THE SCHORK REPORT

FUNDAMENTAL + TECHNICAL ANALYSIS OF THE ENERGY MARKETS

Friday, Jun 16, 2023

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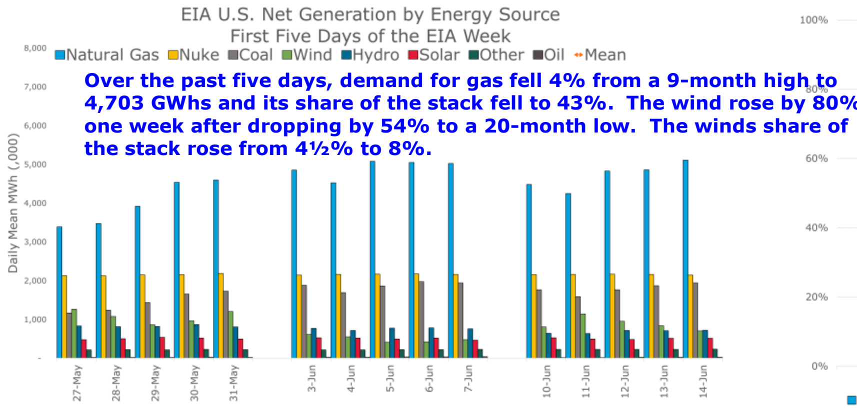
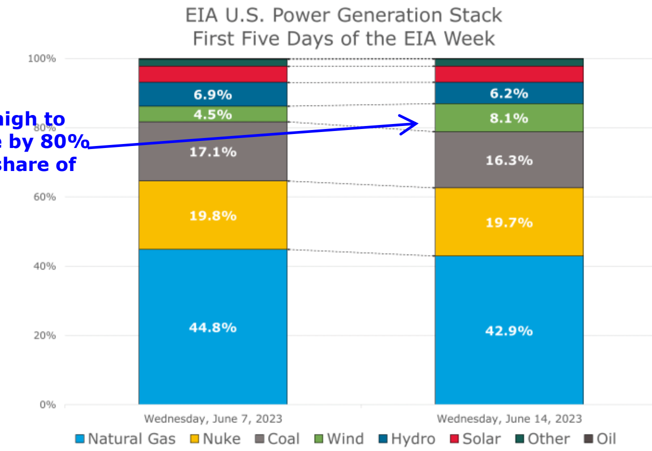
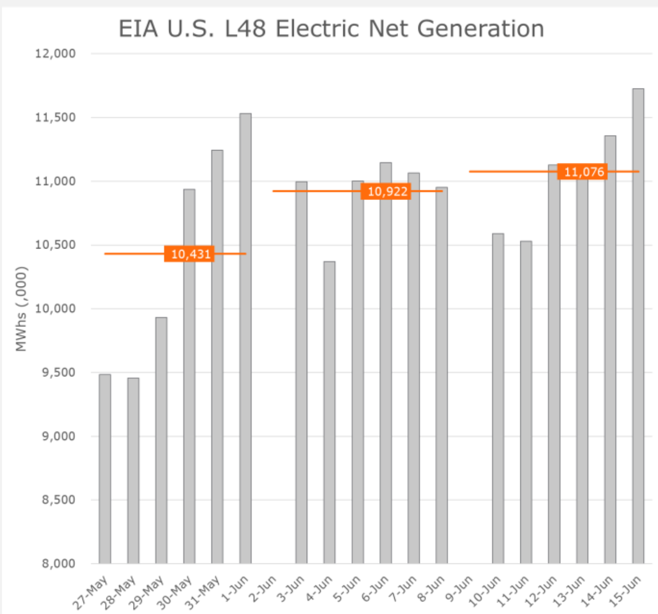




Nota Bene: Through the first six days of the current EIA week, demand for electricity is 1.4% higher W/W at a four-month high average 11,076 GWhs.



Omnium Gatherum

ENERGY PRICES WERE STRONG YESTERDAY… NYMEX natty surged after the EIA reported a bullish, no it wasn't, storage update. Oil markets surged after bulls took another hit of China demand hopium.

EIA Natural Gas Recap

We place a maximum of minimum significance on the weekly forecasts on EIA data (gas and oil, especially oil). After all, the only reason forecasting EIA data was invented was to make astrology look respectable.

Take yesterday's EIA update on underground storage for example. The consensus forecast was calling for an injection in the middle 90s Bcf, with some guesses coming in the low triple digits.

The EIA wound up reporting an 84 Bcf injection and predictably, the market's kneejerk reaction was to spike higher. Fair enough but keep in mind that even though the cognoscenti guessed wrong, it does not mean yesterday's update was fundamentally bullish.

The typical injection for this update is 86 ±25 Bcf, so yesterday's report was about as normal as it gets.

