

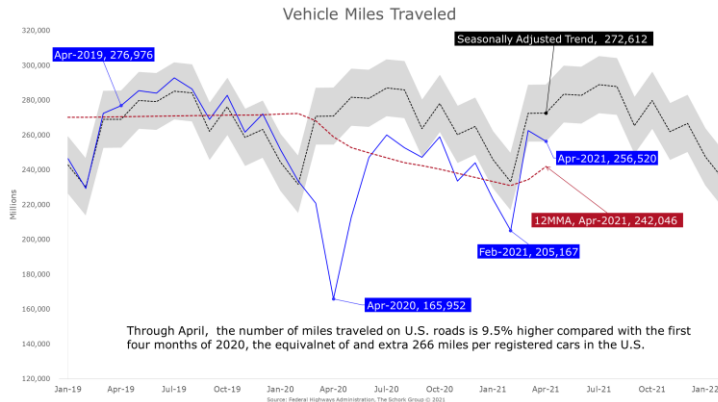
THE SCHORK REPORT



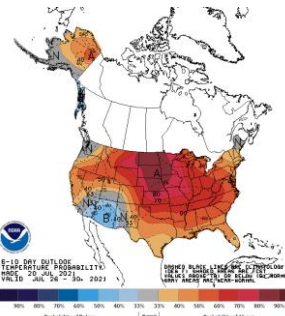
FUNDAMENTAL + TECHNICAL ANALYSIS OF THE ENERGY MARKETS

Wednesday, July 21, 2021

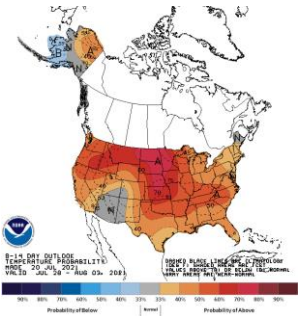
www.schorkgroup.com



NOAA Outlook



Temperature 6-10 Day



Temperature 8-14 Day

SCHORK Daily Technical Trading Bias

Contract	NG Aug-21	WTI Sep-21	ICE Brent Sep-21	RBOB Aug-21	ULSD Aug-21	ICE Gasoil Sep-21
Trend As Of	Bullish 20-Jul-21	Bearish 19-Jul-21	Bearish 19-Jul-21	Bearish 15-Jul-21	Bearish 15-Jul-21	Bearish 19-Jul-21

SCHORK Daily Price Range Probabilistic Model

3 rd Resistance	4.044	71.51	71.63	2.2210	2.0913	582.50
2 nd Resistance	3.983	70.04	70.62	2.1908	2.0648	575.00
1 st Resistance	3.923	68.61	69.62	2.1609	2.0386	567.50
20-Jul-21	3.876	67.20	69.35	2.1315	2.0127	563.25
1 st Support	3.806	65.82	67.66	2.1025	1.9872	552.50
2 nd Support	3.749	64.47	66.70	2.0738	1.9620	545.50
3 rd Support	3.693	63.15	65.75	2.0456	1.9371	538.25

SCHORK Monthly Technical Trading Bias

Contract	NG Aug-21	WTI Sep-21	ICE Brent Aug-21	RBOB Sep-21	ULSD Aug-21	ICE Gasoil Aug-21
Trend As Of	Neutral 26-May-21	Bearish 20-Jul-21	Bullish 26-Feb-21	Neutral 28-May-21	Neutral 28-May-21	Neutral 28-May-21

SCHORK Monthly Price Range Probabilistic Model

3 rd Resistance	4.452	90.52	83.00	2.5064	2.3763	662.25
2 nd Resistance	4.143	81.96	80.12	2.4149	2.2906	641.50
1 st Resistance	3.856	74.22	77.34	2.3268	2.2079	621.25
First Day	3.593	67.20	74.67	2.2418	2.1283	601.50
1 st Support	3.341	60.85	72.07	2.1601	2.0514	582.75
2 nd Support	3.109	55.10	69.58	2.0812	1.9773	564.25
3 rd Support	2.894	49.89	67.16	2.0053	1.9059	546.50

Omnium Gatherum

PRICES WERE FIRM YESTERDAY... September WTI on the NYMEX bottomed 2 cents below our \$65.03 first daily support and peaked within 9 cents of our \$67.70 first daily resistance. The contract finished 85 cents higher on the day. The August futures contract expired yesterday. Over the course of the month, the market peaked within 34 cents of our \$77.32 first monthly resistance, bottomed

Note Bene: As we noted on Monday, OPEC+ has never been stronger as oil companies in the West commit suicide by *decarbonization*. OPEC, and non-OPEC NOCs' influence over the market will flourish in the years ahead as global oil demand grows through the end of the decade.

