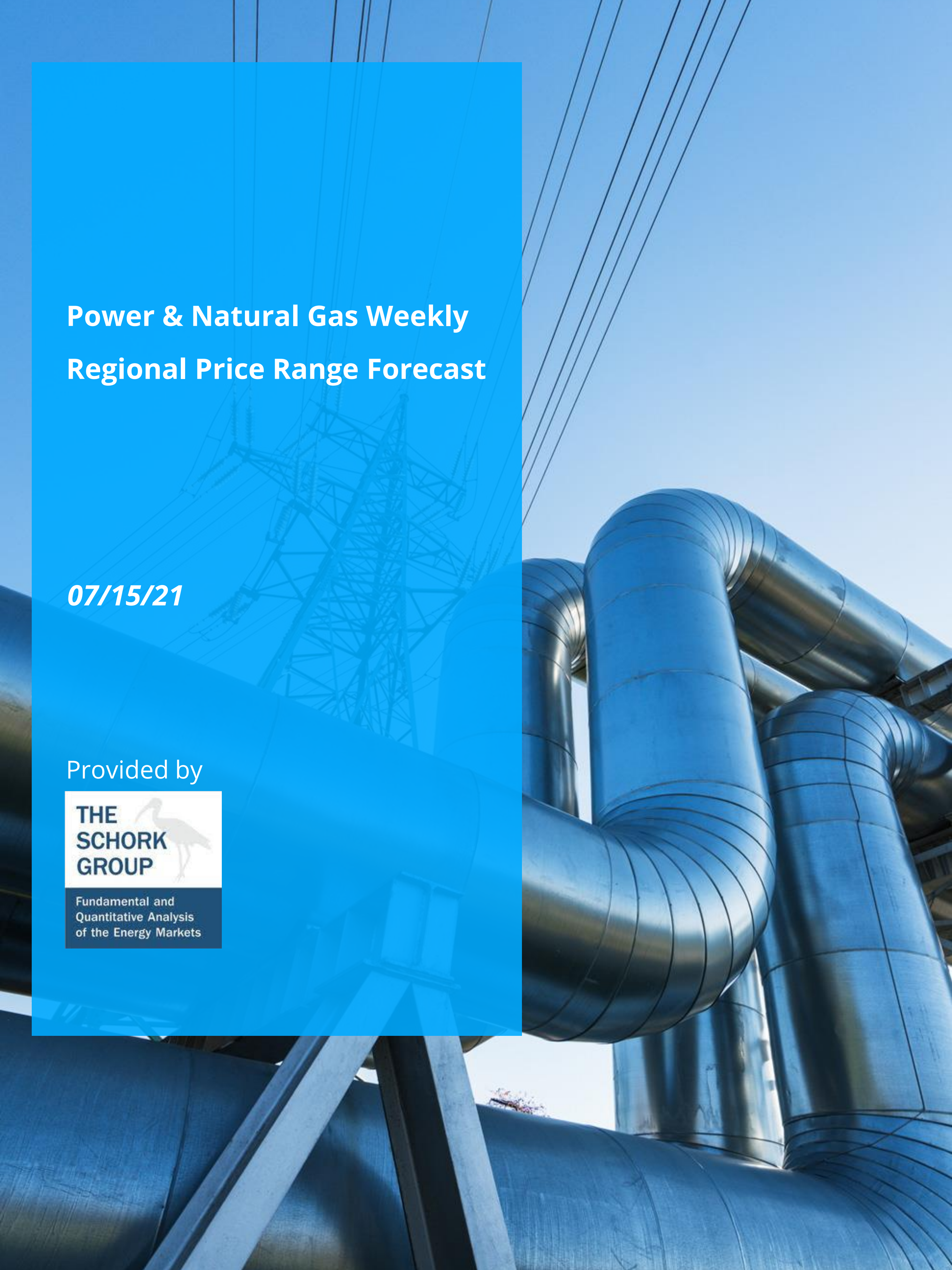


Power & Natural Gas Weekly

Regional Price Range Forecast

07/15/21

Provided by

THE SCHORK GROUP

Fundamental and Quantitative Analysis of the Energy Markets

CONTENTS

THE SCHORK GROUP

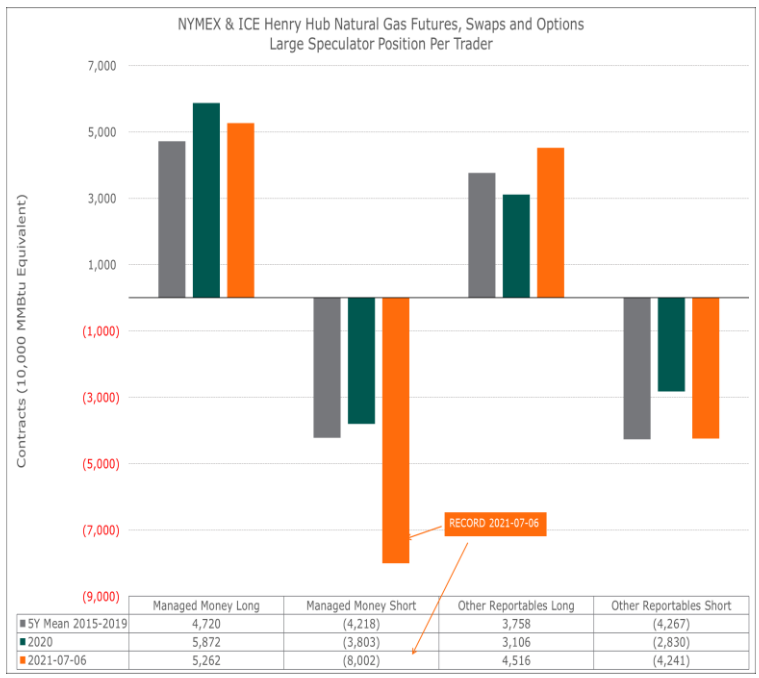
Fundamental and Quantitative Analysis of the Energy Markets

The Squeeze is On!

Bearish hedge funds trading NYMEX and ICE Henry Hub natural gas markets (futures, swaps, and options) refuse to give up the ship.

As of the latest Commitments of Traders update, natural gas traders categorized by the CFTC as "managed money" were holding a short position 216,051 contracts, the equivalent of 81% of the working gas in L48 underground storage. That is a lot of gas that Wall Street is obligated to deliver to the Henry Hub.

