

THE SCHORK REPORT

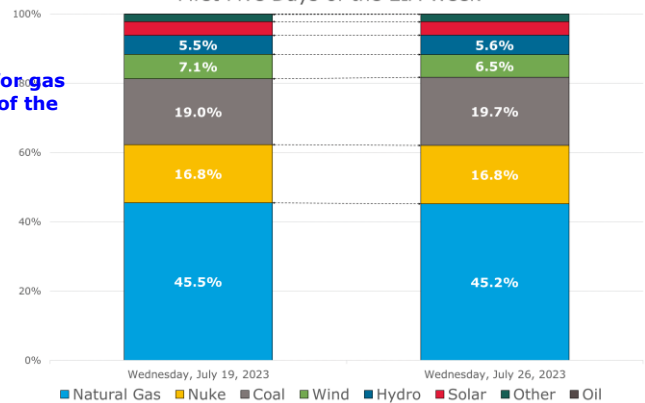
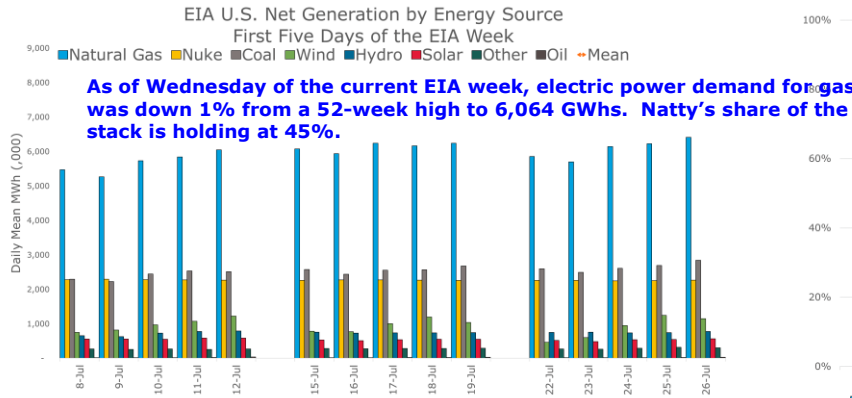


Friday, Jul 28, 2023

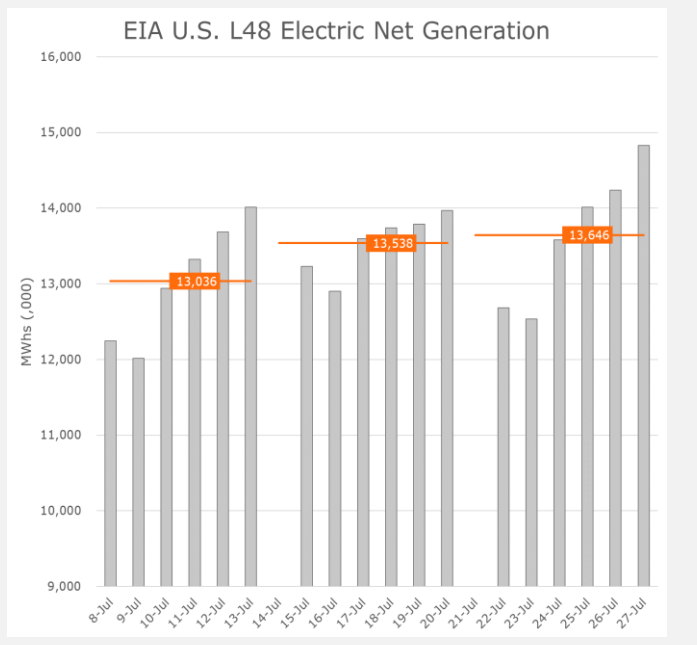
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FUNDAMENTAL + TECHNICAL ANALYSIS OF THE ENERGY MARKETS

EIA U.S. Power Generation Stack
First Five Days of the EIA Week



Nota Bene: As of Thursday of the current EIA week, average demand for electricity is 0.8% higher week-over-week at a 53-week high of 13,646 GWhs.



place, with guesses ranging from the middle single digits Bcf to the middle 30s Bcf. In other words, your guess was as good as any of the cognoscenti.

