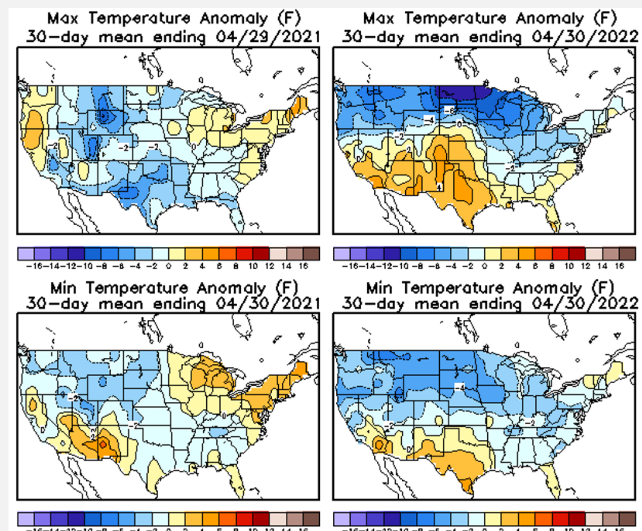
ENERGY PRICES WERE MIXED YESTERDAY… Natty bulls on the NYMEX mounted an assault on the $9/MMBtu threshold while oil markets decoupled with firm crude oil markets and soft product markets.





Note Bene: What a difference a year makes for space heating demand.

2021 **2022**



Source: NOAA

As you can see, it has been a cold start this year to the spring shoulder-months for key gas markets in the Midwest and East. For this past April, degree days in the all-important Chicago market were 536, 28% above April 2021. Degree days in NYC hit 411 this April, 7% above April 2021.

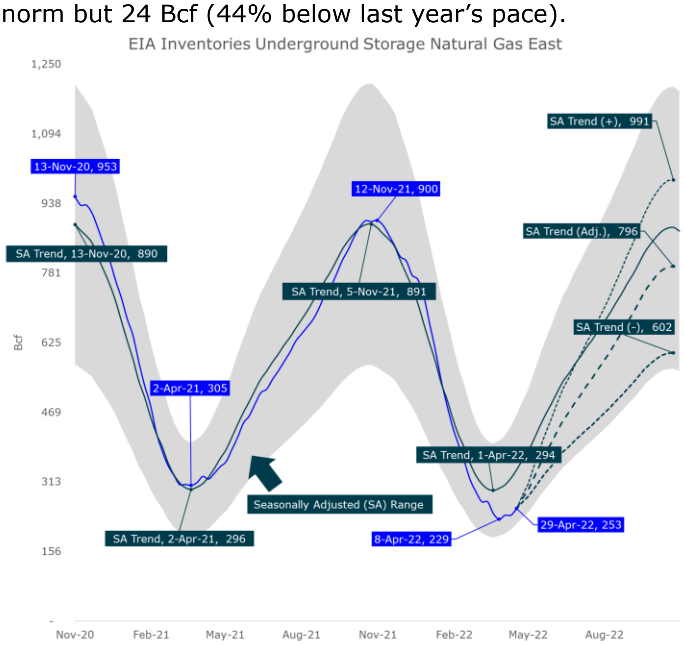
EIA Review

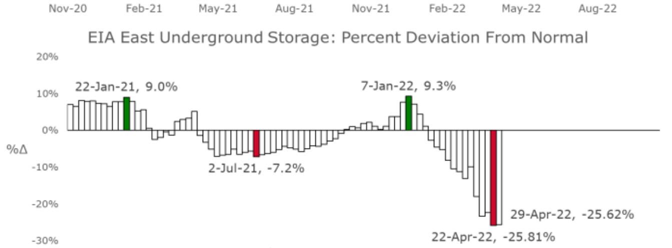
After a slow start to the season, the EIA has now reported three straight solid refills. As of April 29th, a total of 77 Bcf of gas was injected into L48 underground storage. Over the last four weeks, a total of 185 Bcf has been injected which is 15 Bcf (8.6%) above the seasonally adjusted trend. In this time, the deficit to the seasonally adjusted time series has narrowed from 18.4% (316 Bcf) to a nine-week low of 15.5% (287 Bcf). As of a week ago today, storage rose to 1.567 Tcf.

The South Central area reported a massive injection of 40 Bcf. Last week's addition was the sixth straight of the season. A total of 162 Bcf has been injected which is 5 Bcf (3%) above the top of the seasonally adjusted range and within 4 Bcf (2%) of last year's pace. Storage rose to 721 Bcf and the deficit to the seasonally adjusted time series narrowed by 226 basis points from 14.24% (113 Bcf) to a nine-week low of 11.98% (98 Bcf).

In the Salts, storage increased by a substantial 82 Bcf which is 14 Bcf (20%) above the top of the seasonally adjusted range. The deficit to the seasonally adjusted norm was cut by a third to a three-month low of 20 Bcf (7.9%). This is a good thing. It is paramount that the market stuffs as much gas as possible into salt domes now before cooling demand picks up in June.

The Midwest reported a normal injection of 15 Bcf. The seasonally adjusted norm for this report is 15 Bcf, so you cannot get anymore normal than that. The deficit to the seasonal norm inched in by 84 basis points to 22.53% (94 Bcf). The hitherto injection of the nascent season is up to 31 Bcf which is within 5 Bcf (14.3%) of the seasonal norm but 24 Bcf (44% below last year's pace).





There is a problem with storage in the East. Last week a smallish 15 Bcf of gas was injected. We have only seen a measly 24 Bcf injected thus far. The current pace is 6 Bcf (20%) below the bottom of the seasonally adjusted range. As of last Friday, storage stood at 253 Bcf with a 25.6% (87 Bcf) deficit to the seasonally adjusted time series.

Bottom Line

The early consensus for next Thursday's report is another solid injection of ≈80 ±10 Bcf. Our current forecast for end-of-June inventories is unchanged at 2.310 Tcf which is 11% below the five-year average. We calculate a 38% probability we can get to 2.44 Tcf by the end of next month. This would put the market back into a seasonally normal range. Our latest forecast for the end-of-season rose from 3.363 Tcf to 3.379 Tcf which is 8% below the five-year average.

Is There Any Stopping the NYMEX Train Wreck?

After taking a short breather, bulls came charging back into the market this week. Spot Henry Hub futures have closed higher in 8 of the last 9 sessions and have posted one of the largest net gains, \$2.249/MMBtu (99.4th percentile), since the NYMEX introduced the contract in 1990.

Yesterday, the market soared to another 14-year high of \$8.913/MMBtu and close of \$8.783/MMBtu. Moreover, yesterday was the first session since the expiration of the September 2008 contract that spot molecules did not trade below \$8/MMBtu.

Natty has decoupled from fundamentals at this point and is now being fueled by the FOMO (fear of missing out) crowd. As such, high prices are now the excuse for higher prices. We are afraid the bulls are gunning for the psychological target for \$10/MMBtu!