The "managed money" designation covers entities registered as a commodity trading advisor (CTA), a registered commodity pool operator (CPO), or an unregistered fund identified by the CFTC (aka hedge funds).



In other words, these are traders that are engaged in managing and conducting organized derivatives trading on behalf of clients.

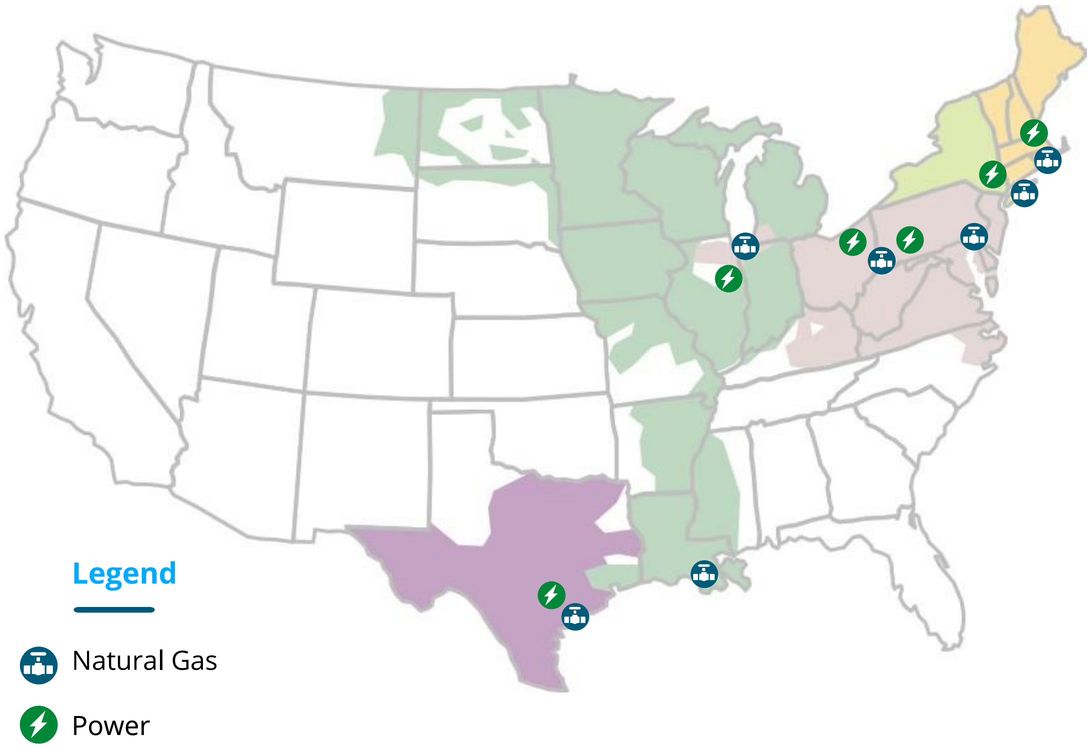
Most importantly, the size of the bearish position held by large speculators amounts to a record 8,002 contracts per trader (4.8× the 16 Bcf injection into L48 underground storage for the week ended July 2nd).

