

THE SCHORK REPORT

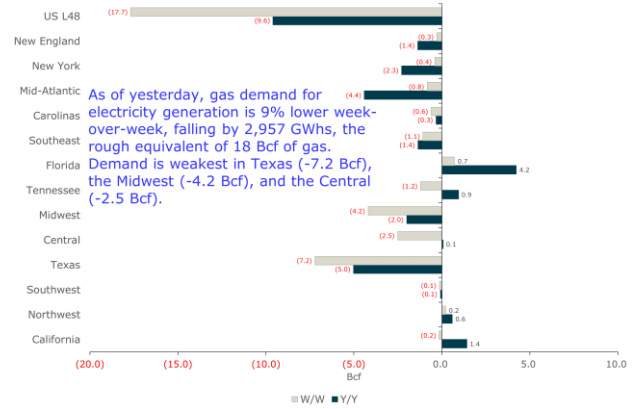


FUNDAMENTAL + TECHNICAL ANALYSIS OF THE ENERGY MARKETS

Friday, September 13, 2024

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Natural Gas Demand for Electric Generation
Week of 13-September-2024



Probability Today's Close Will Finish Below/Above Previous Session's Low/High Prints			
NYMEX NATURAL GAS	Prev Close	Close < \$2.229	Close > \$2.394
	\$ 2.357	17%	38%
NYMEX WTI	Prev Close	Close < \$67.24	Close > \$69.81
	\$ 68.97	26%	37%
ICE Brent	Prev Close	Close < \$70.59	Close > \$72.87
	\$ 71.97	29%	35%
NYMEX RBOB	Prev Close	Close < \$1.8914	Close > \$1.9487
	\$ 1.9270	30%	36%
NYMEX ULSD	Prev Close	Close < \$2.0824	Close > \$2.1468
	\$ 2.1188	31%	34%
ICE Gasoil	Prev Close	Close < \$639.50	Close > \$659.50
	\$ 659.00	16%	48%

Nota Bene: As of yesterday, U.S. L48 average electric generation is 3.9% lower week-over-week and 5.5% lower year-over-year at a 15-week low of 11,341 GWhs.

3-Week Directional Momentum & Money Flow As Of Thursday, August 29, 2024

		NYMEX NG	NYMEX WTI	ICE Brent	NYMEX RBOB	NYMEX ULSD	ICE Gasoil
Price	Trend	Falling	Falling	Falling	Falling	Falling	Falling
Volume	Trend	Falling	Falling	Rising	Falling	Rising	Rising
	Bias	Bullish	Bullish	Bearish	Bullish	Bearish	Bearish
Open Interest	Trend	Falling	Falling	Falling	Falling	Rising	Falling
	Bias	Bullish	Bullish	Bullish	Bullish	Bearish	Bullish
Market Signal		Bullish	Bullish	Neutral	Bullish	Bearish	Neutral
Market Volatility		Falling	Falling	Falling	Rising	Falling	Falling

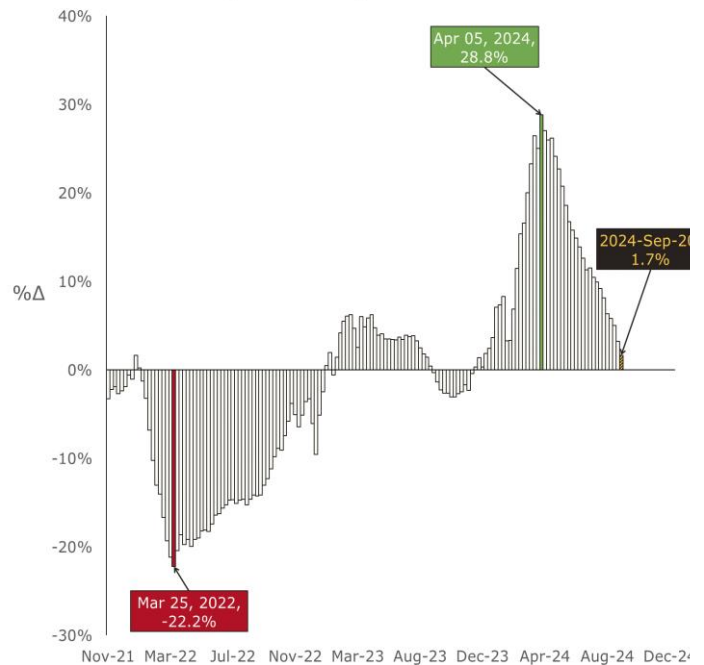
Omnium Gatherum

ENERGY PRICES WERE STRONG YESTERDAY... oil and gas rallied as the market assessed Francine's impact on Gulf Coast output.

What We Are Watching

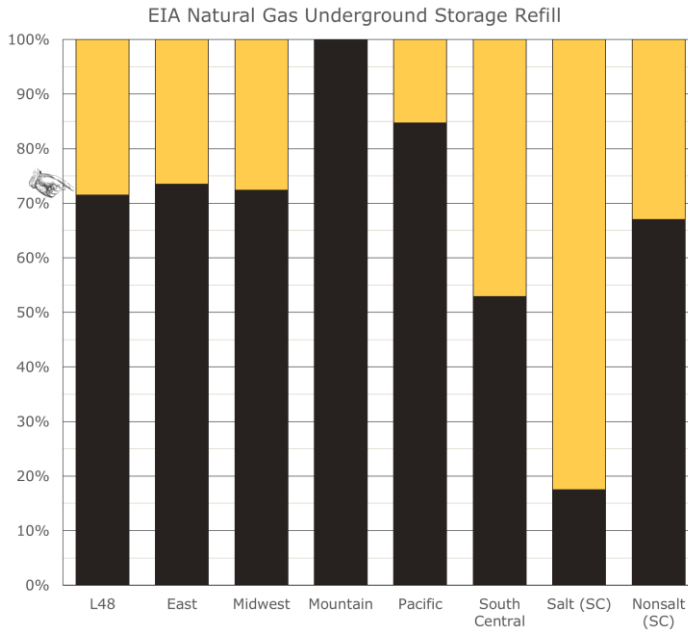
Yesterday, the EIA produced another subpar injection (addition) of natural gas to L48 underground natural gas storage. Whereas the normal refill for early September is $\approx 78 \pm 22$ Bcf, the EIA reported an injection of 40 Bcf for the week ending September 06th which pushed storage up to 3.387 Tcf. This season's addition inched to 1.128 Tcf, significantly below the seasonal norm of 1.578 Tcf for a 450 Bcf deficit.