To this point, while *Big Oil* divests, others (besides OPEC+) see an opportunity. [Financial Post](#): Under intense pressure from investors and activists to take more action on climate change, some of the world's biggest oil and gas companies are putting billions of dollars' worth of assets up for sale... yet despite the intense spotlight on the energy sector, there are potential buyers for these assets — from smaller private players such as Ineos, independent operators who are backed by private equity, opaque energy traders and state oil companies. And while the listed oil majors are announcing net zero plans and a downsizing of their traditional businesses, some state-owned companies and producer economies, such as Saudi Arabia, are openly discussing plans to raise production.

within 32 cents of our \$64.89 second monthly support and finished the month \$5.70 lower at \$67.42. August gas at the Henry Hub peaked within 3 ticks of our \$3.937 third daily resistance and finished within 4 ticks of our \$3.880 second resistance for the day at \$3.876, up by a solid 9.7 cents.

Gasoline Demand Is on the Mend

Data from the Federal Highways Administration shows that the number of vehicle miles traveled on U.S. roads in 2020 plunged by 1.20 billion vehicle miles per day

(13.5%), i.e. around 4.3 miles per day per registered car in the U.S. or 1,550 miles per year (see top of previous page).

Through the first four months of this year, miles traveled bounced back by 9.5% to 7.90 billion miles or 2.22 miles per car for a total of 266 miles. This is good but, through April miles traveled lag by 649 miles or 7.6% compared with the first four months of 2019.

Thanks to increased demand and inflation at the pump, gasoline station sales surged in June by 37.1% year-over-year or 44.9% on an annualized basis.

The positive numbers from the FHWA dovetail with the numbers we see each week from the EIA. At the end of June (in the lead into the 04th of July holiday), the amount of gasoline required to supply the market topped 10 MMb/d for the first time ever. At the same time, days of forward cover cratered by 6.5% to a 21-month low of 24.8 days. Cover is below the standard error of the historical regression.

EIA Petroleum Preview

Today is EIA Day in oil. Last night, the API reported a neutral update. As of July 16th, stocks of crude oil rose by a relatively large 0.81 MMbbs, net of a substantial 3.57 MMb draw at the NYMEX complex. Product stocks were mixed. Mogas inventories rose by a sizeable 3.31 MMbbs, while distillates fell countercyclically by 1.23 MMbbs. All told, stocks of the three headline markets rose by a normal 2.89 MMbbs.

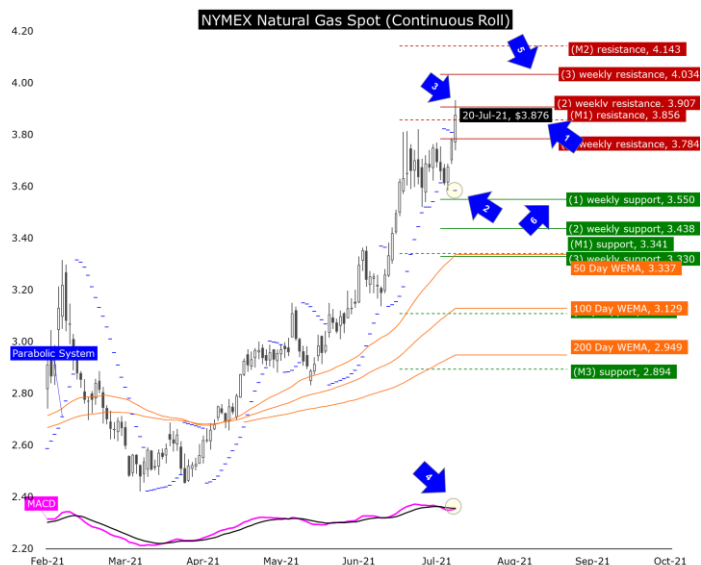
Per last Wednesday's update from the EIA, crude oil stocks at the NYMEX complex in Cushing (PADD 2) were crushed, plunging by 2.15 MMbbs (a 4-month high) to a 15-month low of 43.55 MMbbs. The deficit to the five-year average moved out by 295 basis points to -16.8% or 8.79 MMbbs.

