

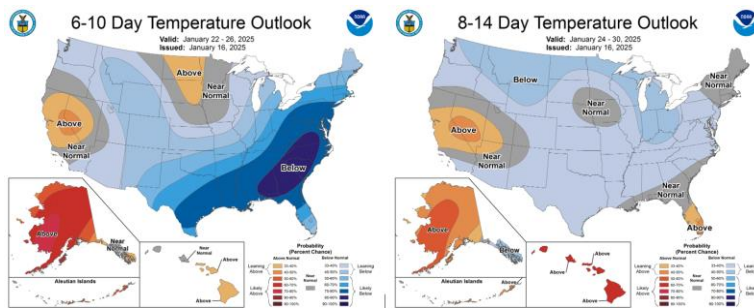
THE SCHORK REPORT



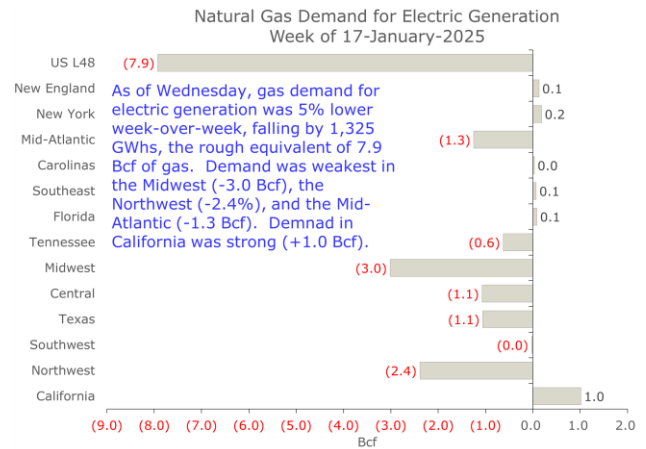
FUNDAMENTAL + TECHNICAL ANALYSIS OF THE ENERGY MARKETS

Friday, January 17, 2024

www.schorkgroup.com



NOAA: Frigid air pushed NYMEX Henry Hub gas to a new season-to-date high.



Nota Bene: As of Wednesday, average electricity generation was 2% lower on the week, 7% lower on the year, and 5% higher than the 2021-2023 mean at 12,281 GWhs.

Directional Momentum & Money Flow As Of Wednesday, January 15, 2025

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

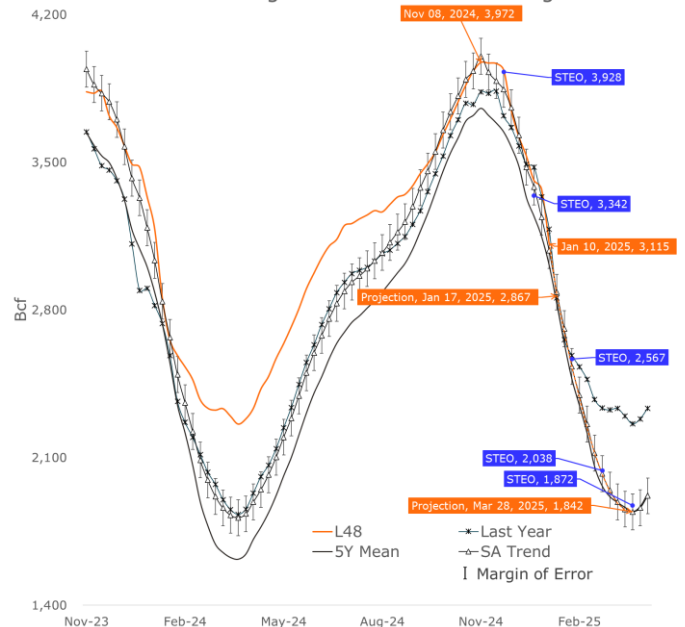
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PRICES WERE MIXED YESTERDAY... Henry Hub gas on the NYMEX hit a season-to-date high, while crude oil bulls took a breather.

What We Are Watching

Yesterday, the EIA reported the ninth delivery (withdrawal) of the season. As of Friday, January 10th, storage fell by a massive 258 Bcf to 3.115 Tcf. The season-to-date delivery is 857 Bcf which is 320 Bcf greater than a year ago, 110 Bcf greater than the five-year mean but 64 Bcf below the seasonal time series study. As a percentage of working capacity, inventories have fallen by 18.11 points (1,811 basis points or bps) since the start of the season, dropping to 65.82%.

