

THE SCHORK REPORT

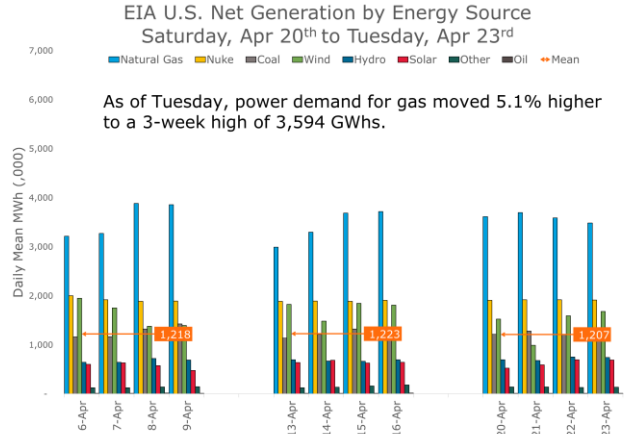


FUNDAMENTAL + TECHNICAL ANALYSIS OF THE ENERGY MARKETS

Friday, April 26, 2024

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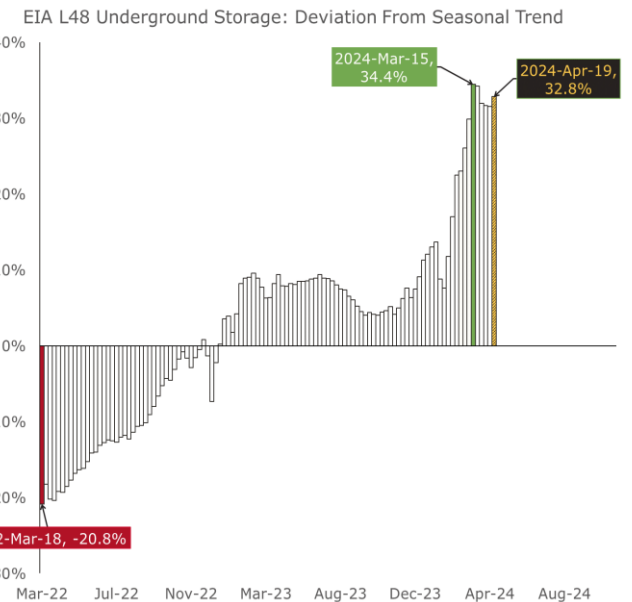
Probability Today's Close Will Finish Below/Above Previous Session's Low/High Prints			
NYMEX NG, May-24	Prev Close \$ 1.638	Close < \$1.583 30%	Close > \$1.675 35%
NYMEX WTI, Jun-24	Prev Close \$ 83.57	Close < \$81.99 25%	Close > \$83.83 45%
ICE Brent, Jun-24	Prev Close \$ 89.01	Close < \$87.31 24%	Close > \$89.31 44%
NYMEX RBOB, Jun-24 (7.4 RVP)	Prev Close \$ 2.7333	Close < \$2.6861 24%	Close > \$2.7440 43%
NYMEX ULSD, Jun-24	Prev Close \$ 2.5604	Close < \$2.5279 33%	Close > \$2.5840 37%
ICE Gasoil, Jun-24	Prev Close \$ 776.25	Close < \$774.75 48%	Close > \$790.75 26%



Nota Bene: As of Wednesday, of this EIA week, electricity demand was 5% lower W/W and 2% lower Y/Y at a 3-year low of 9,362 GWhs.

season, the market has already replaced 10½% of last winter's 1.577 Tcf delivery. As of last Friday, storage stood at a comfortable 2.425 Tcf, exceeding last year's level by 416 Bcf and surpassing the mean in our model's time series study by a staggering 599 Bcf!

3-Week Directional Momentum & Money Flow As Of Thursday, April 25, 2024							
		NYMEX NG	NYMEX WTI	ICE Brent	NYMEX RBOB	NYMEX ULSD	ICE Gasoil
Price	Trend	Rising	Falling	Falling	Falling	Falling	Falling
Volume	Trend	Rising	Falling	Rising	Rising	Rising	Rising
	Bias	Bullish	Bullish	Bearish	Bearish	Bearish	Bearish
Open Interest	Trend	Falling	Falling	Rising	Rising	Rising	Falling
	Bias	Bearish	Bullish	Bearish	Bearish	Bearish	Bullish
Market Signal		Neutral	Bullish	Bearish	Bearish	Bearish	Neutral
Market Volatility		Falling	Rising	Falling	Rising	Falling	Falling



Omnium Gatherum

PRICES WERE MIXED YESTERDAY... the penultimate natty contract for May delivery sank to (yet another) life-of-contract low, while oil markets snapped back from Wednesday's weakness.

As illustrated, two years ago, gas storage ended winter 21% below the seasonal trend, this winter, storage ended winter 34% above the trend. As of last week, the surplus was nearly 33%.

