THE SCHORK REPORT

FUNDAMENTAL + TECHNICAL ANALYSIS OF THE ENERGY MARKETS

Friday, October 25, 2024

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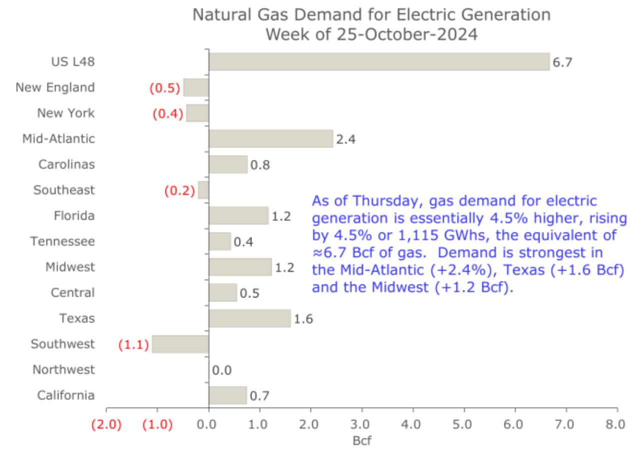
Probability Today's Close Will Finish Below/Above Previous Session's Low/High Prints			
NYMEX NATURAL GAS	Prev Close $ 2.522	Close < $2.373 15%	Close > $2.582 33%
NYMEX WTI	Prev Close $ 70.19	Close < $69.77 45%	Close > $72.34 23%
ICE Brent	Prev Close $ 74.38	Close < $74.00 46%	Close > $76.54 23%
NYMEX RBOB	Prev Close $ 2.0277	Close < $2.0140 44%	Close > $2.0758 27%
NYMEX ULSD	Prev Close $ 2.2023	Close < $2.1964 48%	Close > $2.2591 24%
ICE Gasoil	Prev Close $ 666.75	Close < $660.00 40%	Close > $679.75 30%



Nota Bene: As of Thursday (over the current EIA week), average electric generation is 0.3% lower at a 7-month low of 10,116 GWhs.

Omnium Gatherum

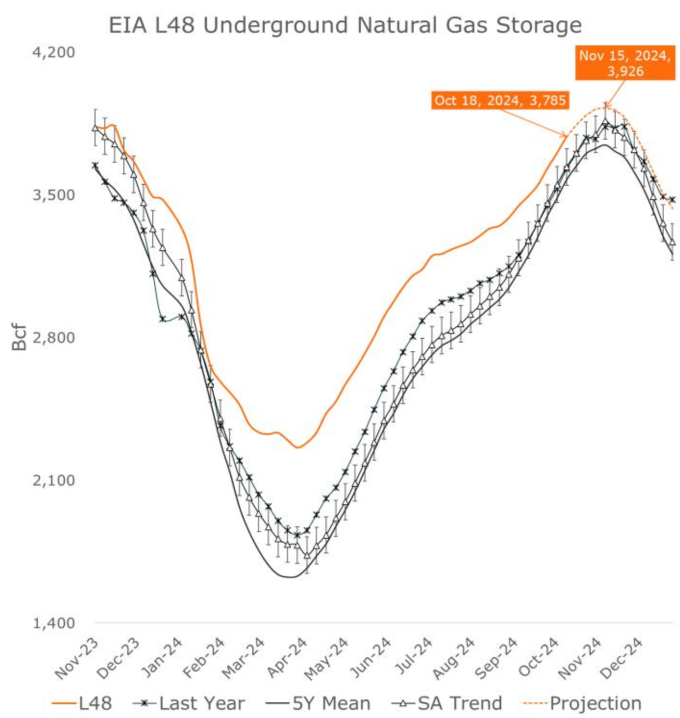
PRICES WERE MIXED YESTERDAY… oil was soft and NYMEX gas traders shrugged off a bearish update from the EIA and bid the contract for November 2024 delivery to its strongest rally since the contract was opened in 2011.

What We Are Watching

For only a handful of times this year, the EIA released a bearish update in its weekly report on underground natural gas storage yesterday. As of last Friday, Lower 48 storage levels rose by 80 Bcf. Market surveys had forecasted a mean addition in the low to mid-60s Bcf, with the most aggressive analysts predicting an injection in the low 70s Bcf range.