The typical injection for this update is 37 ±11 Bcf. So, the report was well below normal, and of course, the NYMEX Henry Hub contract tanked, unlike the prior week when the market spiked in an overreaction to a normal update from the EIA.

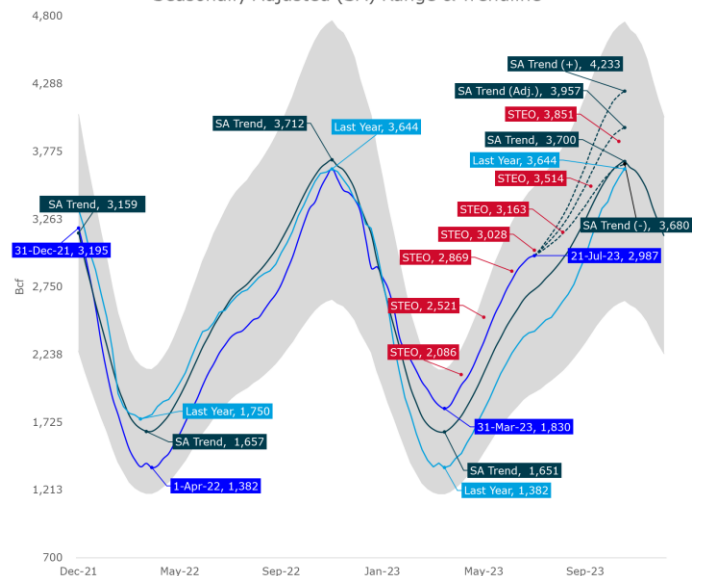
Omnium Gatherum

ENERGY PRICES WERE MIXED... oil went parabolic, while NYMEX August gas expired with a thud.

EIA Natural Gas Recap

Yesterday, the EIA reported the 16th injection (addition) of gas into L48 underground storage. A de minimis 16 Bcf was added, which is the smallest injection to date. The consensus going into the report was all over the

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

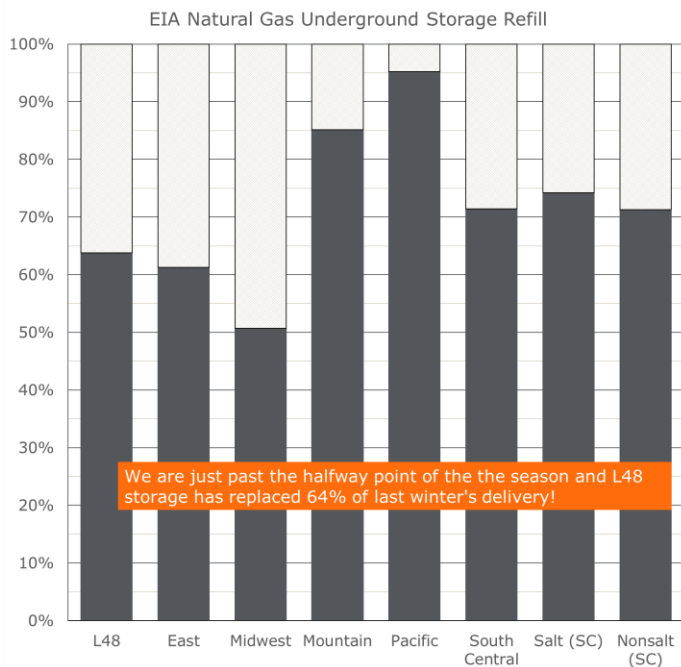


Storage is still on course to challenge the all-time high.

What Goes Around, Comes Around

A week ago, NYMEX gas surged after the EIA released, what was for all intents and purposes, a normal injection.

Recall, going into last week's report the market's consensus injection was all over the place with a range from the middle 50s Bcf to the upper 30s Bcf. The actual report came in at 41 Bcf which is well within the seasonal parameter of 49 ± 14 Bcf.



However, given that the report was shaded towards the lower end of the consensus guess, NYMEX gas surged.