EIA L48 Underground Storage: Deviation From Normal

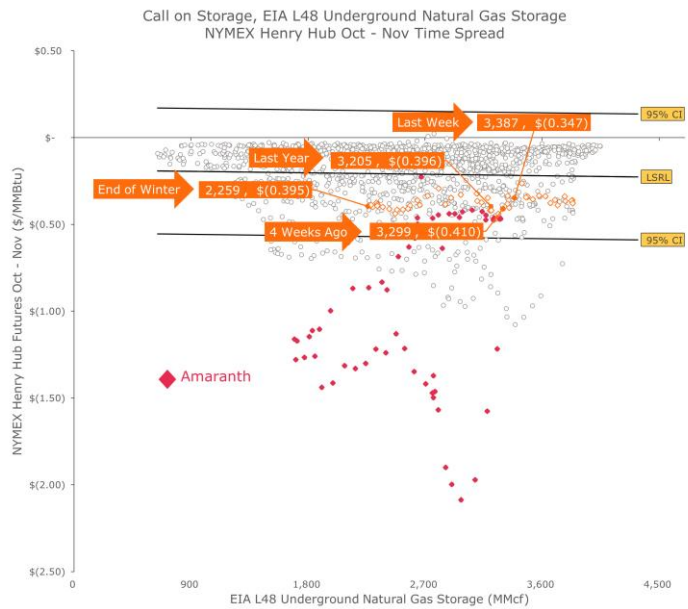


Two summers ago, L48 storage was 22% below the seasonal norm. At the end of last winter, storage peaked at a 29% surplus, which has since narrowed to 2%.

We are 23 weeks into a refill season that typically lasts 32 weeks. At this point, 71½% of last winter's delivery of 1.577 Tcf has been replenished (see below) which is 200 basis points below the five-year mean of 73½%. Between now and the end of the season, we typically see an injection of $\approx 592 \pm 165$ Bcf. This puts L48 storage for the start of winter at 3.979 Tcf with a low of 3.814 Tcf and a high of 4.144 Tcf.



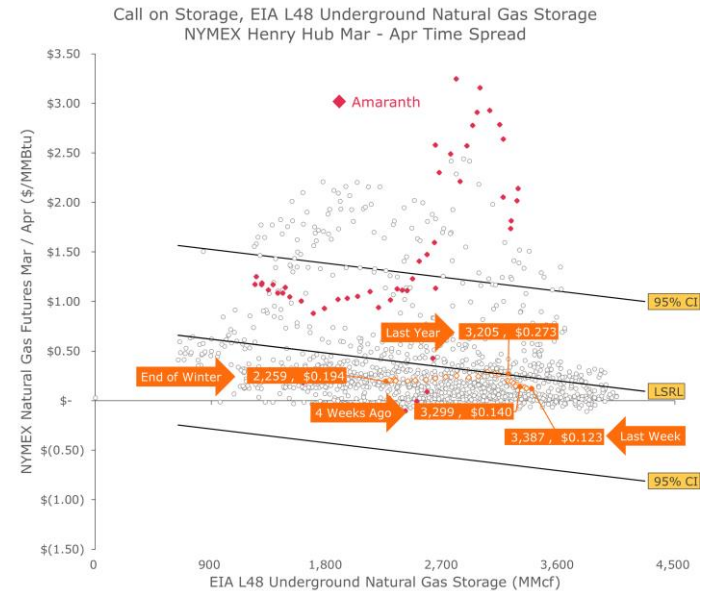
The all-time high is 4.047 Tcf from November 11th, 2016. **So, notwithstanding this season's meager pace of refills, there is still a chance we will see record storage ahead of winter.**



With inventories in good shape, the NYMEX Henry Hub term structure continues to signal weakness. As illustrated above, last week L48 storage rose to 3.387 Tcf and October 2024 futures (the final summer contract of this year) averaged a -\$0.347 per MMBtu discount (contango) to the November 2024 market (the first winter contract of the 2024-25 season). The contango is well below the regression line from the past 25 years.

Furthermore, traders are rapidly discounting this winter (see below). The average backwardation

(premium) on the NYMEX March 2025 Henry Hub futures contract (the final contract of the 2024-25 winter strip) to the April 2025 contract (the first contract of the 2025 summer strip) finished last week at a season-to-date low of +\$0.123 per MMBtu! This backwardation has narrowed for 12 consecutive weeks, i.e., every week since the June 21st summer solstice.



Strong contangos and weakening backwardations in cross-seasonal spreads are derived from weak fundamentals.

As of yesterday, gas demand for electricity generation is 9% lower week-over-week, falling by 2,957 GWhs, the rough equivalent of 18 Bcf of gas. Demand is weakest in Texas (-7.2 Bcf), the Midwest (-4.2 Bcf), and the Central (-2.5 Bcf).

The typical injection in next Thursday's storage update (for the week ending today) is 87 ± 24 Bcf. Despite the weak power demand for gas, the early guess on The Desk ranges from the low 50s to the middle 60s Bcf.

