THE SCHORK REPORT™
FUNDAMENTAL + TECHNICAL ANALYSIS OF THE ENERGY MARKETS

Friday, May 09, 2024
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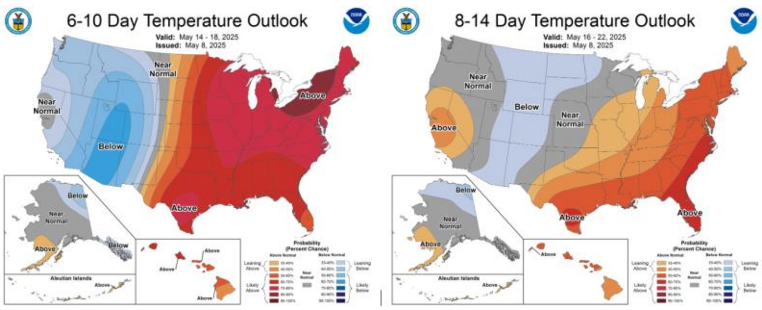
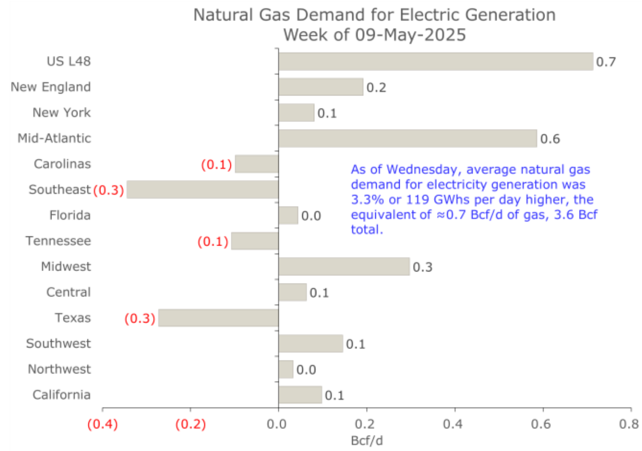


NOAA: Below normal temps at this time of the year translate to overnight lows in Denver of ≈47°F, while above normal temps in Houston translate to daily highs of ≈92°F.



Nota Bene: As of Wednesday, average electricity generation was 2.7% lower at a four-week low of 10,024 GWhs. On a year-over-year basis, demand was 5.3% lower.

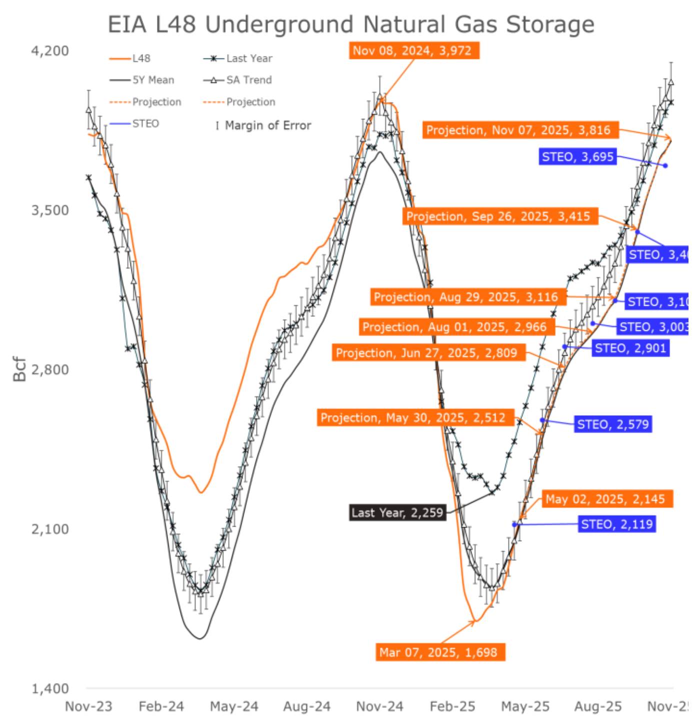
Directional Momentum & Money Flow As Of Wednesday, May 07, 2025		NYMEX NG	NYMEX WTI	ICE Brent	NYMEX RBOB	NYMEX ULSD	ICE Gasoil
Price	Trend	Rising	Falling	Falling	Falling	Falling	Falling
Volume	Trend	Falling	Rising	Falling	Falling	Falling	Rising
	Bias	Bearish	Bearish	Bullish	Bullish	Bullish	Bearish
Open Interest	Trend	Falling	Rising	Falling	Falling	Falling	Rising
	Bias	Bearish	Bearish	Bullish	Bullish	Bullish	Bearish
Market Signal		Bearish	Bearish	Bullish	Bullish	Bullish	Bearish
Market Volatility		Falling	Falling	Falling	Falling	Rising	Falling

Omnium Gatherum

ENERGY PRICES WERE MIXED YESTERDAY… gas eased, and oil rallied as the U.K. offered tribute at the altar of President Tariff.

What We Are Watching

The U.S. natural gas market continues to inject at a historic pace, with total Lower 48 stocks rising 104 Bcf last week to 2.145 Tcf—pushing the season-to-date total to 447 Bcf, the second largest build on record for this point in the year. Storage remains on track to head into winter next November with about 3.816 Tcf in the ground. While storage fundamentals remain dominant, **regional basis markets have firmed** noticeably since the start of May—indicating that near-term physical tightness is still in play in certain market areas.