The South Central area reported a weak 12 Bcf injection. The typical injection for this report is 18 ±4 Bcf. Storage rose to 1.105 Tcf and the market's massive surplus to a year ago narrowed by 8 Bcf to 242 Bcf (28%). The surplus to our model's seasonally adjusted base case narrowed by 7 Bcf to a four-month low 134 Bcf (14%).

On the regional breakdown, the Salts posted a strong 5 Bcf injection. The normal injection is 2 ±1 Bcf. Storage rose to 324 Bcf while the surplus to a year ago rose by 5 Bcf to a two-month high of 73 Bcf (29%).

Over the next couple of weeks, utilities will begin withdrawing gas from salt domes as a/c demand in the northern latitudes heats up.

The Nonsalt portion of the South Central market area posted a 7 Bcf injection, the smallest addition in six weeks. The normal injection is 15 ±4 Bcf. The Y/Y surplus narrowed to a new four-month low of 169 Bcf (28%).

The East posted a solid injection of 22 Bcf. The seasonal norm is 25 ±9 Bcf. Storage rose to 574 Bcf and the Y/Y surplus narrowed by 9 Bcf from a **seven-year high** to 167 Bcf (41%). The market has replaced 44% of last winter's delivery.

To date, a total of 239 Bcf has been injected. This is a massive number that is 61 Bcf (34%) greater than a year ago, 43 Bcf (22%) above the five-year interpolated mean and within 22 Bcf of the upper range of our seasonal time series study.

Up until this point, the season has been a horror show for bulls in the East.

The Midwest posted a normal 28 Bcf injection. The seasonal norm is 27 ±10 Bcf. Through the first ten injections of the season, a total of 211 Bcf has been added. This is a big number. The current injection is 25 Bcf (13%) greater than a year ago, 32 Bcf (18%) above the five-year interpolated mean and 30 Bcf (17%) above the base case in our seasonal model. This area has replaced 32% of last winter's delivery.

The Pacific market area reported a large 12 Bcf injection. The typical injection is 4 ±2 Bcf. Storage rose to 176 Bcf and the deficit to a year ago narrowed by 2 Bcf to a five-month low of 45 Bcf (20%).

As of June 09th, storage was 176 Bcf. Based on our modeling and the current pace of injections, our upper-case scenario on end-of-season stocks is 241 Bcf with a base case of 228 Bcf.

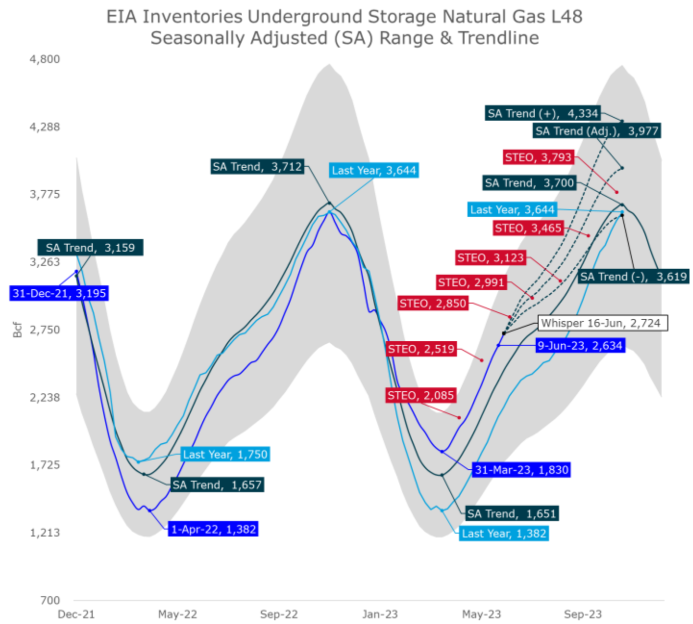
However, injections are running 20% above our best-case-scenario, which if maintained, will get us up to 254 Bcf before winter, 17 Bcf below the EIA's forecast.

Summary

As of Wednesday of the current EIA week, utility demand for gas was 4% lower week-on-week at 4,703 GWhs. Wind output was up 80%, one week after dropping by 54% to a 20-month low.

We are a week away from the summer solstice and markets in the northern latitudes have yet to see anything that could be described as significant heat. However, it is a different story in ERCOT. For example, daily highs are averaging 96°F this week, 4% above normal. In the seven-day forecast, temps will average 101°F.

The early consensus for next Thursday's update on underground storage ranged from the high 80s Bcf to the low 100s Bcf. The typical injection is 79 ±23 Bcf.



The season-to-date injection is up to an impressive 804 Bcf, 91 Bcf (13%) greater than a year ago and 90 Bcf (13%) above the base case in our seasonal time series analysis. As of last Friday, June 09th, storage rose to 2.634 Tcf. We are about 30% through the season and the market has already replaced 44% of last winter's delivery.

After yesterday's update, we calculate a 67% probability (unchanged from last week) the market will finish this season at/above 3.900 Tcf, well above the EIA's 3.793 Tcf forecast.