THE SCHORK REPORT

FUNDAMENTAL + TECHNICAL ANALYSIS OF THE ENERGY MARKETS

Friday, September 19, 2025

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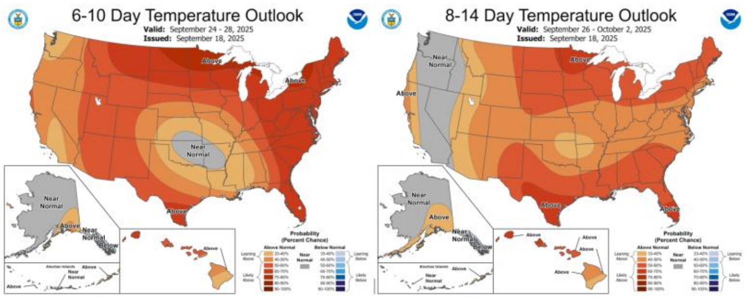
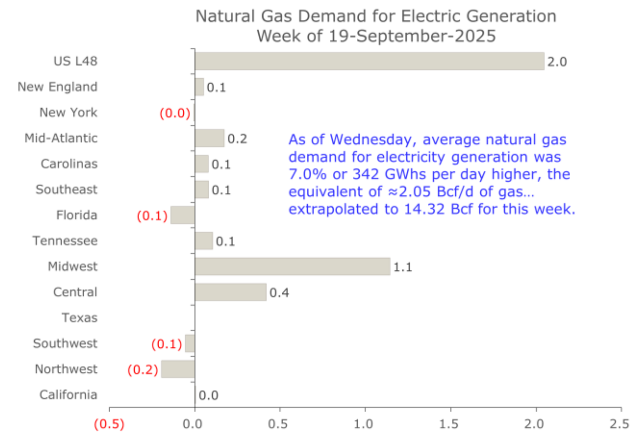


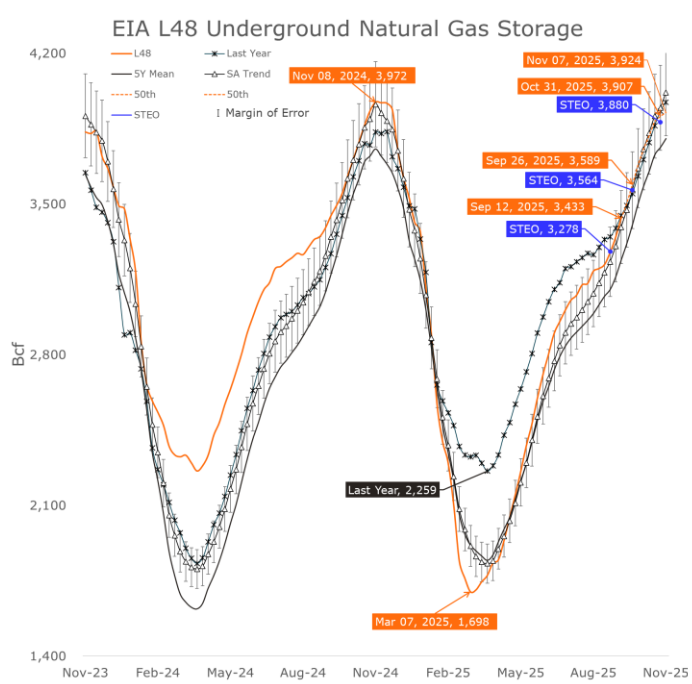
NOAA: Too little, too late? Will the chance of above normal temps in the latter part of September in the northern latitudes make a difference? Unlikely. Daily highs for NYC are forecast to average around 75°F between now and into early October, i.e., pleasant by any measure.



Nota Bene: As of Wednesday, electricity generation rose 4.5% to a 3-week high of 11,993 GWhs. Gas's share of the stack rose 26 pps to 43.70%.

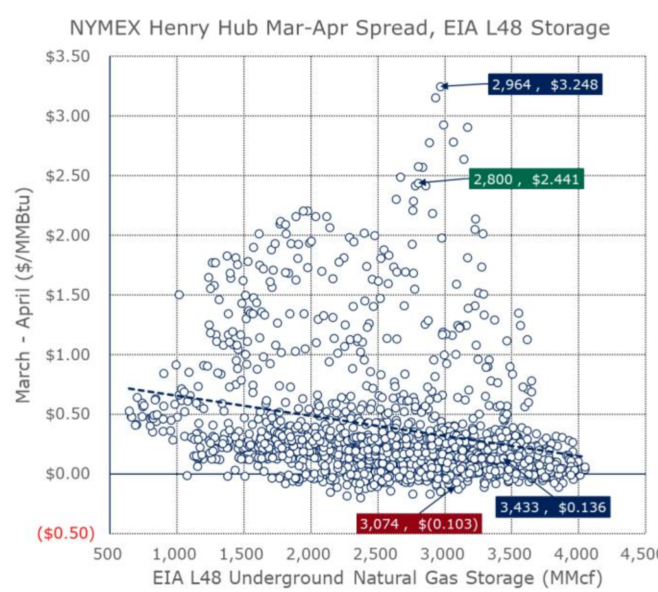
What We Are Watching

Today, the EIA reported a much stronger-than-expected injection of natural gas into L48 underground storage. Last week, a net of 90 Bcf was added. Market surveys were clustered around 80 Bcf. As of September 12th, total L48 storage stood at 3.433 Tcf.