A hot weather forecast or any "good" news for the economy likely means that the bears in Greenwich (the "hedge fund capital of the world") will remain consigned to the woodshed.

La Niña returns?

According to the Climate Prediction Center, the potential exists for the return of La Niña this fall, with a 66% chance she'll stay through the 2021-22 winter. According to NOAA, the typical impacts to winter weather in the U.S. are warmer- and drier-than-average conditions across the southern tier of the United States, colder-than-average conditions across the north-central Plains, and wetter-than-average conditions in the Pacific Northwest stretching into northern California… which bodes well for next summer's hydroelectric generation.

Click On Pricing Points For This Week's Analysis



Click the on each page to return to the Energy Navigator

Region	Gas Pricing Point	Power Pricing Point
New England	Algonquin Citygate	NEPOOL
New York City	Transco Zone 6	NYISO
Mid-Atlantic	TETCO M3	PJM West
Midwest - OH	Dominion South Point	PJM AD Hub
Midwest - IL	Chicago Citygate	NI Hub
Houston	Houston Ship Channel	ERCOT Houston
	NYMEX Henry Hub NG Futures	
	NYMEX NG Winter/Summer Future Strips	

The Week-over-Week table presents trend direction and potential reversals in price movement based on the Parabolic SAR indicator. This is one of several technical studies used by The Schork Group to identify price patterns and market bias.

In the regional sections of this report, Schork Volatility Bands (SVB) provide visual representation of statistically-derived quantitative price range forecasts based on proprietary algorithms which calculate projected volatility.

The report's layout is intentionally designed to present an at-a-glance overview of the term structure of the forward curve.

Natural Gas Basis Markets ($/MMBtu)

Region	Market	Mean[1]	Change	Spread to NYMEX	Direction	Rate of Change
New England	Algonquin Citygate	3.261	5.6%	-0.399	Bullish	Accelerating
New York City	Transco Z6	3.405	4.5%	-0.255	Bullish	Decelerating
Mid-Atlantic	TETCO M3	3.386	6.7%	-0.274	Bullish	Decelerating
Midwest - OH	Dominion South Point	2.966	7.8%	-0.694	Bullish	Accelerating
Midwest - IL	Chicago Citygate	3.52	2.4%	-0.14	Bullish	Accelerating
Houston	Houston Ship Channel	3.613	2.4%	-0.047	Bullish	Accelerating

Power Markets Peak Prices ($/MWh)

Region	Market	Mean[1]	Change	Direction	Rate of Change	Spark Spread[2]
New England	NEPOOL	50.16	-1.5%	Bearish	Accelerating	27.33
New York City	NYISO	52.44	1.5%	Bullish	Accelerating	28.6
Mid-Atlantic	PJM West	43.68	2.8%	Bullish	Accelerating	19.98
Midwest – OH	PJM AD Hub	45.28	2.2%	Bullish	Decelerating	24.52
Midwest – IL	NI Hub	46.44	0.9%	Bullish	Decelerating	21.8
Houston	ERCOT Houston	132.72	6.2%	Bullish	Decelerating	107.43

