THE SCHORK REPORT

FUNDAMENTAL + TECHNICAL ANALYSIS OF THE ENERGY MARKETS

Friday, November 03, 2023

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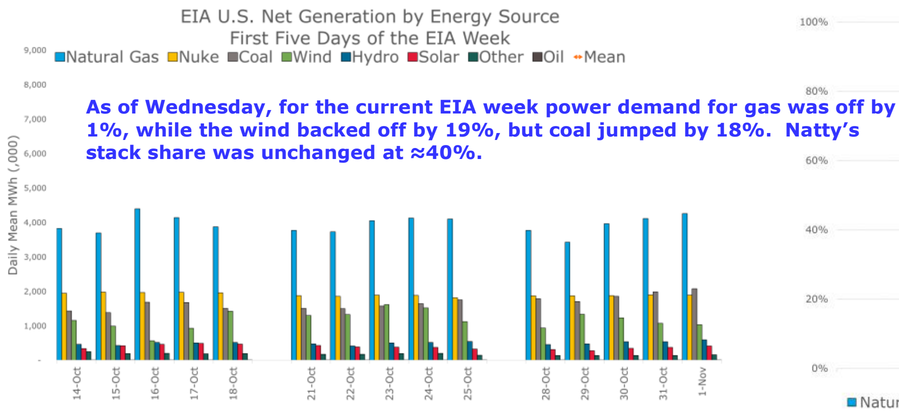
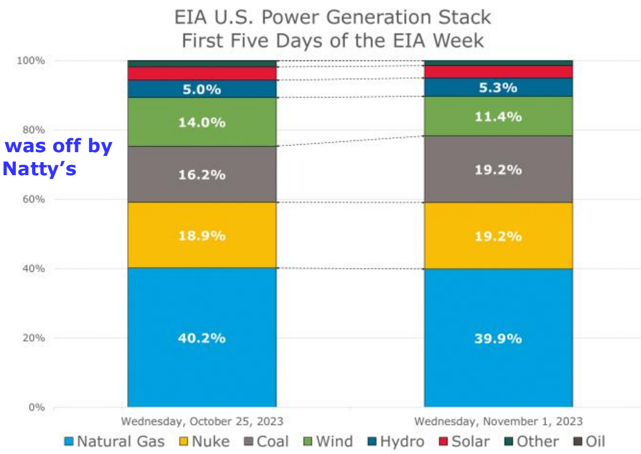
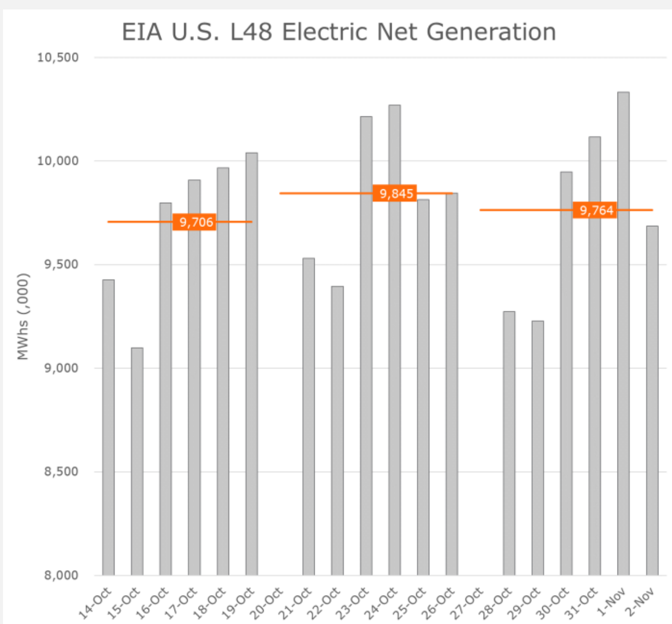




Nota Bene: As of Thursday, for the current EIA week demand for electricity was down by 0.8% on a week-over-week basis and up by 1.6% on a year-over-year basis.

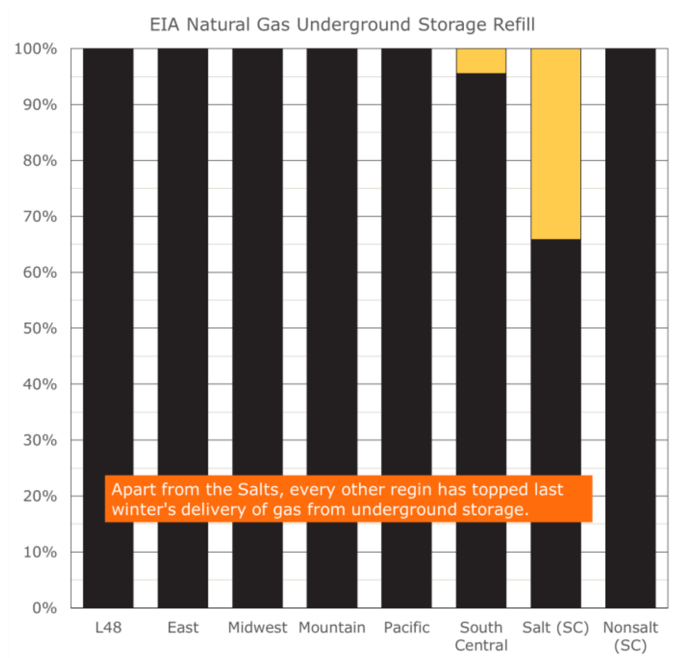


Omnium Gatherum

ENERGY PRICES WERE HIGHER YESTERDAY… NYMEX oil futures rose on Thursday amid weakness in the U.S. dollar and as Israel pressed into Gaza. Meanwhile, after selling off earlier in the day, NYMEX natural gas futures attempted a comeback, but fell short of closing in positive territory.

