THE SCHORK REPORT™

FUNDAMENTAL + TECHNICAL ANALYSIS OF THE ENERGY MARKETS

Friday, July 12, 2024

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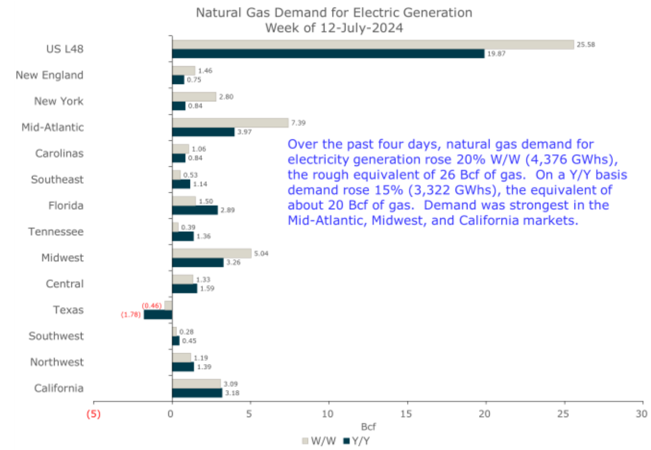
Probability Today's Close Will Finish Below/Above Previous Session's Low/High Prints			
NYMEX NG, Aug-24	Prev Close $ 2.268	Close < $2.261 48%	Close > $2.343 21%
NYMEX WTI, Aug-24	Prev Close $ 82.62	Close < $81.63 27%	Close > $83.13 37%
ICE Brent, Sep-24	Prev Close $ 85.40	Close < $84.64 30%	Close > $85.89 37%
NYMEX RBOB, Aug-24 (7.4 RVP)	Prev Close $ 2.5178	Close < $2.4914 31%	Close > $2.5286 41%
NYMEX ULSD, Aug-24	Prev Close $ 2.5182	Close < $2.5045 41%	Close > $2.5437 32%
ICE Gasoil , Aug-24	Prev Close $ 777.50	Close < $768.25 29%	Close > $781.00 41%



Nota Bene: For the EIA week of Friday, June 21st, average daily electricity demand rose by 8.5% W/W, 12.2% Y/Y to a six-month high of 13,183 GWhs.

3-Week Directional Momentum & Money Flow As Of Wednesday, July 10, 2024		NYMEX NG	NYMEX WTI	ICE Brent	NYMEX RBOB	NYMEX ULSD	ICE Gasoil
Price	Trend	Falling	Rising	Rising	Falling	Rising	Rising
Volume	Trend	Falling	Falling	Falling	Rising	Falling	Rising
	Bias	Bullish	Bearish	Bearish	Bearish	Bearish	Bullish
Open Interest	Trend	Rising	Rising	Falling	Rising	Falling	Falling
	Bias	Bearish	Bullish	Bearish	Bearish	Bearish	Bearish
Market Signal		Neutral	Neutral	Bearish	Bearish	Bearish	Neutral
Market Volatility		Falling	Falling	Falling	Falling	Falling	Falling

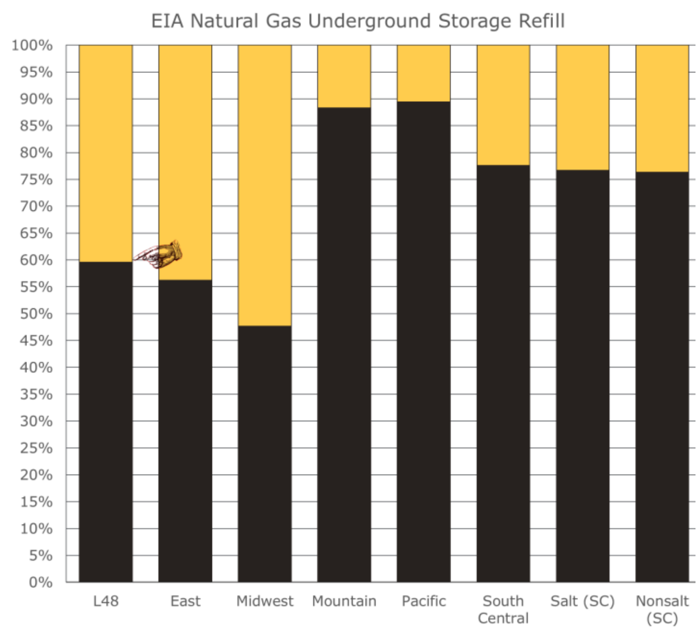
Omnium Gatherum

PRICES WERE MIXED YESTERDAY… NYMEX gas finished lower for the 17th time in the last 20 sessions, falling by a net $9,780 per contract! Crude oil trudged higher on follow through momentum.

What We Are Watching

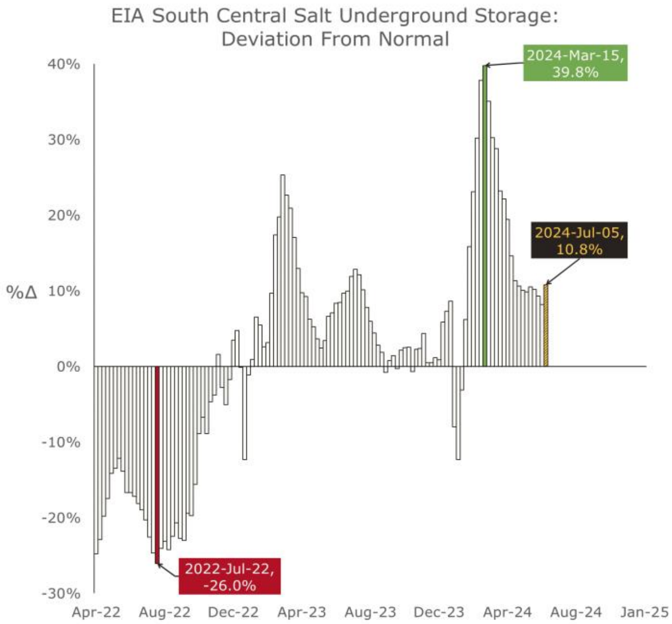
Yesterday, the EIA reported a normal injection (addition) of natural gas into L48 underground storage. For the week of July 05th, inventories rose by 65 Bcf to 3.199 Tcf. We typically see an injection of 63 ± 16 Bcf for this report.

