THE SCHORK REPORT™

FUNDAMENTAL + TECHNICAL ANALYSIS OF THE ENERGY MARKETS

Friday, April 25, 2024

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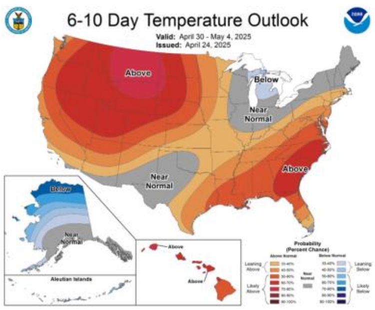
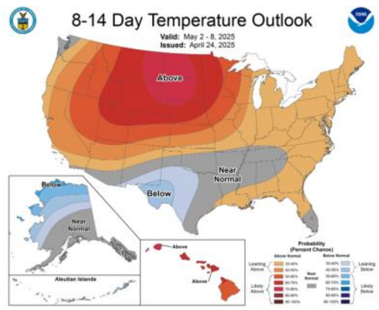
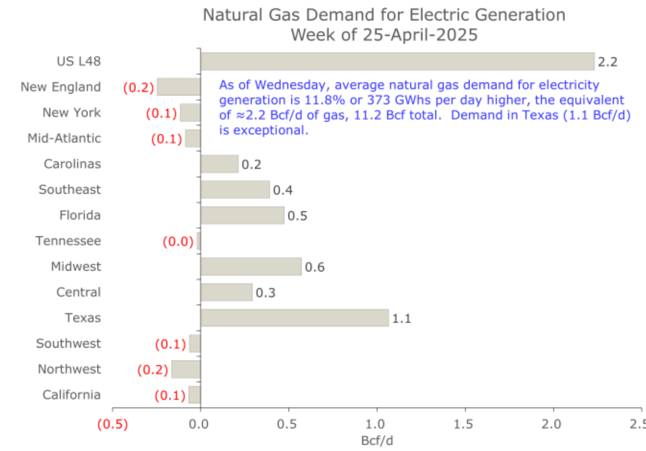




NOAA: Above normal temps at this time of the year translates to max temps in Houston of ≈83°F, whereas in NYC it translates to a mere ≈69°F.



> **Nota Bene:** As of Wednesday, average electricity generation was 0.1% lower week-over-week at a four-week low of 10,049 GWhs. On a year-over-year basis, demand was 3.1% higher.

Omnium Gatherum

ENERGY PRICES WERE MIXED YESTERDAY… gas dumped below three dollars after a much stronger than expected weekly storage build. Oil steadied after Wednesday's OPEC induced sell off.

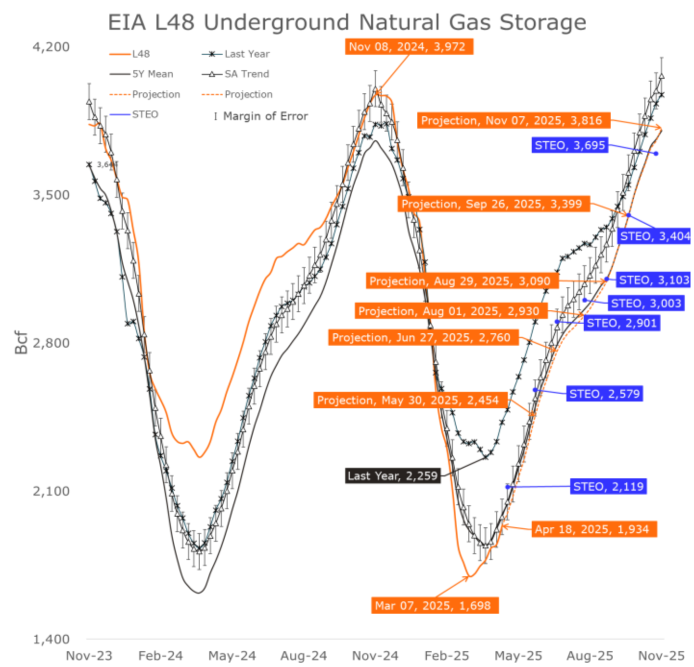
What We Are Watching

Yesterday, the EIA reported a substantial and much larger than anticipated injection (addition) of natural gas to underground storage.