EIA L48 Underground Natural Gas Storage



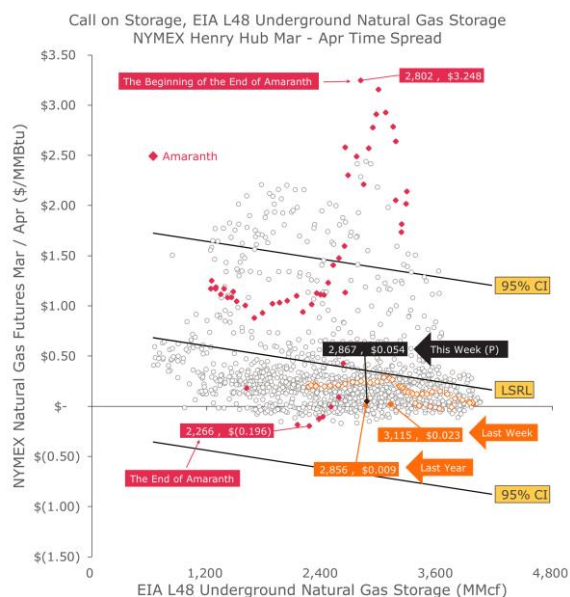
After yesterday's report, storage is on pace to finish winter at 1.842 Tcf, 30 Bcf below the EIA's latest forecast of 1.872 Tcf.

On this basis, current inventories are 142 bps lower than a year ago when stocks were at 67.23% of capacity but 223 bps greater than the five-year mean of 63.95%, and 73 bps greater than the seasonal norm of 65.09%. Relative to these benchmarks, current inventories are in stable shape.

Not This Winter

Natural gas is the ultimate contrarian market! Over more than 30 years of NYMEX trading, gas prices have consistently peaked before temperatures drop.

In 27 of the past 34 winters (79%), the highest settlement for spot Henry Hub futures occurred before or during December. On average, from the 1990-91 winter through 2023-24, the season's peak price was recorded on September 15th—an astonishing 14 weeks before the winter solstice!



The backwardation on the end-of-winter Mar-25/Apr-25 Henry Hub spread is averaging a three-month high of \$0.054.

That means in just seven of those 34 winters (21%), the peak price came later, in January, February, or March, with the average late-season high landing on February 25th. The takeaway? Over the past 34 winters, the typical seasonal high was set well before the deep cold—on October 16th, just two weeks before Halloween!

Based on the past 34 winters, there was a 79% probability (odds of 1:4) that this season's highest price would occur before the start of 2025.

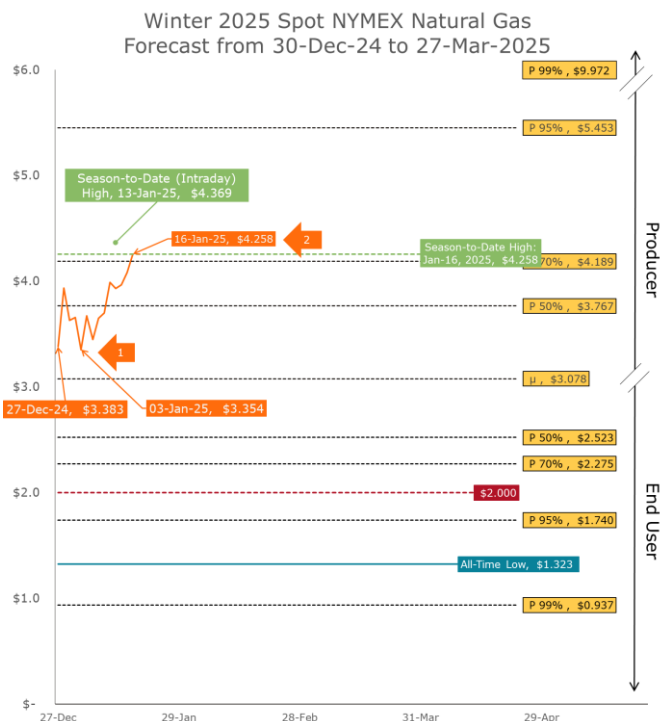
This is not one of those winters. A relatively warm start to the season has turned frigid over the past six weeks. For example, cumulative heating degree days (HDDs) in the all-important Chicago market area have reached 1,476—313 HDDs higher than a year ago, 191 HDDs above the five-year (2019-2023) average, and the highest total since winter 2017-18. A similar pattern has emerged in New York City, where cumulative HDDs over the past six weeks, as of last Friday, stand at 1,126—149 HDDs above last year, 107 HDDs above the five-year average, and the highest total since winter 2017-18.

Unsurprisingly, the last time spot gas on the NYMEX peaked in January or later was in winter 2017-18, when the market closed at \$3.631 per MMBtu on January 29th, 2018.

The weather outlook through the first week of February remains frigid.

The question is, how high can NYMEX go?

Our model projects a 70% probability that gas will finish this winter below \$4.189. Yesterday, the market settled above this level at a season-to-date high of \$4.258 (See below).



As of yesterday's settles, options traders were pricing in a 49% probability that February 2025 will close above \$4.189 in 12 days, a 31% probability that the March 2025 contract will settle above this level in 40 days, and a 29% probability that the April 2025 contract will settle above \$4.189 in 69 days.

Above this level, the next psychological target is \$5.000. Options traders currently priced in a 20% probability that the February 2025 contract will reach this level along with a 17% probability that March 2025 will finish here, and a 16% chance April 2025 gas will do the same.

Stay tuned.