This season's addition is up to 940 Bcf, a meager amount given the seasonal norm is 1.094 Tcf, while last year's injection was 1.051 Tcf. Yet, because of the massive surplus in gas after the end of last winter, 60% of last winter's delivery has been replenished and we still have about 18 weeks left in the season (See below).



We are now in the hottest part of the year and utilities have started calling on their inventories in the Salt Region to sate cooling demand. Over the past three weeks, inventories have fallen by 10 Bcf which aligns with seasonal norms.

This past winter, natural gas prices and implied volatility in the NYMEX futures market exhibited a notable pattern shaped by weather conditions and market expectations. As the heating season approached (See below), prices and volatility peaked in anticipation of increased demand for heating (arrow 1). However, the winter turned out to be milder than expected and prices and volatility began to decline, reflecting the decreased heating needs and surplus supply (arrow 2).



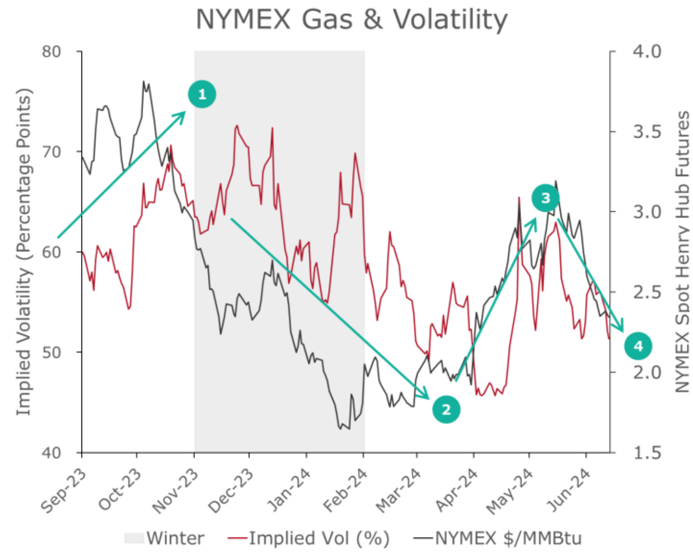
Two summers ago, gas storage in the Salts was 26% below the seasonal trend. At the end of this past winter, storage peaked at a 40% surplus, which has since narrowed to 11%.

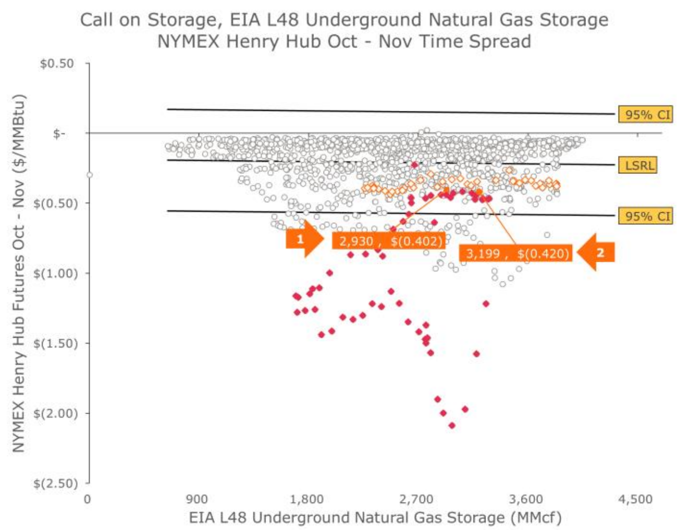
As spring arrived, the market experienced a brief rally, which was strongly correlated with early hot weather conditions. However, this rally was short-lived (arrow 3).

Despite temperatures continuing to stay above normal, both prices and implied volatility have been on a downward trajectory since late spring (arrow 4). The key factor contributing to this trend is the market's anticipation of entering the next winter with high inventory levels.

The discount (contango) on the NYMEX October 2024 contract (the final contract of the summer strip) to the November 2024 contract (the first contract of the winter strip) averaged \$0.420 per MMBtu last week, a five-month low. The takeaway is traders seem to be factoring in the expectation that inventory will remain robust, thus mitigating the risk of supply shortages and keeping prices and volatility low.

Recent movements in the gas markets reflect how short-term demand fluctuations due to weather can impact prices and volatility, but ultimately, long-term expectations of inventory levels play a more significant role. The mild winter left inventories high, and despite strong current demand due to hot weather, the market anticipates that these high inventory levels will persist into the next winter.





At this point last year, L48 storage was 2.930 Tcf and the October contracts discount to November was \$0.402 (arrow 1). As of last week, storage was 3.199 Tcf and October's discount was \$0.420 (arrow 2). This is what a bearish market looks like!

The heat is on. Through the first four days of this week, natural gas demand for electricity generation rose 20% W/W (4,376 GWhs), the rough equivalent of 26 Bcf of gas. Demand was strongest in the Mid-Atlantic, Midwest, and California. For next week's report, we typically see an injection of 51 ± 13 Bcf. With this week's pop in demand, we will see an injection on the lower end, if not below this range.