

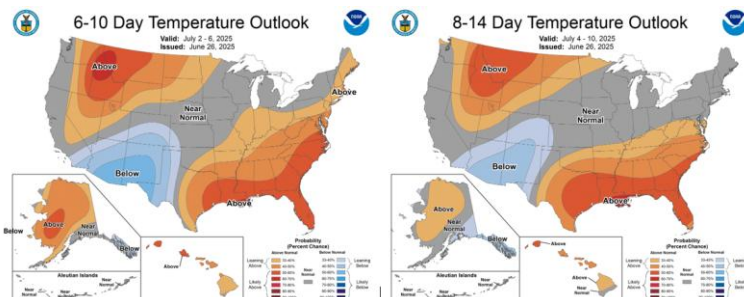
THE SCHORK REPORT

FUNDAMENTAL + TECHNICAL ANALYSIS OF THE ENERGY MARKETS

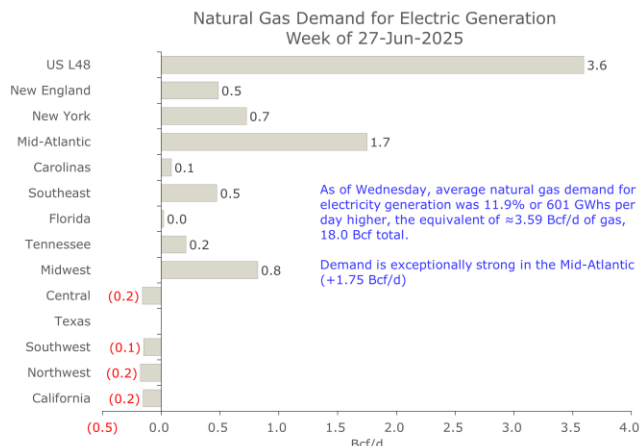


Friday, June 27, 2024

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NOAA: A return to normal temps for early July means the thermometer is set to drop from the current blistering mean of 92°F in NYC, and 88°F here in Philly, to 77°F and 79°F, respectively.



Nota Bene: As of Wednesday, average electricity generation spiked by 13.2% to a 49-week high of 14,042 GW/h. Natty's share of the power stack was

Directional Momentum & Money Flow As Of Wednesday, June 25, 2025

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

Omnium Gatherum

PRICES WERE WEAK YESTERDAY... the final NYMEX natty contract for July expired at a year-to-date low. Oil markets meandered as traders await the next headline.

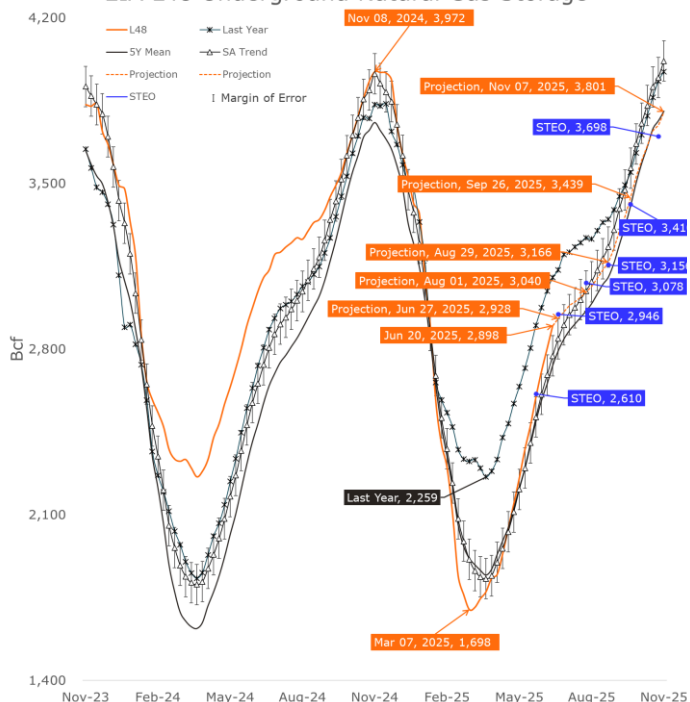
What We Are Watching

Yesterday's EIA report showed another heavy injection of natural gas into L48 underground storage.

Lower 48 inventories now sit at 2.898 Tcf. Since the start of refills, inventories have flipped from a 213 Bcf deficit to our seasonally adjusted model to a 128 Bcf surplus.

Season-to-date additions have reached a record 1.200 Tcf, which is 233 Bcf above the historical range (95% confidence interval). Refills remain firmly on track to end the season above 3.800 Tcf.