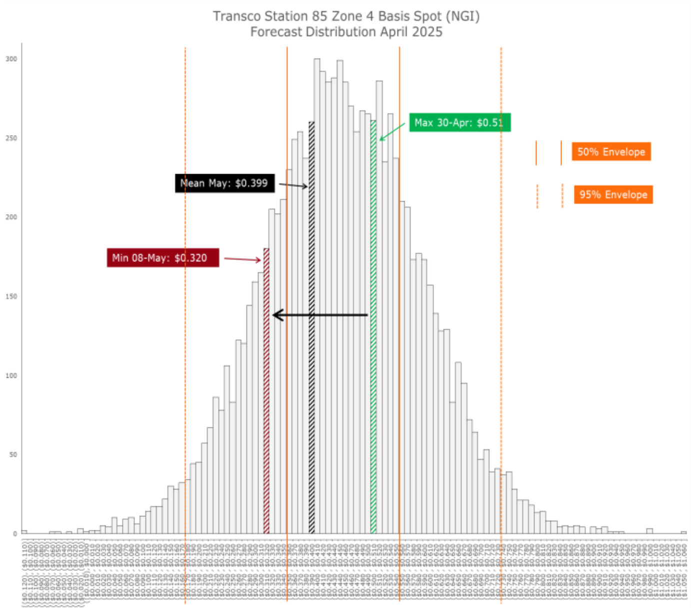


At Houston Ship Channel, basis narrowed from –\$0.383 on May 1st to –\$0.320 earlier this week. This move extends the tightening trend observed in April, though the pace has moderated. Importantly, CFTC Commitments of Traders data show Producer/Consumer net length has continued to fall, from 195,625 at the start of April to a four-month low of 150,853. This suggests that commercial players have been using the rally to monetize long hedges.

In other words, rather than adding bullish exposure as prices rise, producers are locking in gains and

reducing length—behavior that typically reflects a view that the market is approaching fair value. The decline in positioning alongside stronger basis indicates producers are not expecting significant further upside and are instead taking advantage of favorable levels to reduce exposure.

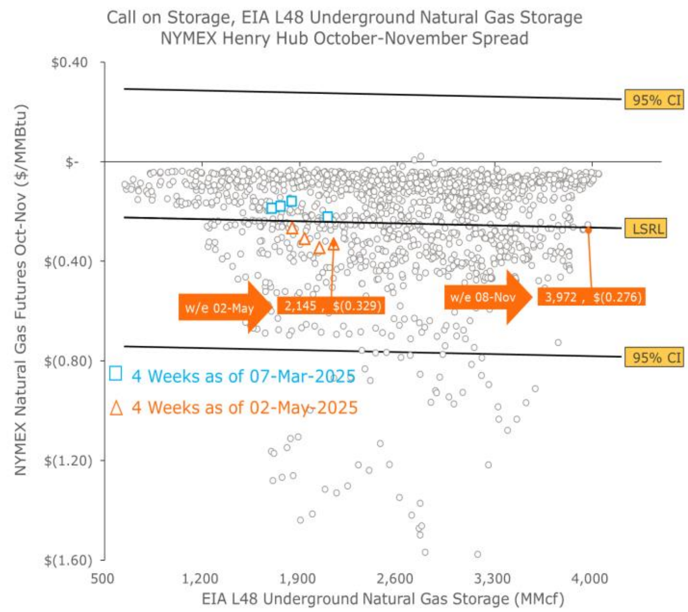
In Texas Gas Zone 1, basis also strengthened, rising from −$0.294 at the end of April to −$0.234 in the first week of May. Despite the stronger price action, producer/consumer positioning has remained steady, holding around 117,000 contracts. However, swap dealer net shorts have grown, rising from 106,178 to 113,553, potentially reflecting increased hedging from end-users or risk transfer between counterparties. **The steady commercial posture suggests that traders view the narrowing as consistent with fundamentals rather than overbought**.



The biggest basis shift came at Transco Station 85, where prices fell from +$0.501 at the end of April to +$0.320 earlier this week. While the CFTC data show a counterintuitive move — producer/consumer net shorts rose from 38,113 to 52,542, the highest level in over a year — this likely reflects preemptive hedging by Southeast producers looking to lock in still-favorable basis before conditions deteriorate further.

As the injection season progresses, production in the region typically rises, and the risk of pipeline congestion or storage saturation grows. By adding short exposure now, producers may be defending margins against the possibility of a further collapse in basis. Still, the fact that basis has narrowed suggests early-season demand has underperformed expectations, or that supply has ramped up more quickly than consumption or injection needs.

In effect, the market may be weakening now in anticipation of tighter spreads later this summer, i.e., the current weakness in basis may be more about positioning dynamics and timing, not a structural downturn.



Meanwhile, **the NYMEX term structure has weakened**, with October–November contango stretching to −$0.329 and November–December to −$0.483. This signals lingering oversupply concerns into fall, even as regional basis tells a more constructive near-term story.

Takeaway: Despite continued strong injections and weakening seasonal spreads on the NYMEX curve, basis markets in early May have moved unevenly across key regions. HSC and TGT Z1 basis have tightened modestly, reflecting localized strength and fundamental support.

In contrast, Transco 85 basis has weakened sharply, narrowing from +$0.501 to +$0.320 — a sign of softer early-season demand or growing regional supply. Notably, this price action diverges from positioning: producers have reduced length in HSC and increased shorts in Station 85, suggesting they are locking in gains in some regions and preparing for potential pressure in others.