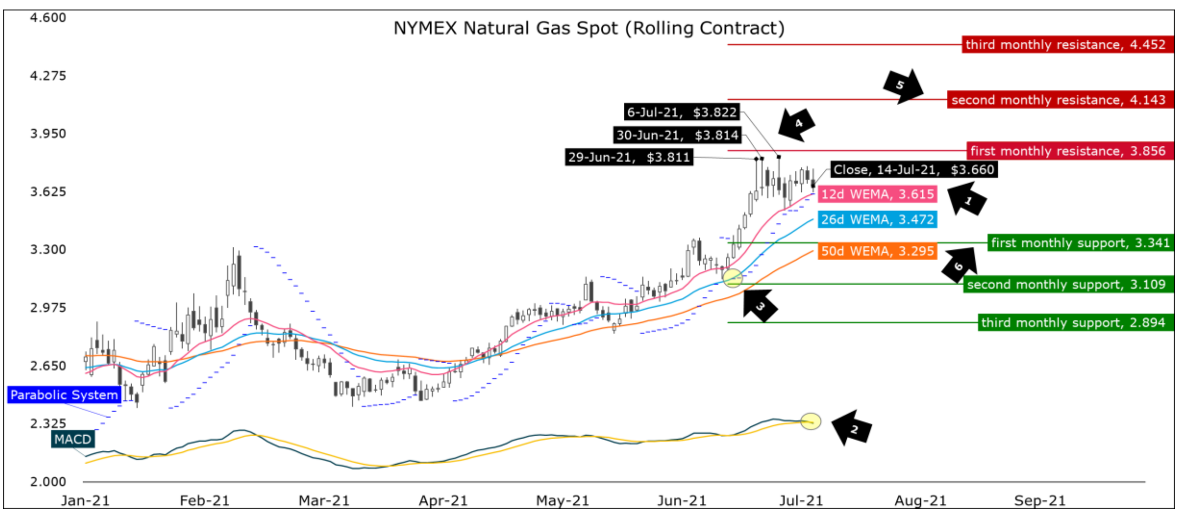
1 5-Day Mean as of Wednesday, 07/14/21
2 Heat Rate = 7,000 Btu/kWh

NYMEX Gas Stalls This Week

Over the last week, the Henry Hub spot (continuous roll) futures market traded in a narrow range. Yesterday the market ran into support at the 12-day weighted exponential moving average (WEMA) and settled at $3.660/MMBtu (arrow 1). All WEMAs— the 12-day, 30-day, and 50-day—are sloped to the upside.

Our two favorite technical indicators are sending mixed signals. From June 2nd through this past Tuesday, the MACD was bullish in 27 out of 29 sessions but then yesterday turned bearish (arrow 2). In this time the market rallied from a low of $3.010/MMBtu on June 4th to a two-and-a-half year high of $3.822/MMBtu on July 6th. The Parabolic SAR has been bullish since June 23rd (arrow 3).