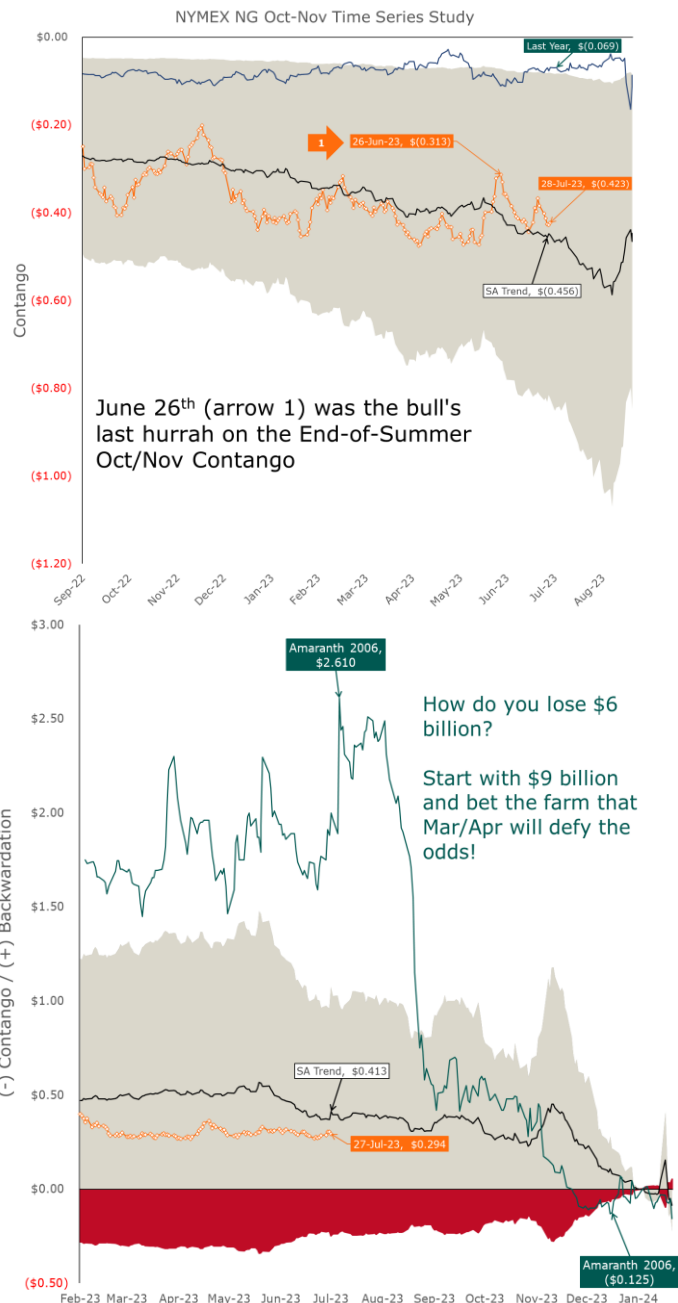
As we noted last Friday, the market's reaction to a 41 Bcf injection was completely overblown. After all, a wrong guess on a weekly report is not a bullish event.

Coming into yesterday's report the consensus was once again a crapshoot. The mean forecast on Reuters and The Desk was 19 Bcf. So, not only did the EIA's number come in well below the seasonal parameter of 37 ± 11 Bcf, it was also below the market's mean guess.

So naturally, gas tanked.

Price weakness is not hard to reconcile. There is a lot of gas already in the ground and we are coming out of what is historically the hottest part of the year.

As is evidenced by the growing contango on the end-of-summer Oct-2023/Nov-2023 spread along with weakness in the end-of-winter Mar-2024/Apr-2024 backwardation (See below), the market is comfortable with current fundamentals.



Summary

The season-to-date injection is up to a substantial 1.157 Tcf, 123 Bcf (12%) greater than a year ago. As of last Friday, July 21st, storage rose to 2.987 Tcf. We are halfway through the season and the market has replaced nearly two-thirds of last winter's delivery.

When we adjust for seasonality, the current pace of injections puts storage on track to top the record (4.023 Tcf on the weekly data and 4.013 Tcf on the monthly numbers) at 4.048 Tcf, a probability of which we calculate at 45% for odds of 5:4.