With low Cushing stocks, the bid for the front-end of the NYMEX WTI term structure spiked. For the week ended April 09th, the average premium on the spot contract to the one-year forward contract troughed at a three-month low of 5.6%. For the week ended July 09th, the backwardation averaged a 3-month high of 13.3%. Last week, the backwardation pulled back to 11.4%.

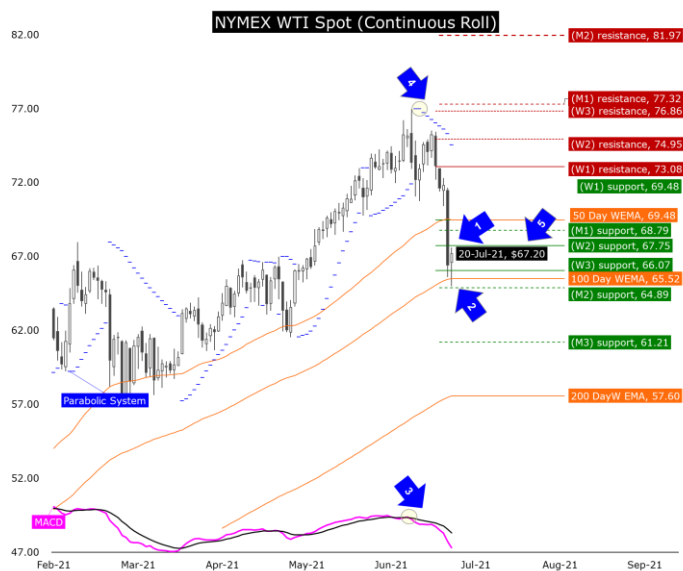
N₂ oil stocks in the Mid-Atlantic (PADD 1B) fell by a bullish 0.52 MMbbs to 20.02 MMbbs. The year-over-year deficit rose by 152 basis points to a 21-year high, and the sixth highest level ever of 49.08% or 19.29 MMbbs. Gasoline stocks in the NYMEX market area rose by a bearish 0.57 MMbbs to 36.40 MMbbs. Recall that back at the start of summer, the year-over-year deficit hit a 4-year high of -19.0%.

Technically Speaking

August Henry Hub futures continue to defy gravity. Yesterday, the market smashed through our first (of three) resistance level of \$3.856 and peaked at a six-year high above our second (of three) resistance for the week at \$3.907 (arrow 3). In the process, one of our favorite technicals, the Parabolic SAR, flipped bullish (arrow 2) and our other favorite, MACD, is about to go bullish (arrow 4).



Continued momentum today sets the table for a run at the \$4 psychological line and our third (of three) resistance targets for this week at \$4.034 (arrow 5).



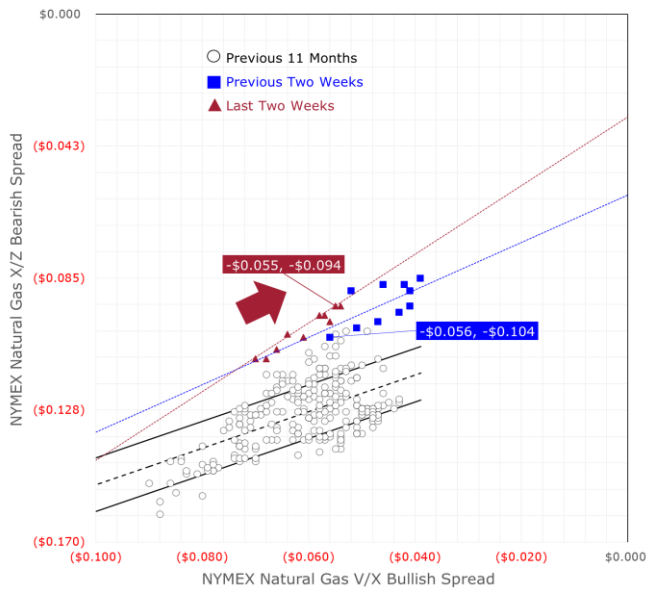
September WTI bottomed within 12 cents of our \$64.89 second monthly support target (arrow 2) and bounced back to within 14 cents of our \$67.75 second weekly support (arrow 2).