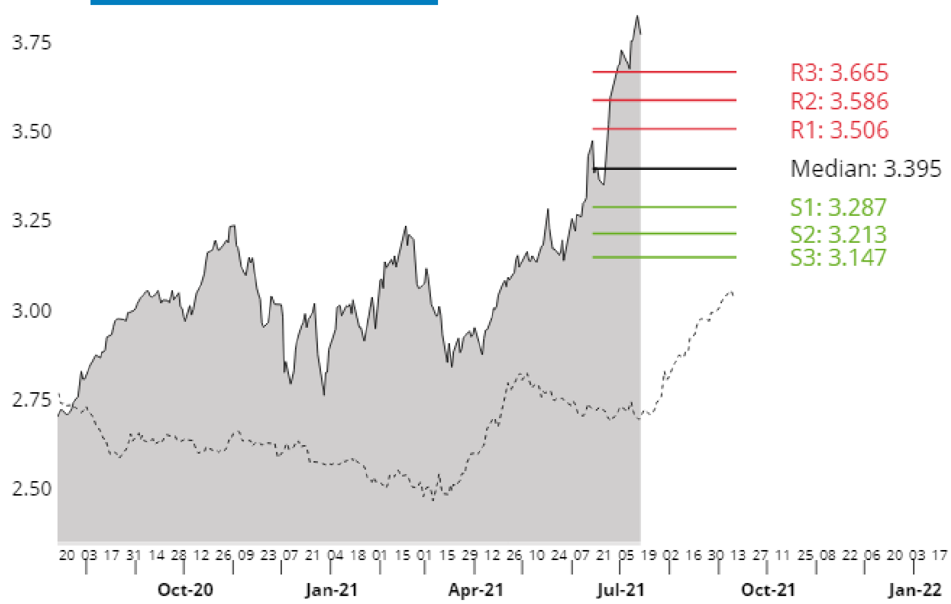
Looking ahead through the end of July, a break below the 12-day WEMA of ≈$3.615/MMBtu clears a path to the 26-Day WEMA ≈$3.472/MMBtu and our initial support for the month at $3.341/MMBtu (arrow 6) and the 50-day WEMA ≈$3.295/MMBtu. On the upside, bulls can shoot for the triple-top and a retest of our initial resistance for the month at $3.856/MMBtu (arrow 4). Our second resistance target for this month is $4.143/MMBtu (arrow 5).



EIA reports a normal injection for early July.

Today, the EIA reported the sixteenth injection of the season into L48 natural gas underground storage. Stocks rose by a normal 55 Bcf to 2.629 Tcf for the week ended July 9th. The typical injection for this report is 53 Bcf ±16 Bcf. The consensus ranged from a low of 46 Bcf on the Platts survey to a high of 49 Bcf on the Dow Jones survey. Nearly half of the season is now in the books. As of last week's injection, the market has replaced 40% of last winter's 2.208 Tcf delivery. We calculate the probability of coming in at/above the EIA's revised end-of-season forecast of 3.603 Tcf is 58%%.