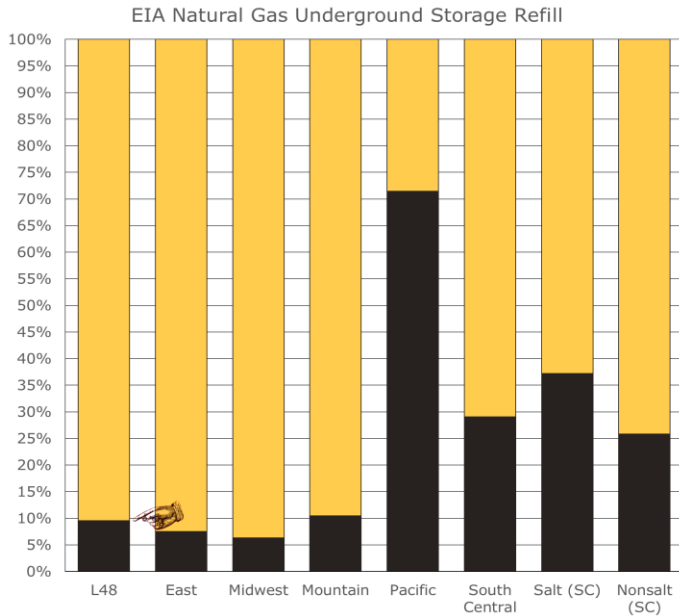
EIA Gas Highlights

Yesterday, the EIA reported a larger-than-normal addition to L48 underground storage. For the week ending April 19th, 92 Bcf of natural gas was injected. The report came in above the mean consensus in the middle 80s Bcf.

For this week, temperatures in New York City are averaging ≈51°F, 3°F colder week-over-week and 2°F below normal. Up in Chicago, temperatures are averaging ≈48°F, which is 11°F (!) colder on the week and 4°F colder than usual. Lastly, Houston temps are averaging ≈71°F which is 5°F colder on the week and 1°F

To date, 166 Bcf has been injected this season which is a strong start. Based on our time series study, the normal trend at this early juncture is 115 Bcf. So, even though yesterday's report was only the third injection of the

below normal. By this point in April, you expect to see an injection (addition) into L48 storage of $\approx 108 \pm 32$ Bcf. With this week's stronger implied furnace demand, we venture that next Thursday's report will come in on the lower end of the normal range, i.e., closer to 76 Bcf than 108 Bcf.



Three injections into the season and 10½% of last winter's meager delivery of 1.577 Tcf from L48 underground storage has been replaced.

Based on our time series study, the probability (with associated odds) of end-of-season storage finishing above the following outlooks are as follows...

- Even Money 4.369 Tcf » 50/50
- STEO Forecast 4.087 Tcf » 58%, odds 8:11
- Record High (EIA) 4.047 Tcf » 59%, odds 7:10
- Psychological 4.000 Tcf » 60%, odds 2:3
- Record High (AGA) 3.978 Tcf » 61%, odds 2:3
- Last Year 3.836 Tcf » 65%, odds 7:13

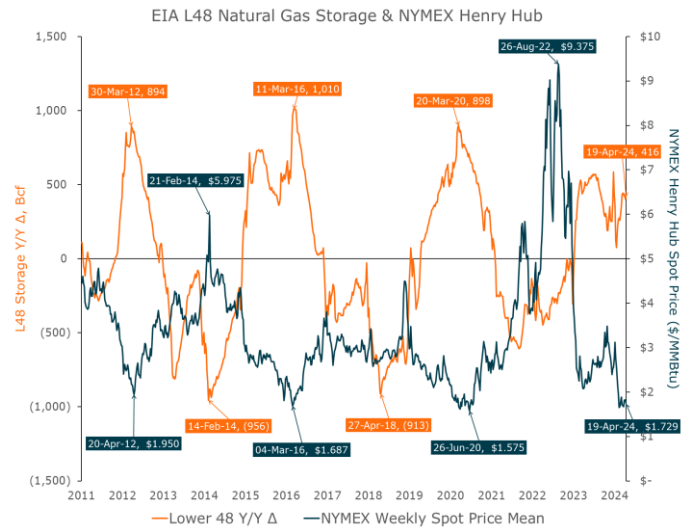
Inventory Surplus = Sustained Low Prices

The illustration below shows the year-over-year comparison in L48 underground natural gas storage on the left-hand side of the graph, and the average weekly spot price for NYMEX natural gas on the right-hand side of the graph.

The graph speaks for itself. When there is a large surplus in gas compared to the corresponding week from the prior year, spot gas prices trade in the basement. Conversely, when supplies are in deficit compared to the prior year, gas prices are strong.

The linear regression between these two variables from 2010 through early 2022 generated a coefficient of determination (R^2) of 0.50, which is strong. The R^2

measures the proportion of change in one variable, in this case price, which is explained by another variable, in this case storage.



R^2 ranges from 0 to 1, where 0 indicates no relationship between the two variables, and 1 indicates (for purposes of this discussion) a perfect relationship in the two variables.

In our case, the R^2 of 0.50 indicates that year-over-year shifts in storage have a strong level of explanatory power, i.e., approximately 50% of the change in price is explained by the change in storage.

In addition to storage differentials, price is a function of multiple drivers such as domestic production, net imports, weather, the economy, politics, as well as exogenous outliers. With NYMEX prices surging to \$10/MMBtu two summers ago, along with the shut-in of Freeport LNG and a lack of weather over the past three seasons, the relationship between storage differentials and prices has softened, but it still exists.

Therefore, it is likely that we will not see any significant rally in gas until we see significant reversal in year-over-year storage differentials

