THE SCHORK REPORT

FUNDAMENTAL + TECHNICAL ANALYSIS OF THE ENERGY MARKETS

Friday, June 07, 2024

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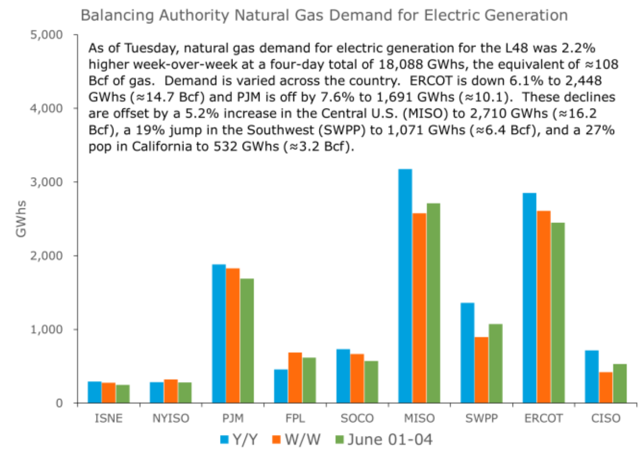
Probability Today's Close Will Finish Below/Above Previous Session's Low/High Prints			
NYMEX NG, Jul-24	Prev Close $ 2.821	Close < $2.724 31%	Close > $2.877 37%
NYMEX WTI, Jul-24	Prev Close $ 75.55	Close < $74.06 22%	Close > $75.79 45%
ICE Brent, Aug-24	Prev Close $ 79.87	Close < $78.38 20%	Close > $80.08 45%
NYMEX RBOB, Jul-24 (7.4 RVP)	Prev Close $ 2.3975	Close < $2.3553 24%	Close > $2.4032 46%
NYMEX ULSD, Jul-24	Prev Close $ 2.3576	Close < $2.3019 17%	Close > $2.3608 47%
ICE Gasoil , Jul-24	Prev Close $ 720.25	Close < $710.50 28%	Close > $726.50 35%



Nota Bene: As of Wednesday, electricity demand was 3.2% higher on the week and 5.7% higher on the year at a 5-month high of 11,678 GWhs.

3-Week Directional Momentum & Money Flow As Of Thursday, June 06, 2024		NYMEX NG	NYMEX WTI	ICE Brent	NYMEX RBOB	NYMEX ULSD	ICE Gasoil
Price	Trend	Falling	Falling	Falling	Falling	Falling	Falling
Volume	Trend	Falling	Rising	Rising	Falling	Rising	Rising
	Bias	Bullish	Bearish	Bearish	Bullish	Bearish	Bearish
Open Interest	Trend	Falling	Rising	Rising	Falling	Falling	Rising
	Bias	Bullish	Bearish	Bearish	Bullish	Bullish	Bearish
Market Signal		Bullish	Bearish	Bearish	Bullish	Neutral	Bearish
Market Volatility		Falling	Rising	Falling	Falling	Rising	Falling

