

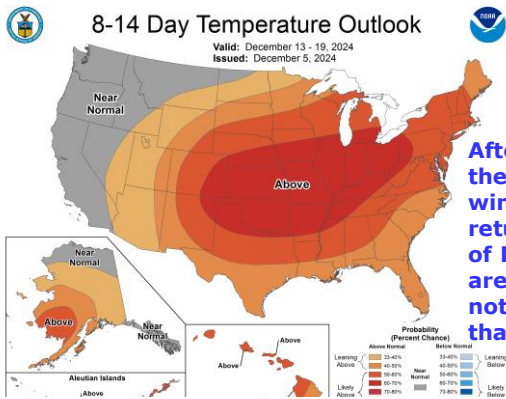
# THE SCHORK REPORT



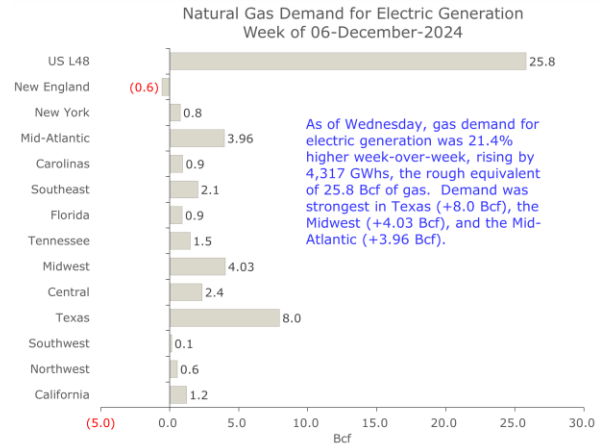
FUNDAMENTAL + TECHNICAL ANALYSIS OF THE ENERGY MARKETS

Friday, December 06, 2024

[www.schorkgroup.com](http://www.schorkgroup.com)



After a cold start to the meteorological winter, warm temps return for the middle of December. If you are a gas bull, it does not get any uglier than this!



As of Wednesday, gas demand for electric generation was 21.4% higher week-over-week, rising by 4,317 GWhs, the rough equivalent of 25.8 Bcf of gas. Demand was strongest in Texas (+8.0 Bcf), the Midwest (+4.03 Bcf), and the Mid-Atlantic (+3.96 Bcf).

**Nota Bene:** As of Wednesday, average electricity generation was 11.9% higher W/W, 10.0% higher Y/Y, and 12.1% above the average for the three years preceding last year at a three-month high of 11,690 GWhs.

Directional Momentum & Money Flow As Of Wednesday, December 04, 2024							
		NYMEX NG	NYMEX WTI	ICE Brent	NYMEX RBOB	NYMEX ULSL	ICE Gasoil
Price	Trend	Falling	Rising	Falling	Rising	Falling	Falling
Volume	Trend	Falling	Falling	Falling	Falling	Falling	Falling
	Bias	Bullish	Bearish	Bullish	Bearish	Bullish	Bullish
Open Interest	Trend	Falling	Falling	Falling	Falling	Falling	Rising
	Bias	Bullish	Bearish	Bullish	Bearish	Bullish	Bearish
Market Signal		Bullish	Bearish	Bullish	Bearish	Bullish	Bearish
Market Volatility		Rising	Falling	Falling	Falling	Rising	Falling

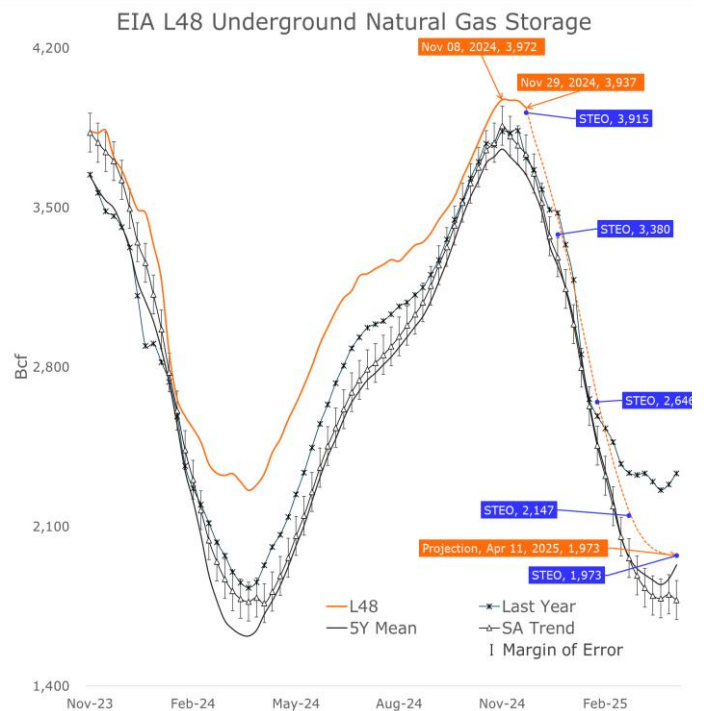
## Omnium Gatherum

PRICES WERE MIXED... Oil weakened further, while NYMEX gas inched higher as traders shrugged off a bearish update from the EIA.