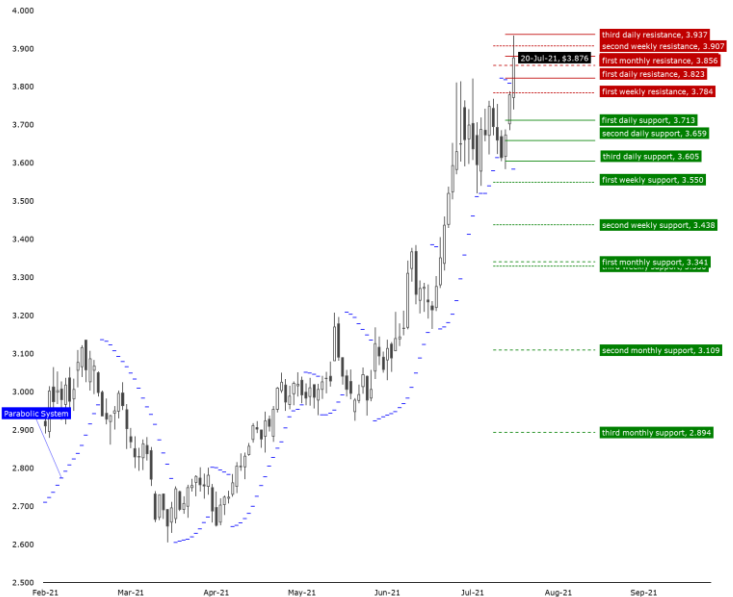
NYMEX NATURAL GAS

August High 3.934 Low 3.74 Close 3.876 Δ 0.097

August gas bottomed at 3.740, **surged to within 3 ticks** of our 3.937 third daily resistance **and closed within 4 ticks** of our 3.880 second daily resistance at 3.876, up 9.7 cents.



The contango on the end-of-season Oct/Nov spread... the bulls are trying to make up for lost ground.

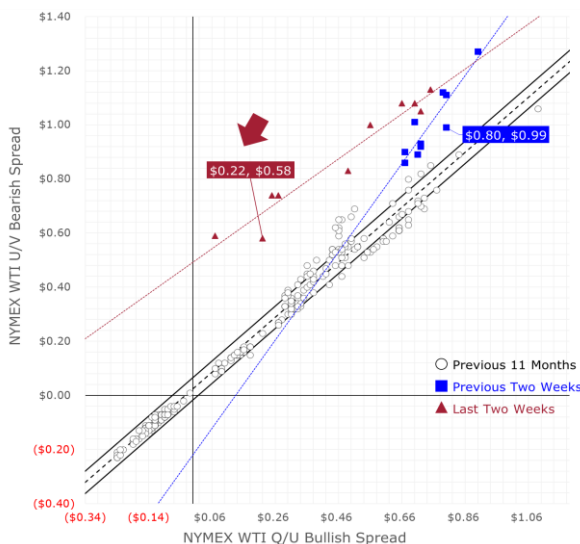


As far as today goes for August gas, a drop below 3.806 alerts to weakness towards our 3.749 second support point. Below here, we look for support at our 3.693 third level of support. Then again, strength above 3.923 opens the door to our 3.983 second level of resistance. Through here, we will look for resistance to hold at 4.044.