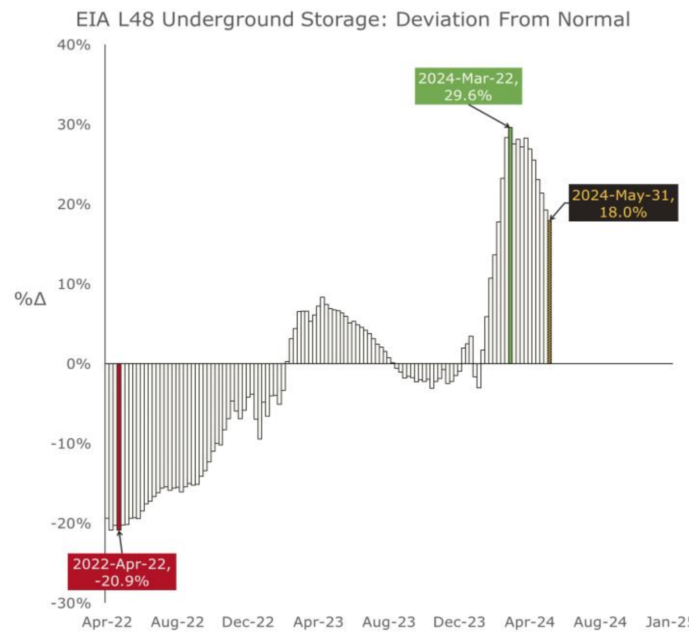
Omnium Gatherum

ENERGY PRICES WERE STRONG YESTERDAY… natty shrugged off a solid EIA report and instead focused on looming hot weather. Oil markets rallied as OPEC is in damage control following their recent decision.

What We Are Watching

Yesterday, the EIA reported a 98 Bcf injection (addition) to L48 underground storage for the week ending May 31st. This was the first normal injection in six weeks. The report came in at the high end of the consensus forecast and was well within the seasonal range of 103 ± 26 Bcf.

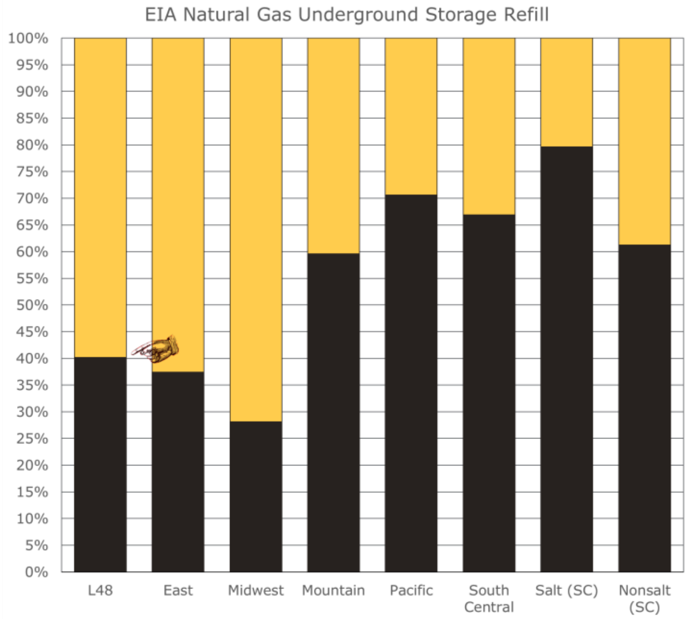
To date, 634 Bcf has been added, which is a strong figure given the high level of storage at the end of last winter. As of last Friday, storage stood at a comfortable 2.893 Tcf, exceeding last year's level by 343 Bcf and surpassing the midpoint in our model's time series study by 440 Bcf!



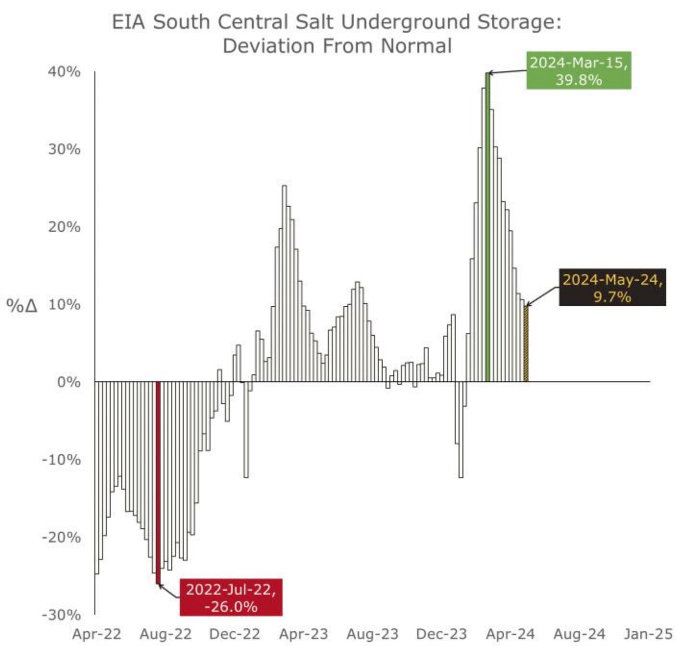
Two years ago, L48 gas storage ended winter 21% below the seasonal trend. Last month, storage peaked at a 30% surplus, which has since narrowed to 18%.