## What We Are Watching

Yesterday, the EIA reported the third delivery (withdrawal) of this early season. As of Friday, November 29<sup>th</sup>, L48 underground storage of natural gas fell by 30 Bcf to 3.937 Tcf. This was a small delivery, the typical delivery at the end of November is 63 Bcf with a margin of error of ± 15 Bcf. As a percentage of working capacity, inventories have fallen by 0.74% (74 basis points or bps) since the start of the season to 83.19%, which is 621 bps

above the five-year mean and 434 bps above the seasonal norm.



After yesterday's report, we now have end-of-winter stocks at 1.973 Tcf, i.e., in line with the EIA's forecast.

As small as this week's report was, next week's report will be significantly larger, as an Arctic chill is enhancing the traditional post-Thanksgiving rise in residential and commercial power demand from Christmas lights and displays being turned on. As of Wednesday, gas demand for electric generation was 21.4% higher week-over-week, rising by 4,317 GWh, the rough equivalent of 25.8 Bcf of gas.

This demand is further compounded by a surge in gas-fired space heating consumption. Temperatures in the key Chicago market area are averaging 22.4°F, which is 12.1°F below normal, while New York City temperatures are averaging 36.5°F, 5.3°F below normal.

The current atmospheric patterns and NOAA's temperature outlooks indicate a complex and evolving situation for natural gas furnace demand in key market areas east of the Rockies.

The Arctic Oscillation (AO), currently neutral, will shift to negative starting today and remain there through the third week of this month. This typically supports colder air moving southward into the central and eastern U.S.

Similarly, the North Atlantic Oscillation (NAO) is expected to turn negative for most of the period through December 15<sup>th</sup>, which further increases the potential for colder temperatures slipping into the L48. However, the NAO will shift slightly positive beginning in the latter half of the month which could weaken the blocking patterns that support sustained cold.

Finally, the Pacific North American Pattern (PNA), currently positive, will transition to neutral next week and stay neutral through third week of this month, reducing the likelihood of strong rigging in the west.

NOAA's temperature outlooks reflect a nuanced response to these patterns. In the 6 to 10 Day Outlook (December 11<sup>th</sup> to 15<sup>th</sup>), above-normal temperatures are expected west of the Rockies and throughout New England, while the Southeast will see below-normal temperatures. Near-normal conditions are anticipated elsewhere. In the 8 to 14 Day Outlook (December 13<sup>th</sup> to 19<sup>th</sup>), temperatures are forecast to be near normal west of the Rockies and above normal for most areas east of the Rockies, despite the negative AO and NAO patterns.

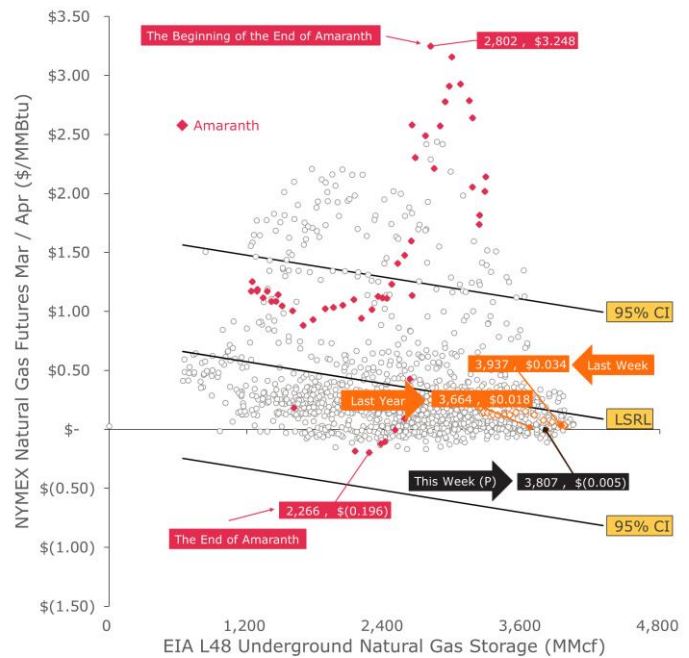
**Potential impacts:**

Key natural gas furnace markets east of the Rockies could experience a mixed impact on heating demand. The Southeast is likely to see increased demand due to below-normal temperatures during the 6-to-10-day outlook, driven by the combination of the negative AO and NAO. However, regions like New England and other areas east of the Rockies, which are projected to have above-normal temperatures during the 8-to-14-day outlook, may see reduced heating demand despite the broader atmospheric patterns favoring cold air incursions.

Overall, while the negative AO and NAO support colder conditions in principle, NOAA's temperature outlook suggests that these impacts may be moderated by other

factors, such as lingering warmth and neutralizing influences from the PNA. This could temper natural gas heating demand in key markets, particularly during the second half of the period.

Call on Storage, EIA L48 Underground Natural Gas Storage NYMEX Henry Hub Mar - Apr Time Spread



**Takeaway:**

NOAA's dueling forecasts notwithstanding, traders are unperturbed with current fundamentals (See above). After peaking at \$0.289 per MMBtu last June, the premium (backwardation) on NYMEX March 2025 to April 2025 has narrowed in five out of every six weeks. Last week, the backwardation averaged \$0.034 per MMBtu. This week the spread flipped to contango with March (the final contract of the winter strip) averaging a \$0.005 discount to April (the first contract of the summer strip).

**This is the earliest the March contract has traded at a discount to April since 2015, and it is as bearish a signal as there can be.**