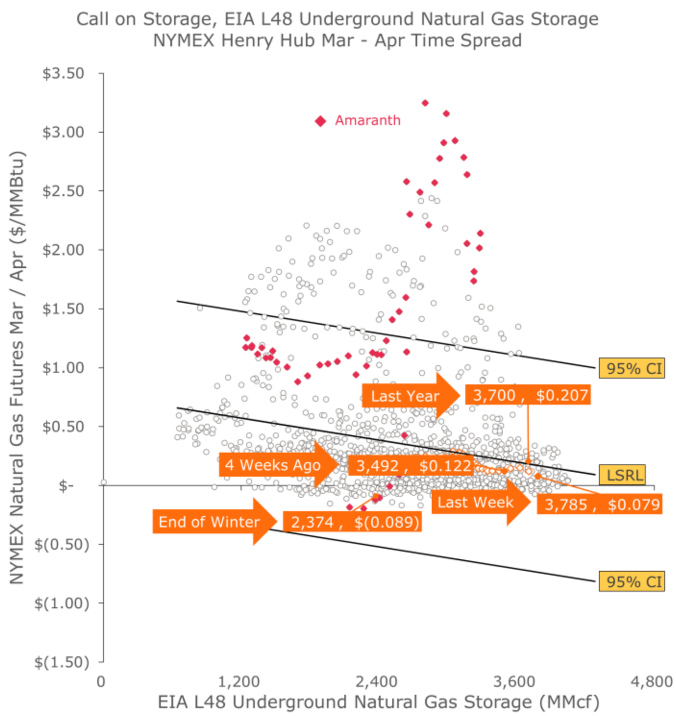
The typical addition for mid-October, based on a time series analysis, is 81 Bcf, with a margin of error of ±22 Bcf. Therefore, not only was yesterday's report well above consensus, but it was also almost perfectly aligned with the seasonal time series. Although the injection was 1 Bcf below the series, it was the closest a weekly injection has come to surpassing it since the July 4th holiday weekend, when the EIA reported a 65 Bcf injection, 10 Bcf above the trend.

Naturally, spot gas reacted to this bearish headline by posting its strongest day on record. November 2024 gas rallied from Wednesday's $2.258 per MMBtu low to yesterday's high of $2.582 per MMBtu. This $0.324 per MMBtu trough-to-peak gain is the largest in the contract's history, i.e., since the contract first began trading in November 2011. The contract settled yesterday at $2.522 per MMBtu, $0.180 higher on the day which is the 10th largest gain on record in dollar terms and the 2nd largest ever in percentage terms of 7.7%.



As of last Friday, L48 storage climbed to 3.785 Tcf, which is still comfortably above the standard error bar of our seasonal time series analysis. Inventories are on pace to end the season at 3.926 Tcf.

Bear in mind that nothing has changed in the fundamentals. They are still bearish. After yesterday's report, L48 storage is on track to start the heating season with more than 3.90 Tcf in the ground.



Last week, the backwardation on the end-of-winter Mar25/Apr25 NYMEX Henry Hub spread averaged a season-to-date low of $0.079 per MMBtu. This week, the backwardation is averaging $0.058 per MMBtu. A year ago, at this time, the backwardation on the Mar24/Apr24 spread averaged $0.207/MMBtu. In other words, this winter has not even started, and it's over.

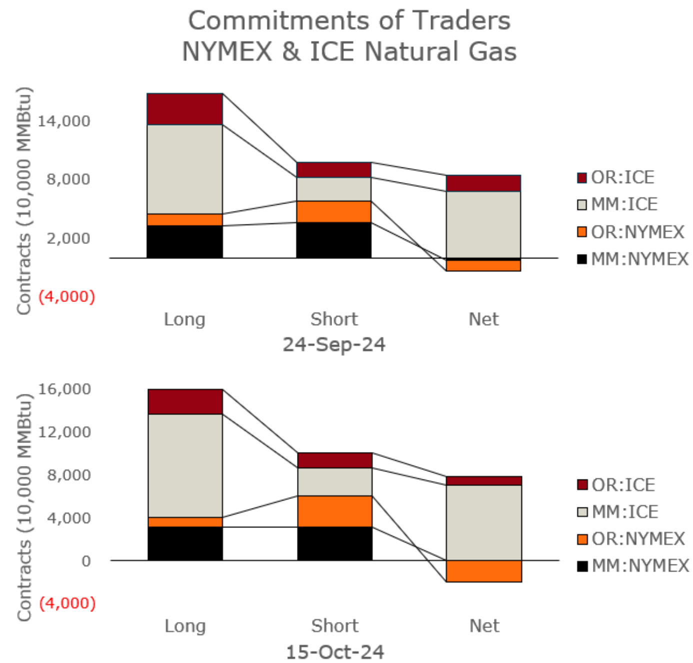
Let's be clear, spot gas did not rally yesterday because the market is primed to end this refill season with more than 3.90 Tcf in the ground.

What's more, the only reason why the backwardation on the end-of-winter Mar25/Apr25 spread is trading at a season-to-date low is because traders maintain a maximum of minimum concern for this heating season.

Yesterday's rally reeks of a typical pre-winter speculation squeeze. Per the CFTC's latest Commitments of Traders report, large speculative traders under the designation Other Reportables (e.g., proprietary 'prop' desks) were holding an average of 891 long NYMEX Henry Hub futures contracts per trader and an average of 2,887 short contracts per trader.

So, for every contract the bullish desk was long, the bearish desk was short 3.24 contracts. The is the highest this ratio has been since before the dog days of summer.

Suffice it to say, a good deal of yesterday's strength on the NYMEX came from bearish desks getting stopped out.



Per last Friday's update from the CFTC, of the most liquid markets, it appears that bears under the heading of Other Reportables (OR) were caught in yesterday's meltup on the NYMEX.