EIA Natural Gas Highlights

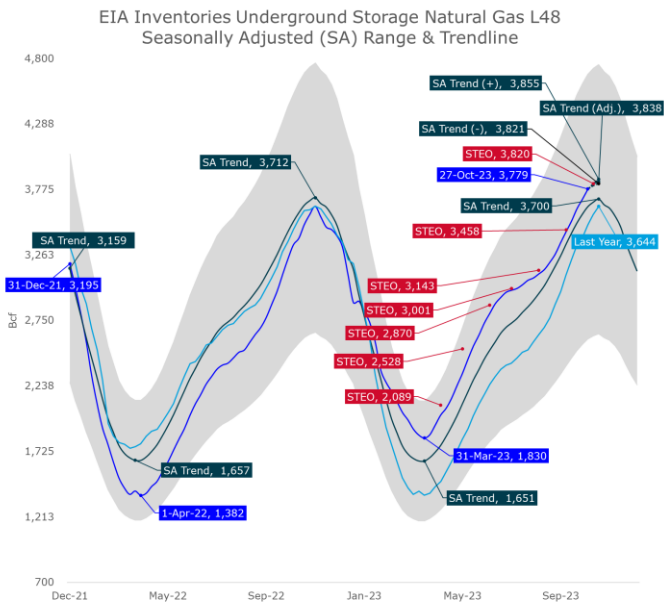
Yesterday, the Energy Information Administration (EIA) reported the 30th injection (addition) of natural gas into L48 underground storage. A net of 79 Bcf was added, which was in line with expectations. Based on our seasonal models, the typical injection for this report is 61 ±14 Bcf. So, yesterday's report was slightly outside the upper limit (75 Bcf) of our model's range, i.e., the report was slightly bearish.



This season has veered onto the exit ramp. The hitherto injection for L48 is now 1.949 Tcf, which is 107% of last winter's 1.814 Tcf delivery. Except for the Salt region, every other market area topped last winter's delivery.

The South-Central area has refilled 95% of last winter's delivery. On the breakdown, the non-Salt region has replaced 100%, whereas the Salt region has replaced 66% of last winter's draw.

The storage injection brought total working gas in storage to 3.779 Tcf for the week ended October 27th. Looking ahead through the end of refills, the ten-year mean injection is 63 ±23 Bcf. At the current pace, storage is on pace to finish the season around 3.832 Tcf. The EIA's latest forecast is 3.820 Tcf.



The early guess from the cognoscente for next Thursday's update (week ended today, November 03rd) ranges from the first delivery (withdrawal) of the season in the low single digits to an injection (addition) in the 40s Bcf. However, due to a scheduled systems update, the EIA will not publish a report for next week.

Why the EIA scheduled an update during the seasonal changeover from refills to withdrawals is a great question.

Whatever the EIA's logic, the decision not to publish next week will deny woebegone gas bulls from seeing this week's strong gas furnace demand show up. The next time the EIA publishes, November 16th, next week's warmup will be reflected in the report.
Looking at the probabilities, there is a 43% probability (odds of 4:3) of finishing this season at/above the EIA's forecast 3.820 Tcf. The 50/50 line rose from 3.801 Tcf to 3.832 Tcf.

Natural Gas Rises Modestly in Post EIA Trading

After falling to an intraday low of $3.401 per MMBtu during morning trading, front-month gas futures clawed its way to an intraday high of $3.526 but couldn't retain the gain into the close. At the end of trading, the NYMEX December 2023 gas futures contract settled at $3.472, down $0.022 on the day.

Gas bulls are up against an unfavorable temperature outlook for the month of November as the major weather forecast models are calling for a warm-up in the near-term and longer-range forecast. In fact, the Global Forecast System (GFS) and European (ECMWF) models are in agreement that temperatures for at least the next couple of weeks should result in a reduction of gas-weighted degree days (GWDD's) relative to the longer-term averages.

With the current Arctic outbreak peaking this Wednesday, temperatures are poised to rapidly moderate, particularly throughout the west and central regions of the U.S. There is a possibility that the Northeast will see slightly below average temperatures during the 6-to-10-day (November 10-17) period, but the intensity of the chill won't produce any meaningful uptick in heating degree day (HDDs).

In terms of where the most recent supply/demand fundamentals are sitting, updated EIA data shows that U.S. dry gas production is residing near 102.4 Bcf/d and imports from Canada hovering slightly over 6 Bcf/d. On the demand side, exports to Mexico are flirting with 6 Bcf/d, while LNG exports are at 14 Bcf/d and trending higher. **As it stands now, there is plenty of supply and a paucity of demand…a lethal cocktail for the bulls**.

NYMEX/ICE Oil Up on Pre-Pre-Weekend Trend

NYMEX December 2023 WTI oil futures prices gained $2.02 to close at $82.46/b on Thursday. Likewise, January 2024 Brent advanced $2.22 to settle at $86.85/b. We've noticed that over the past few weeks since Hamas launched its initial attack on Israel in early October, there has been a trend of elevated oil futures and call option buying that occurs toward the end of the week. This is because oil traders are putting on length to hedge themselves over the weekend.

When traders return to work on Monday… assuming there were no headlines over the weekend… the market corrects.