

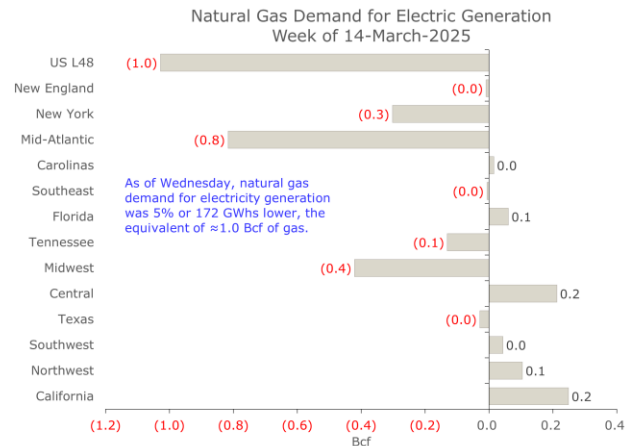
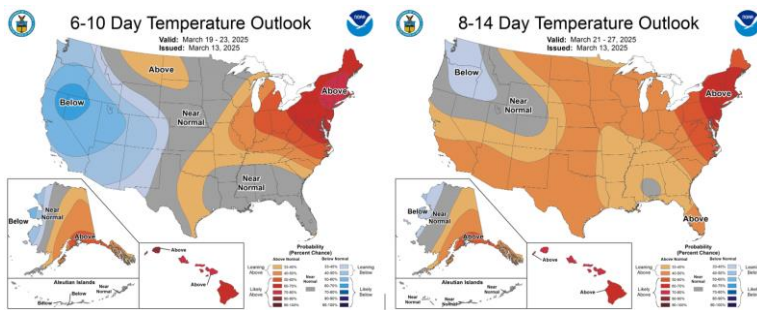
# THE SCHORK REPORT



FUNDAMENTAL + TECHNICAL ANALYSIS OF THE ENERGY MARKETS

Friday, March 14, 2024

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



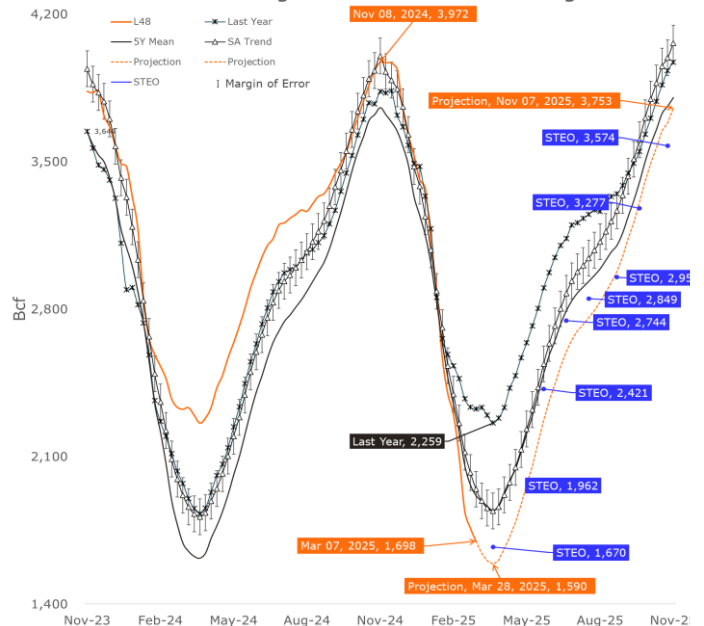
**NOAA:** It was a great winter for gas bull but, all good things eventually end.

**Nota Bene:** As of Wednesday, average electricity generation was 2% higher on the week, 3% higher on the year, and 1% higher than the 2021-2023 mean at 10,311 GWhs.

finish this winter below the median since 2011 at a four-year low of 1.590 Tcf—669 Bcf below last year's balance of 2.259 Tcf.

Directional Momentum & Money Flow As Of Wednesday, March 12, 2025							
		NYMEX NG	NYMEX WTI	ICE Brent	NYMEX RBOB	NYMEX ULSL	ICE Gasoil
Price	Trend	Falling	Rising	Rising	Rising	Falling	Rising
Volume	Trend	Falling	Rising	Falling	Rising	Falling	Rising
	Bias	Bullish	Bullish	Bearish	Bullish	Bullish	Bullish
Open Interest	Trend	Falling	Rising	Falling	Falling	Falling	Rising
	Bias	Bullish	Bullish	Bearish	Bearish	Bullish	Bullish
Market Signal		Bullish	Bullish	Bearish	Bearish	Bullish	Bullish
Market Volatility		Rising	Rising	Falling	Falling	Falling	Falling

EIA L48 Underground Natural Gas Storage



## Omnium Gatherum

PRICES WERE MIXED YESTERDAY... gas ticked higher following Wednesday's plunge. Oil bulls failed to parlay Wednesday's momentum.

### What We Are Watching

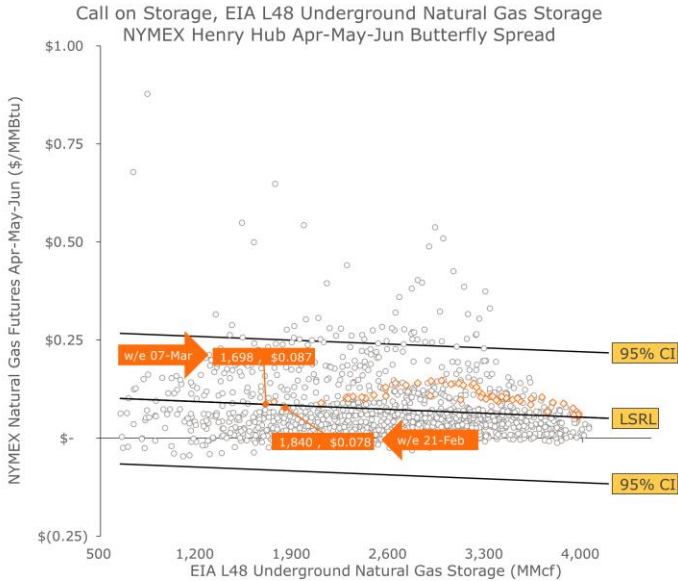
Yesterday, the EIA reported the seventeenth delivery (withdrawal) of the season. As of Friday, March 07<sup>th</sup>, L48 natural gas storage fell by a normal 62 Bcf to 1.698 Tcf—the normal delivery for early March is 74 ± 46 Bcf.

