

THE SCHORK REPORT

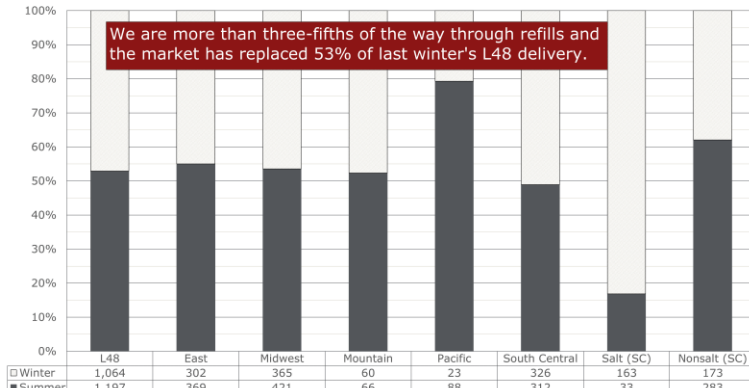


FUNDAMENTAL + TECHNICAL ANALYSIS OF THE ENERGY MARKETS

Friday, August 26, 2022

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EIA Natural Gas Underground Storage Refill



EIA Weekly Natural Gas Status Report

Storage Δ (Bcf)	12-Aug	Seasonally Adjusted Norm	19-Aug	Bias
L48	18	37 ± 11	60	Bearish
South Central	(8)	(7) ± 1	5	Bearish
Salt	(8)	(7) ± 2	(1)	Bearish
Nonsalt	0	1 ± 0	6	Bearish
Midwest	21	23 ± 8	30	Neutral
East	7	20 ± 7	27	Neutral
Mountain	3	2 ± 1	2	Neutral
Pacific	(4)	0 ± 0	(5)	Bullish

Nota Bene: Yesterday, the BEA reported a negative print (-0.6%) on Q2 GDP in its second (of three) estimate. The latest read was revised up from last month's "advanced" report showing a 0.9% decrease. Q1 GDP decreased by 1.6%. Should next month's "final" estimate on Q2 GDP stand, then by precedent that was established in the 1940s, the U.S. is in a recession.

Omnium Gatherum

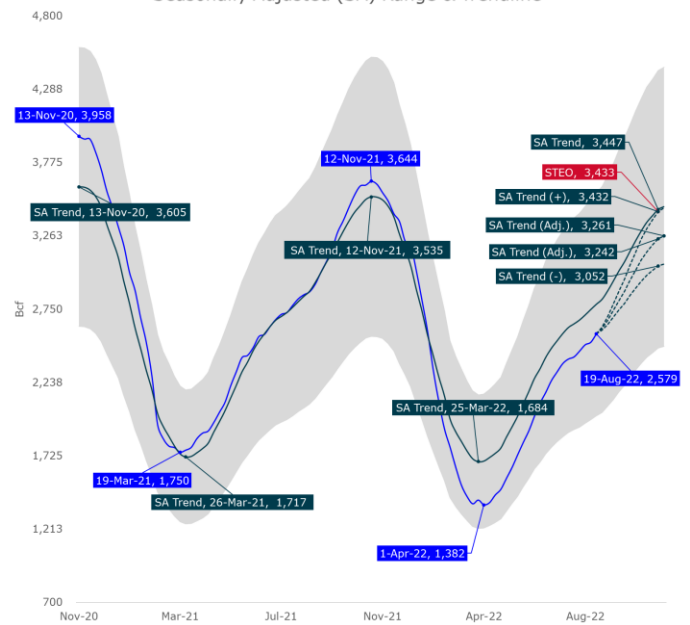
ENERGY PRICES WERE MIXED YESTERDAY... oil markets were strong overnight but tanked through midmorning. News broke that BP's Whiting, IN refinery shut most units following a fire Wednesday evening. The massive 435 Mb/d plant is BP's largest refinery in the world. Reports indicate that one of the units shut is the 255 Mb/d Pipestill 12, the largest crude unit in the Midwest. Depending on the length of the shut-in, this event is bearish WTI, bullish products. NYMEX natty shrugged off a much larger than expected injection in the EIA's weekly update and finished higher on the day.

EIA Natural Gas Review

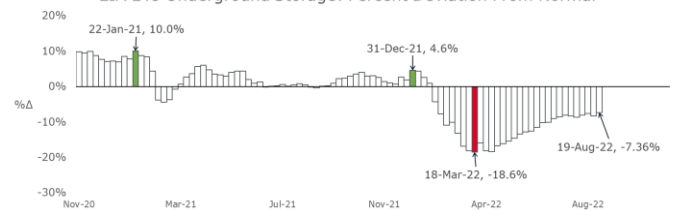
Yesterday, the EIA reported a much larger than expected injection of natural gas into L48 underground storage. One week after reporting an abnormally low injection of 18 Bcf, the EIA followed up with an abnormally large injection of 60 Bcf. Thus, the two-week injection sums 78 Bcf, which is about as normal as can be.

Inventories climbed to 2.579 Tcf as of last Friday, August 12th. The deficit to the seasonally adjusted time series narrowed by 93 basis points from -8.29% to a seven-month low of -7.36% (205 Bcf). **This was a BEARISH update.**

EIA Inventories Underground Storage Natural Gas L48 Seasonally Adjusted (SA) Range & Trendline



EIA L48 Underground Storage: Percent Deviation From Normal



The South Central area reported an unusual injection of 5 Bcf. For this point in the season, you typically see a delivery of 7 ± 2 Bcf. The deficit to the seasonally adjusted time series moved in by 122 basis points to a seven-month low of -5.54% (51 Bcf).