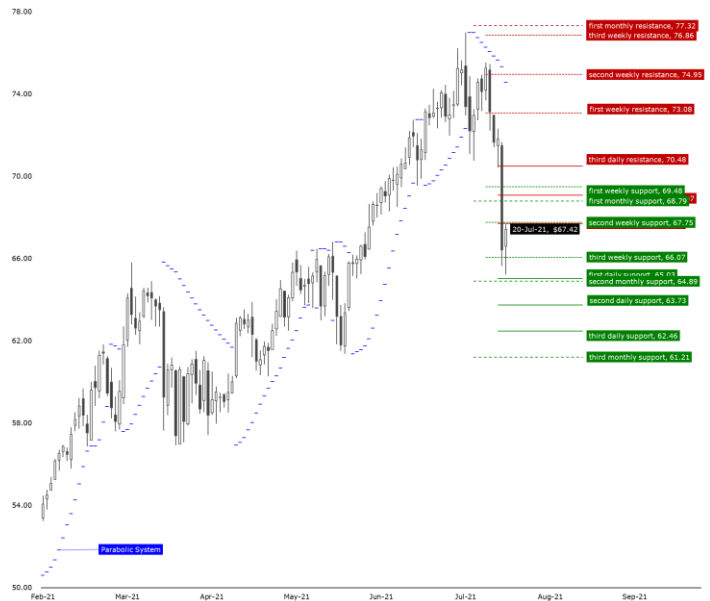
NYMEX WTI

September High 67.61 Low 65.01 Close 67.2 Δ 0.85

September WTI **bottomed 2 cents below** our 65.03 first daily support **and within 12 cents** of our 64.89 second monthly support. The contract climbed to within 9 cents of our 67.70 first daily resistance **and to within 14 cents** of our 67.75 second weekly support before finished 85 cents higher at 67.20.



The backwardation on the front-end of the NYMEX WTI term structure is still soft and this is still not bullish.



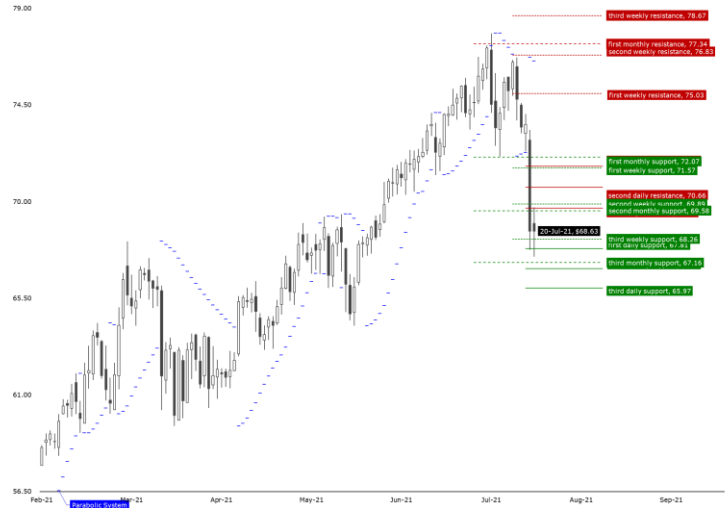
As far as today goes for August WTI, a drop below 65.82 alerts to weakness towards our 64.47 second support point. Below here, we look for support at our 63.15 third level of support. Then again, strength above 68.61 opens the door to our 70.04 second level of resistance. Through here, we will look for resistance to hold at 71.51.

ICE BRENT

September High 69.73 Low 67.44 Close 68.63 Δ 0.01

September Brent bottomed at 67.44, **peaked 3 cents above** our 69.70 first daily resistance **and within 16 cents** of our 69.89 second weekly support. The contract **settled 37 cents above** our 68.26 third weekly support at 68.63, up 1 penny for the session.

As far as today goes for September Brent, a drop below 67.66 alerts to weakness towards our 66.7 second support point. Below here, we look for support at our 65.75 third level of support. Then again, strength above 69.62 opens the door to our 70.62 second level of resistance. Through here, we will look for resistance to hold at 71.63.