We are now winding down the first phase of the injection season as the Dog Day of Summer approach and utilities begin calling on their inventories in the Salt Region.

Even before the heat kicks in, natural gas burned for electric generation is already stout. Since the start of spring, year-over-year demand for gas is about 4,878 GWhs higher which equates to roughly an additional call on 29.2 Bcf.



We are now nine weeks into a refill season which typically lasts 32 weeks (28%). At this point, the market has already replaced 40% of last winter's delivery from L48 underground storage.

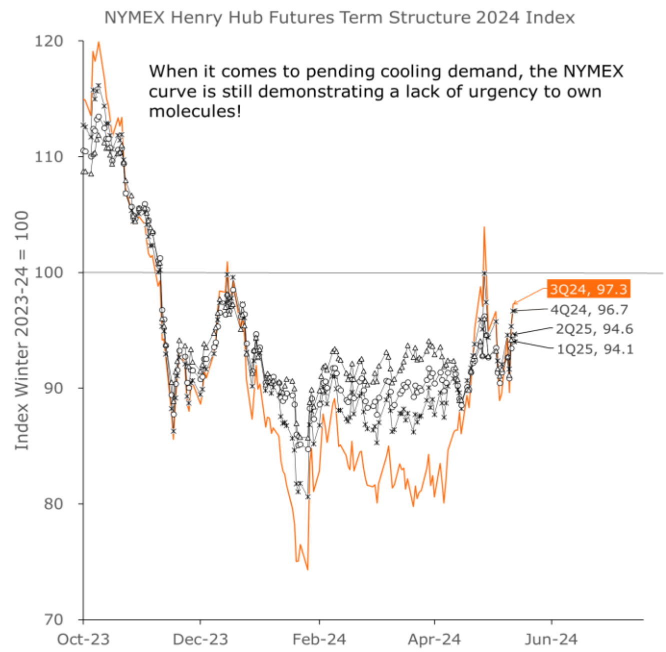


Since the peak at the end of winter of 39.8%, the surplus to the seasonal trend in the Salt Region has since been whittled down to 9.7%.

As noted at the top of the first page, as of Tuesday, natural gas demand for electric generation for the L48 was 2.2% higher week-over-week at a four-day total of 18,088 GWhs, the equivalent of ≈108 Bcf of gas.

Demand is varied across the country. ERCOT is down 6.1% to 2,448 GWhs (≈14.7 Bcf) and PJM is off by 7.6% to 1,691 GWhs (≈10.1). These declines are offset by a 5.2% increase in the Central U.S. (MISO) to 2,710 GWhs (≈16.2 Bcf), a 19% jump in the Southwest (SWPP) to 1,071 GWhs (≈6.4 Bcf), and a 27% pop in California to 532 GWhs (≈3.2 Bcf).

The last two reports from the EIA tend to be the largest of the season, thus bringing a close to the first (of three) phase of the refill season. As the heat picks up over the next several weeks in the northern latitudes, utilities will start drawing down their inventories in the Salt Region. Therefore, injections will dwindle into and through the Dog Days of Summer. For next week's storage report, you expect to see an injection of ≈99 ± 26 Bcf for early June. A year ago, the EIA reported an 84 Bcf injection for the corresponding week.



You have to hand it to gas bulls; they have shown a level of resiliency we have not seen from them in two years. After some wild swings early in the week, the market shrugged off a solid EIA report yesterday and rallied to a $2.821 close.

The contract is now within hailing distance of the $3 threshold. To this point, as of yesterday's trading, options traders priced in a 33% probability (odds 2:1) that the market will rally above $3.000, along with a 22% probability (odds 7:2) that we will see a retracement to $2.500.