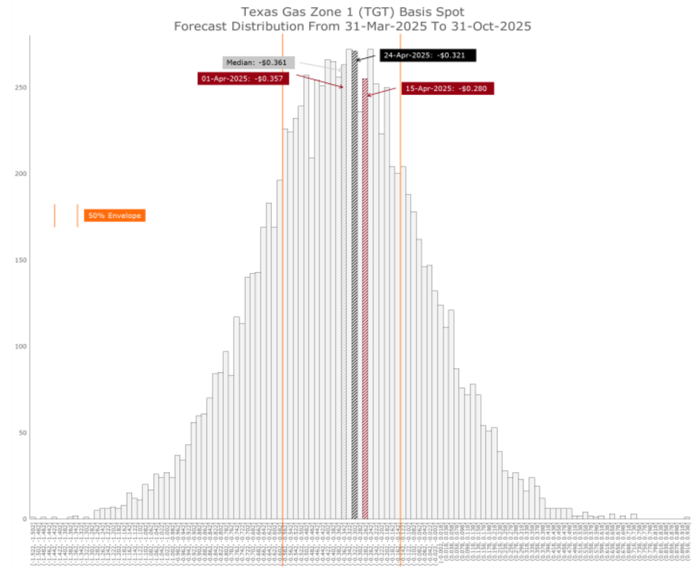
As of Friday, April 18th, L48 storage rose by 88 Bcf to 1.934 Tcf. The normal addition for the middle of April is 60 ± 33 Bcf. The report was well above the 64 Bcf consensus forecast on Reuters and the 72 Bcf forecast on The Desk. The season-to-date injection is 236 Bcf, which is the second strongest level on record. At this point, storage is on pace to average 3.648 Tcf in October and head into winter next November with about 3.816 Tcf in the ground. The early guess for next Thursday's report (for the week ending today), is a firm addition in the middle 90s Bcf.

Early Storage Refills Undermine Prices, Offer Consumer Opportunity

Natural gas injections into underground storage began early this year—*starting the week ending March 14th*—which matches the earliest start on record. Since then, 236 Bcf has been injected, making this the second-fastest injection pace ever recorded at this point in the season, behind only 2020's pandemic-induced demand collapse.



Texas Gas Zone 1 (TGT Z1) is a key Gulf Coast receipt zone for natural gas. Prices here are highly sensitive to regional supply, export demand (LNG), and storage activity. As injections pick up, TGT Z1 basis serves as an early signal of market balance, congestion risks, and price pressure in one of the country's most liquid trading corridors. It's a useful benchmark for downstream consumers evaluating delivered gas costs.



Since the start of refills in mid-March:

- Average TGT Z1 basis weakened modestly, from –$0.335 to –$0.298
- Average TGT Z1 fixed prices fell from $3.670 to $2.944
- Average NYMEX futures declined from $3.971 to $3.196
- Average Implied TGT Z1 (NYMEX + basis) dropped from $3.636 to $2.898

While basis hasn't collapsed, the all-in cost of delivered gas has declined meaningfully. Since 2019, the median implied TGT Z1 price is $2.476, with the middle 50% of prices ranging from $2.040 to $3.728. Yesterday, the cost fell to $2.609, the lowest implied price for spot TGT Z1 gas since last November. In other words, the market remains above the median but continues to drift lower in favor of consumers.

To assess where basis might go next, we modeled TGT Z1 from March 31st, 2025, through October 31st, 2025, covering the full storage refill season. The simulation incorporates historical volatility, seasonal behavior, and a 5% probability of structural price shocks.

The model suggests that basis will most likely remain soft, with a 50% probability of staying below –$0.361. There's a 25% chance of deepening toward –$0.565, and only a 15% chance of strengthening beyond –$0.051. In short, statistical risk remains skewed toward weaker—not stronger—basis over the remainder of the refill season.

Meanwhile, the latest CFTC Commitments of Traders data adds a useful dimension: Producers/Consumers have increased their net long exposure in TGT Z1 basis, while Swap Dealers have pared back short exposure. That positioning shift suggests that producers are locking in basis, anticipating a tighter spread environment later this summer.

For consumers, this is a constructive setup. Basis is now below its historical median and trending weaker. Today, spot NYMEX plunged. Combined, the market is offering a chance to secure delivered gas costs at statistically attractive levels. Locking in hedges near or below the 50th percentile may provide valuable protection ahead of potential summer demand surprises or price volatility from Gulf Coast LNG and storage constraints.

In short, fundamentals and forecast align: this is a favorable entry point for consumers looking to manage forward exposure heading into the *dog days of summer*.

Free Fall

Yesterday, NYMEX gas settled below the $3.000 threshold for the first time since last November at $2.930. The market is trading inside the Fibonacci 50%-62% retracement area of $3.191 and $2.788. Our preferred technical indicators for spot gas are mostly bearish. The Slow Stochastic is neutral, while the parabolic SAR and MACD are bearish. The market is now below the 250-Day Volume Weighted Average Price (VWAP) of $3.017 and a mile below the 20-Day VWAP of $3.619.

For the week ahead, the next area of support is our 70% envelope (15th percentile) of $2.790 and the Fibonacci 62% retracement point of $2.788. Below here, we do not have any support until… *gulp*… our 95% envelope (2½th percentile) at $2.030. And, for those of you who do not think this level is attainable this summer, answer this question… last August when gas bottomed at $1.856, did you think it was possible to see $4.901 this past March?

If you answered yes, you are lying.