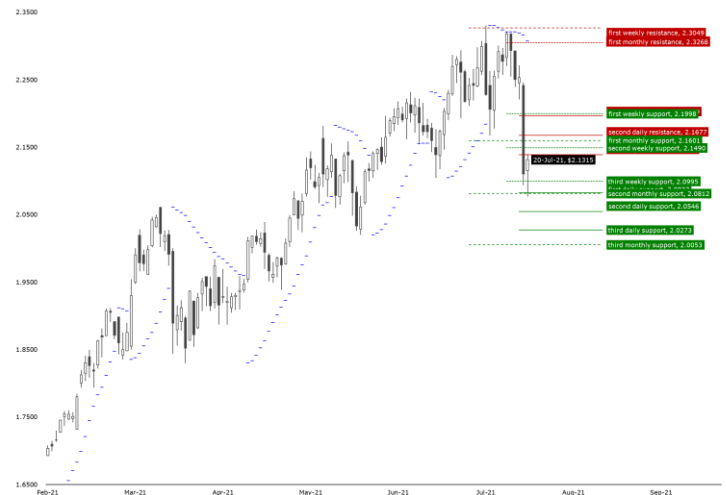


NYMEX RBOB

August High 2.1399 Low 2.0771 Close 2.1315 Δ 0.0211

August RBOB (7.4 RVP) **bottomed 41 ticks below** our 2.0812 second monthly support, **peaked 10 ticks above** our 2.1389 first daily resistance and finished 2.11 cents higher at 2.1315.

As far as today goes for August RBOB, a drop below 2.1025 alerts to weakness towards our 2.0738 second support point. Below here, we look for support at our 2.0456 third level of support. Then again, strength above 2.1609 opens the door to our 2.1908 second level of resistance. Through here, we will look for resistance to hold at 2.221.

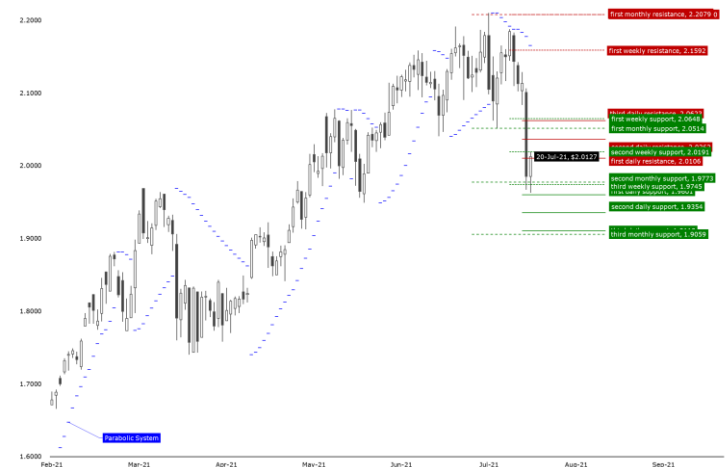


NYMEX ULSD

August High 2.0190 Low 1.9627 Close 2.0127 Δ 0.0275

August ULSD **bottomed within 26 ticks** of our 1.9601 first daily support and **peaked within 1 tick** of our 2.0191 second weekly support. The market **closed 21 ticks above** our 2.0106 first daily resistance **and within 64 ticks** of our 2.0191 second weekly support at 2.0127, up 2.75 cents.

As far as today goes for August ULSD, a drop below 1.9872 alerts to weakness towards our 1.962 second support point. Below here, we look for support at our 1.9371 third level of support. Then again, strength above 2.0386 opens the door to our 2.0648 second level of resistance. Through here, we will look for resistance to hold at 2.0913.