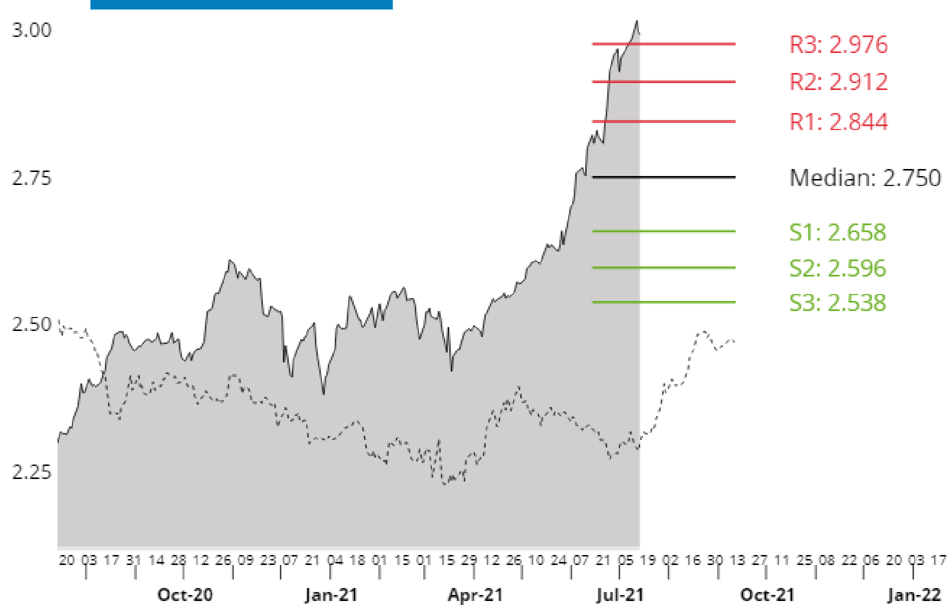
NYMEX Winter 2021-2022



R3	3.665
R2	3.586
R1	3.506
Median	3.395
S1	3.287
S2	3.213
S3	3.147

R=Resistance
S=Support

NYMEX Summer 2022



R3	2.976
R2	2.912
R1	2.844
Median	2.750
S1	2.658
S2	2.596
S3	2.538

R=Resistance
S=Support

ALGONQUIN CITYGATE

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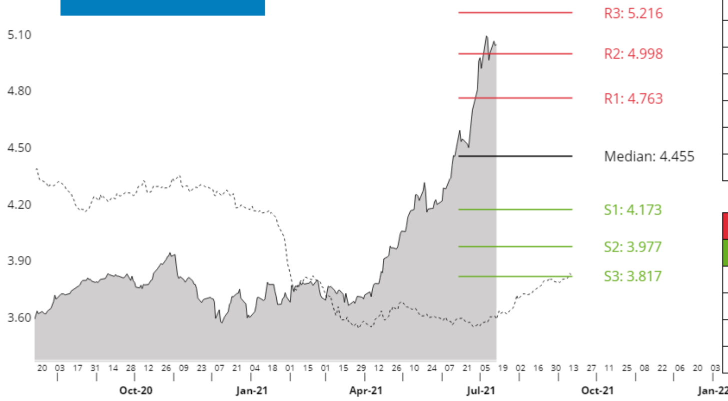
Calendar 2022



R3	5.216
R2	4.998
R1	4.763
Median	4.455
S1	4.173
S2	3.977
S3	3.817

R=Resistance	
S=Support	
Latest Close:	5.047
Last Week's Close:	5.083
Last Year's Close:	3.591
52-Week H/L:	5.092 / 3.571

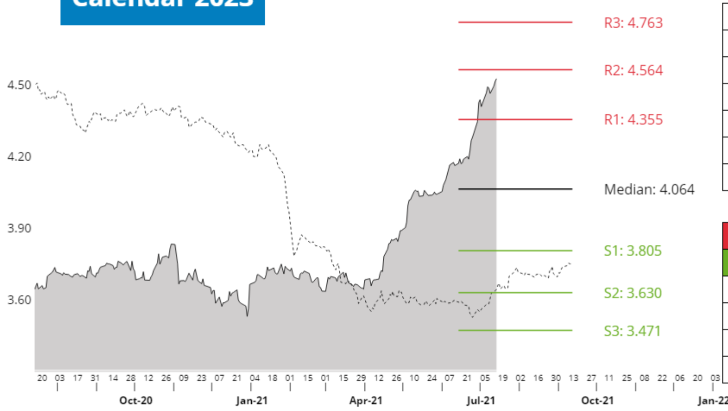
Q3 Hedge Recommendation
Buy 20% ≤ $4.173

Volatility in the Calendar 2022 strip has steadily risen over the past four weeks from 14.85% to 23.72% as of yesterday's close. This equates to a $0.033 increase. Year-on-year, current uncertainty in this market is 3.5x greater than in 2020.

Calendar 2022 is the highest price of the six Algonquin Citygate strips that we analyze, with the contract trading at a premium ranging from $0.521 (Calendar 2023) to $1.062 (Calendar 2026).

We do not recommend hedging at current levels.

Calendar 2023



R3	4.763
R2	4.564
R1	4.355
Median	4.064
S1	3.805
S2	3.630
S3	3.471

R=Resistance	
S=Support	
Latest Close:	4.526
Last Week's Close:	4.492
Last Year's Close:	3.643
52-Week H/L:	4.526 / 3.530

Q3 Hedge Recommendation
Buy 20% ≤ $3.805

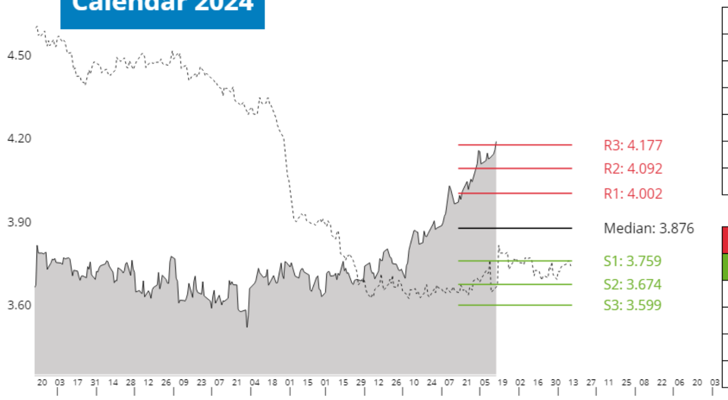
Calendar 2023 continued towards our model's second level of resistance this week and is trading 20.7% above its Q1 high.