The Nonsalt region reported a large injection of 6 Bcf. Storage rose to 687 Bcf and the deficit to the seasonally adjusted time series improved by 75 basis points from -3.48% to a seven-month low of -2.75% (19 Bcf).

The East reported a strong injection of 27 Bcf, one week after reporting a miserable injection of 7 Bcf. Storage rose to 598 Bcf and the shortfall to the seasonal norm narrowed by 150 basis points from -14.91% to a three-week low of -13.41% (93 Bcf).

Bottom Line

Season to date refills now sum 1.197 Tcf. This is a strong addition. For this point in summer, you want to see a refill of at least 1.100 Tcf. However, as we have been saying all summer long, the strong pace of injections is not strong enough.

The EIA's latest forecast on end-of-season storage is 3.433 Tcf. As of last Friday, storage was 2.579 Tcf.

Therefore, the EIA is forecasting an injection between now and winter of 854 Bcf, whereas the 28-year average injection through the remainder of the season is 663 ±48 Bcf.

The three largest injections from this point are 980 Bcf in 2014, 908 Bcf in 2011, and 883 Bcf in 2015. So, the EIA's forecasted refill is not impossible but, the odds are long as the market is running out of time.

Two weeks ago—prior to the update on Freeport LNG—the contango on the cross-seasonal Oct22/Nov22 spread traded at a three-week low of -\$0.059. The contango settled yesterday at -\$0.075, which where it has been trading, more-or-less, for the past four weeks.

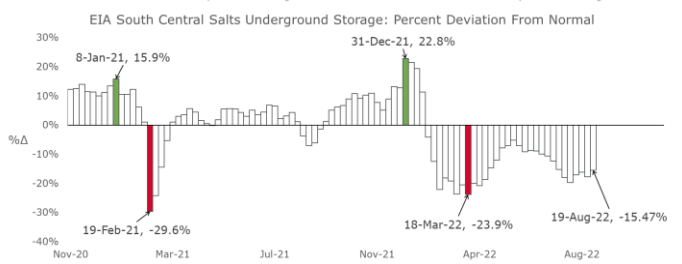
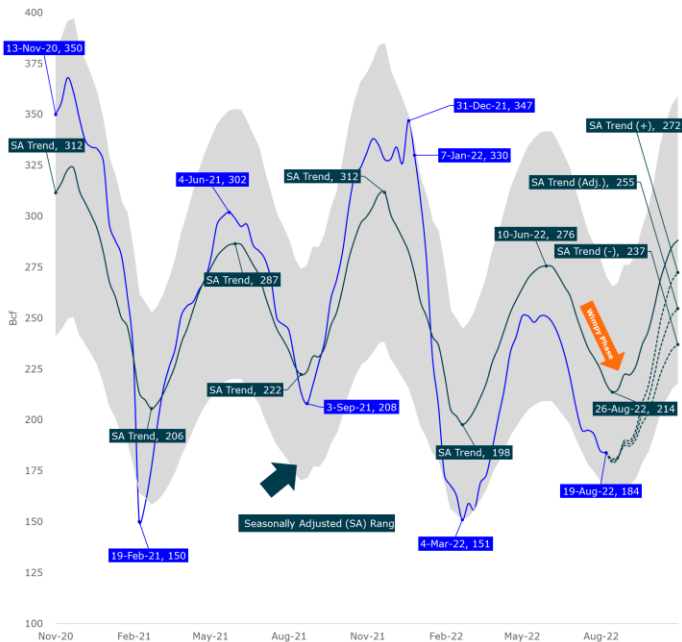
In light of the delay to the partial restart of Freeport LNG, the contango should continue to widen. If it doesn't, then natty bears best take cover.

To this point, earlier this week when the Freeport news first broke, the backwardation on the cross-seasonal Mar23/Apr23 spread settled at \$1.779. The backwardation settled yesterday at \$1.859. **This is the clearest possible telltale of the market's angst about winter gas.**

With time running out, we lowered the probability of hitting the EIA's end-of-season target of 3.433 Tcf from 7.7% (odds of 12:1 to 6.3% (odds 15:1).



EIA Inventories Underground Storage Natural Gas South Central Salt



The Salts reported an extremely light delivery of 1 Bcf. The norm for this point in August is a 7 ±2 Bcf delivery. Inventories ticked down to 184 Bcf while the deficit to the seasonally adjusted time series narrowed by 229 basis points from -17.75% to a six-week low of -15.47% (34 Bcf).

Storage will continue falling into early next month as gas-fired electric utilities in the northern latitudes borrow gas from storage in the Gulf to offset peak cooling demand. Most, if not all of this gas will be repaid from around mid-September until the start of the heating season.

The Midwest reported a solid injection of 30 Bcf. Inventories rose to 714 Bcf and the deficit to the seasonal norm improved by 112 basis points from -9.22% to a seven-month low of -8.10% (63 Bcf). This season's refill is up to a strong 421 Bcf, 26 Bcf (6.6%) above the seasonally adjusted time series and 29 Bcf (7.4%) above last year's injection.