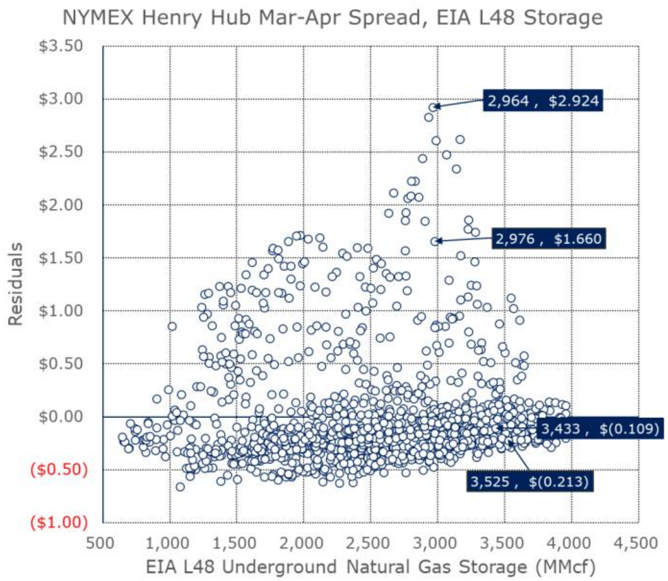


Refills typically last into early November. After the latest update, our end-of-season projection was raised to 3.924 Tcf. Should heating demand arrive early, our lower-case is 3.863 Tcf, while a late start points to 3.982 Tcf. With the season veering into the right lane, the chance of topping 4.0 Tcf this year improved slightly after yesterday's report to a chance of 1 out of 143 (0.7%).

The gas forward curve is sending a clear message: traders are not the least bit concerned about supply security this winter. Both the November–December 2025 and March–April 2026 spreads are trading at multi-year extremes, flashing outright bearish signals.



It is worth recalling one of the most infamous episodes in natural gas trading. In 2006, Amaranth Advisors collapsed after betting heavily against the historical regression between spreads and storage. The Fund's core exposure was in the March–April 2007 spread, which in August 2006 was trading at a massive \$2.441 backwardation. By September, that premium had collapsed to \$0.509, and by December the spread had flipped into contango at -\$0.103 (see above).



The statistical tendency is well established. Regression analysis shows the Mar–Apr spread nearly always opens in backwardation as it goes prompt, only to narrow as storage is rebuilt through summer. The Nov–Dec spread shows the opposite: November consistently trades at a discount to December, with that contango typically widening as expiry approaches. Betting against this relationship without a fundamental disruption is akin to betting against gravity.

Amaranth reportedly succeeded the prior year when hurricanes Katrina and Rita decimated Gulf Coast infrastructure, driving spreads to extremes. But 2006 brought one of the quietest storm seasons on record. With no catalyst to sustain the distortion, the statistical norms reasserted themselves—and Amaranth imploded.

Fast-forward to today. The Nov–Dec 2025 spread is trading at -\$0.597, near the steepest contango since the Great Recession in September 2009. Historically, Nov–Dec trades negative, but rarely to this depth unless the market is flush with supply. The regression against EIA storage shows the spread sitting well below its fitted value, underscoring the degree of bearish sentiment in early-winter balances.

In short: the market sees no risk of an early-season squeeze. Storage is ample. Traders are essentially paying down the curve to roll November into December, **a classic sign of comfort with front-end supply**.

Meanwhile, the Mar–Apr 2026 spread is holding at just a \$0.136 backwardation—a de minimis premium at this stage in the seasonal cycle. Regression evidence shows this spread should command a healthier margin now, reflecting concern about end-of-season storage levels. Instead, the market is signaling complete confidence that inventories will carry out at comfortable levels through this winter. This weakness cannot be overstated.

The Takeaway: a market without fear is not a bullish market. With November trading at its steepest discount to December in 16 years, and March offering almost no premium to April, the signal is unambiguous: the market is unconcerned about both the start and the end of winter. Weather remains the wild card, as always. A sustained cold snap or disruption to LNG flows could quickly tighten balances and widen spreads. But absent such catalysts, today's structure shows traders are leaning hard into a benign winter outlook.

The lesson is as clear today as it was in 2006. Statistical relationships matter. When the spreads line up with storage, the market is telling you something. **Right now, it is telling us that natural gas fundamentals are firmly on the bearish side of the ledger**.