The season-to-date delivery is 2.274 Tcf, the second largest on record, behind a 2.832 Tcf delivery in 2014. Storage is now 561 Bcf below last year's ending balance of 2.259 Tcf, with approximately three more deliveries remaining. At the current pace, storage is on pace to

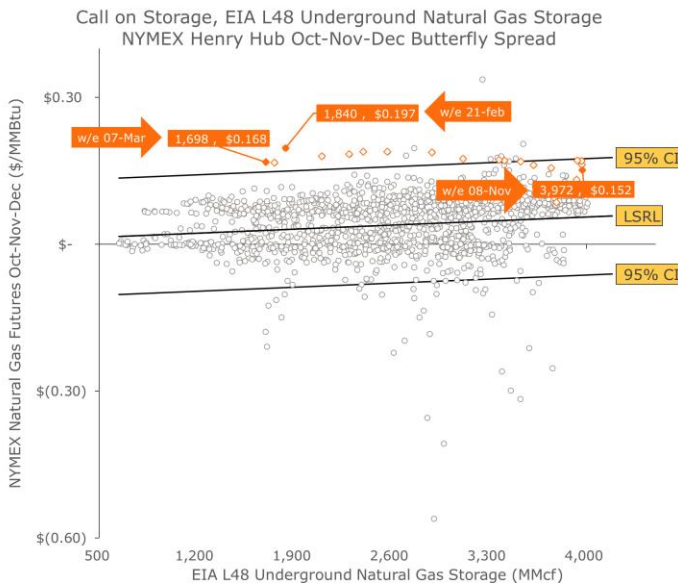
Three weeks ago, the NYMEX Henry Hub contango was -\$0.043 and the May-June contango was -\$0.121: for an Apr-May-Jun butterfly of +0.078. Last week, the April-May contango rose by \$0.012 to -\$0.055 and the May-June contango rose by \$0.022 to -\$0.143: for an Apr-May-Jun butterfly of +0.087.

The stronger May-Jun contango increase signals that the market is pricing in softer fundamentals extending

beyond April, with traders more confident in supply availability as refills ramp up through May.



As illustrated above, a regression analysis of the current butterfly against storage at 1.698 Tcf showed that it is aligned closely with the least-squares regression line (LSRL). In practical terms, this suggested that, based on historical relationships, the spread is fairly valued given the level of gas in the ground.



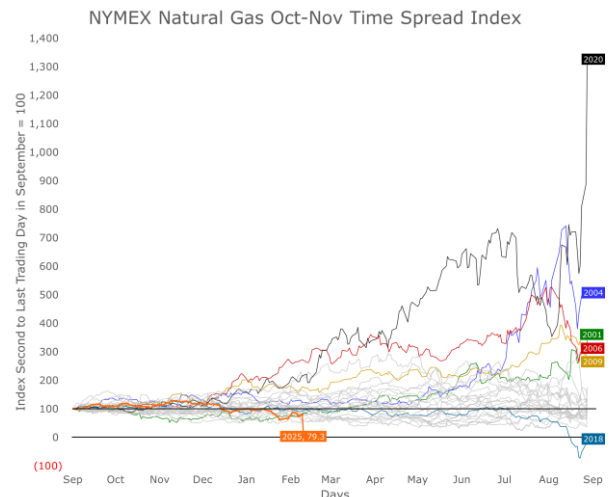
It is a different story for the end of refills. At the beginning of this season's delivery, the Oct-Nov-Dec butterfly was \$0.152: the Oct-Nov contango was -\$0.276 and the Nov-Dec contango was -\$0.428. With a massive 3.972 Tcf in the ground, the spread was within the 95% confidence interval on the regression (see above).

Three weeks ago, the butterfly jumped to \$0.197: the Oct-Nov contango narrowed by \$0.119 to -\$0.157, and

the Nov-Dec contango narrowed by \$0.074 to -\$0.354. Most importantly, on the regression, the February 21<sup>st</sup> spread was well above the upper bound of the 95% confidence interval, signaling a significant shift in market dynamics for inventories at the start of next winter.

Over the past two weeks, the butterfly narrowed by \$0.029 to \$0.168: the Oct-Nov contango moved out by \$0.029 to -\$0.186, and the Nov-Dec contango was unchanged at -\$0.354. Nevertheless, the current butterfly is still above the upper bound of the 95% confidence interval.

Looking at the Oct-Nov spread alone, the trend in the contango has been narrowing since the start of the heating season.



Above is a historical index of the Oct-Nov spread, where 100 represents the spread on the second-to-last trading day in September when it turns prompt.

At the end of last week, the index was 79.3 when the spread settled at -\$0.191. Think of it this way: the contango traded at 79.3 cents on the dollar to where it traded when it turned prompt at -\$0.241.

There is a historical tendency for the index to increase throughout the year (for the contango to grow). The fact that the index is falling (the contango is narrowing)—a month before this season's refills even begin—is a clear telltale that traders are weary of the prospect of supply at the start of next winter.