EIA L48 Underground Natural Gas Storage



Basis Strength Diverges from NYMEX Weakness

While NYMEX futures are in freefall. Yesterday, the final contract for July delivery plunged to a year-to-date low of \$3.199, coming within \$0.019 of our model's lower 50% envelope of \$3.180 (see page 3).

Meanwhile, since the start of the refill season, a key regional basis market—Transco Staton 85, Zone 4—is flashing a vastly different signal.

The importance of Zone 4 during the injection season:

- **Geographic Location:** Transco Zone 4 sits squarely in the Gulf Coast storage corridor (notably near major caverns and depleted fields in Alabama, Mississippi, and Louisiana). It's a key hub for injection-driven demand during the summer refill season.
- **Seasonal Pattern:** During shoulder and injection seasons, basis tends to strengthen when storage operators are actively buying gas to fill inventories — exactly what's happening now amid record-setting injections.
- **Price Incentives:** The strong basis reflects premium pricing for prompt gas needed to meet the refill schedule, especially as traders look to capture the contango in winter strip prices.

This market area, which bottomed at \$0.598 in late April, has since surged to a season-to-date high of \$0.780. The resulting implied cash price is holding near \$4.550, just shy of its early May peak.

This divergence points to strong localized demand—driven primarily by the record pace of storage injections. Gas is being aggressively purchased for refill in Gulf Coast and Southeast storage facilities, bidding up spot prices relative to NYMEX. The firmness in basis underscores how regional tightness can persist even as the broader market remains well supplied.

At the same time, positioning data confirms that producers and swap dealers are actively hedging into this strength. Since April, the net short in the Station 85-Zone 4 basis market held by producers has grown from 38,169 contracts to a season-to-date high of 100,026. Swap dealers have increased their net short to 16,329—also a seasonal high—suggesting elevated hedge flows are accompanying this rally in cash.

The takeaway: traders should not mistake NYMEX softness for a universally weak market. Regional demand for storage injections is strong—and so is basis... at least for the moment.

Baby, It's Hot Out There

As anyone who lives along the I95 corridor can attest to, we are now in the hottest part of the summer—the dog days—when injections through the entire Lower 48 compete with gas fired cooling demand. The peak cooling season typically lasts from June through early September. Over this period, we expect average weekly injections to drop from the early season-to-date average of 78 Bcf to around 53 Bcf.

Thanks to Phoenix-esque heat throughout the Northeast, next week's update will only be the second injection—the first occurring for the week April 12th—that will fall well below normal.

For example, over the past two days in the Big Apple, temps maxed out at 102°F and mean temps this week are averaging 82.4°F, 9.9°F higher on the week and 10.0°F above normal. This resulted in an 87 day jump in cooling degree days to 125, 62 above the ten-year mean. Here in Philly, daily highs are averaging 93.9°F which is a 16.4°F week-over-week jump. Cooling degree days rose by 85 thus far to 136, or 56 above the ten-year mean (see below).

NOAA Weather Observation Top 10 States (Metro Areas) Summer Gas Electric Generation Week Of Wednesday, June, 25, 2025						
	Mean °F	W/W Δ °F	± Normal °F	Degree Days	W/W Δ	± Mean
Dallas, TX	82.3	0.5	(2.1)	128	9	(21)
Miami, FL	83.5	(0.1)	0.2	132	0	(4)
Philadelphia, PA	84.1	13.0	8.4	136	85	56
Los Angeles, CA	67.1	(1.0)	(0.2)	16	(8)	(5)
NYC, NY	82.4	13.9	10.0	125	87	62
Atlanta	82.7	2.4	3.7	125	16	19
Birmingham, AL	80.4	1.4	0.8	109	8	(3)
Cleveland, OH	78.4	9.1	6.2	95	63	43
D.C. VA	81.1	7.4	6.7	114	50	44
Phoenix, AZ	93.9	(3.2)	0.7	202	(24)	(17)

Through Wednesday, L48 average natural gas demand for electricity generation was 11.9% or 601 GWhs per day higher, the equivalent of ≈3.59 Bcf/d of gas, 18.0 Bcf total (see top of first page). In light of this spike in demand, next Thursday's report will be well below the seasonally adjusted range of 72 ± 19 Bcf. Our early forecast is approximately 30 Bcf.

Traders are clearly unperturbed by this demand.

Through the first four days of this week, the contango on the cross-seasonal Oct-25/Nov-25 NYMEX Henry Hub spread averaged a **43-week high** of -\$0.389, and the contango on the first winter spread (Nov-25/Dec-25) averaged a **16-year high** of -\$0.571—placing it in the **92nd percentile of the past 26 years!**