ICE GASOIL

September High 568.25 Low 552 Close 560 Δ -3.50

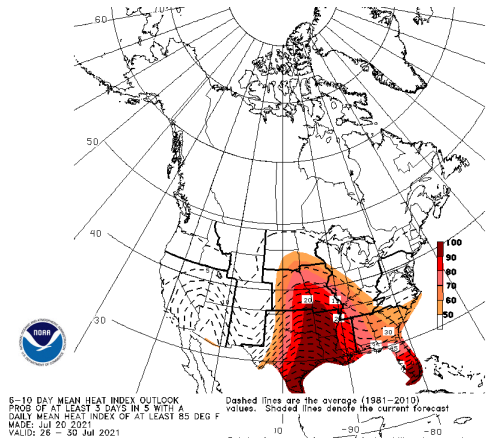
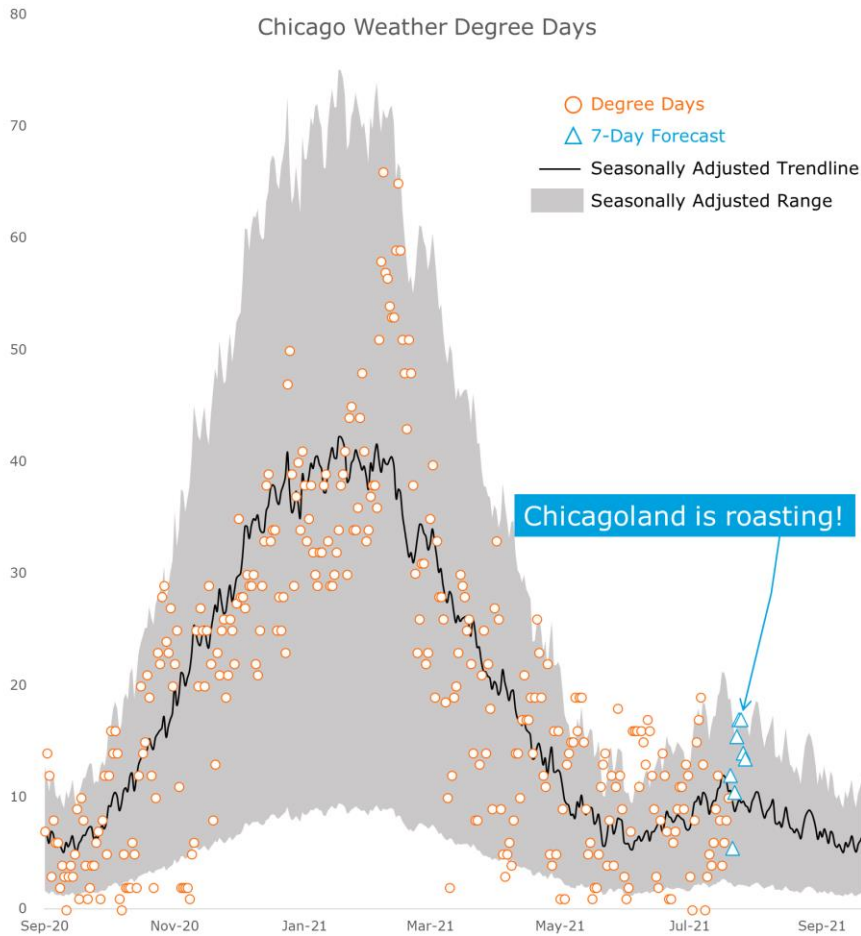
September gasoil **peaked 75 cents above** our 567.50 first daily resistance, **bottomed 1.00 point below** our 553.00 first daily support and settled 3.50 points lower at 560.00.

As far as today goes for September gasoil, a drop below 552.5 alerts to weakness towards our 545.5 second support point. Below here, we look for support at our 538.25 third level of support. Then again, strength above 567.5 opens the door to our 575 second level of resistance. Through here, we will look for resistance to hold at 582.5.

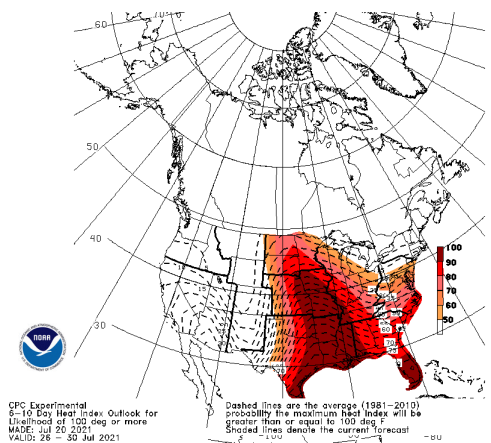


Weather Demand Recap

NOAA forecasts...



6-10 Day Likelihood 3 Days ≥85°F



6-10 Day Likelihood ≥100°F