Bullish momentum has started to ease, with the market trading 5.6% above its 30-day moving average.

Volatility is relatively low with a 68% probability that the strip will settle between $4.496-$4.556 in the week ahead.

We do not recommend hedging at current levels.

Calendar 2024



R3	4.177
R2	4.092
R1	4.002
Median	3.876
S1	3.759
S2	3.674
S3	3.599

R=Resistance	
S=Support	
Latest Close:	4.189
Last Week's Close:	4.147
Last Year's Close:	3.663
52-Week H/L:	4.189 / 3.519

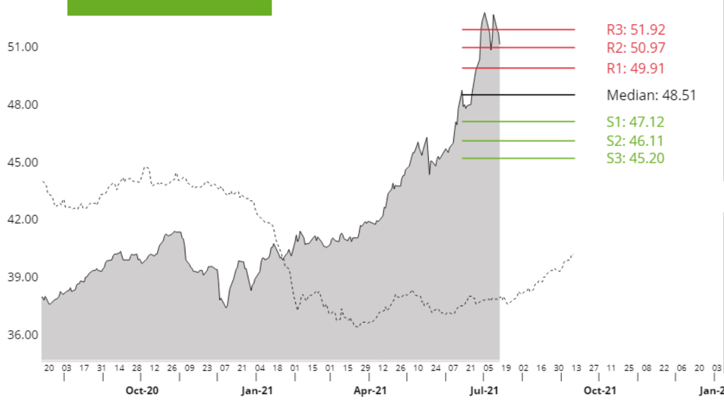
Q3 Hedge Recommendation
Buy 20% ≤ $3.759

Calendar 2024 inched higher this week, breaching our model's third level of resistance and setting a new 52-week high.

Unlike the prior two strips, Cal 2024 is less volatile than it was during the corresponding time period last year, although it should be noted that the basis for this was a short-lived plunge in 2020 that quickly rebounded.

We do not recommend hedging at current levels.

Calendar 2022



R3	51.92
R2	50.97
R1	49.91
Median	48.51
S1	47.12
S2	46.11
S3	45.20

R=Resistance	
S=Support	
Latest Close:	51.15
Last Week's Close:	50.85
Last Year's Close:	37.95
52-Week H/L:	52.80 / 37.40

Q3 Hedge Recommendation

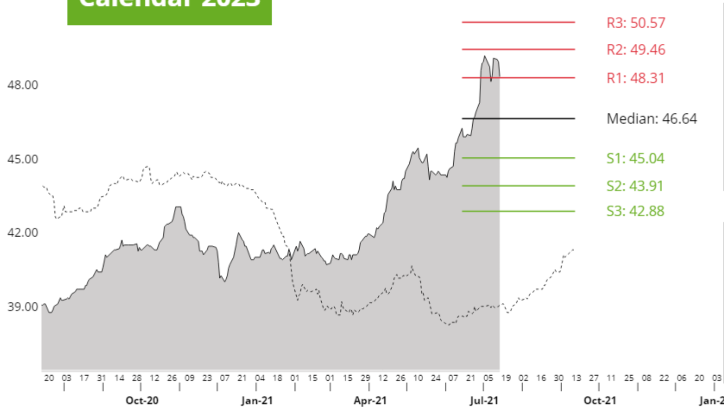
Buy 20% ≤ $47.12

Bullish momentum in the Cal 2022 strip has stalled. Since the beginning of this month, the market has yo-yoed in between its 52-week high of $52.80 and our second resistance target of $50.97.

At the same time, volatility has increased by 50% to 22.84% which equates to a risk factor of $0.73. Compared with a year ago, today's market is nearly 5× as uncertain.

Trading settled yesterday at $51.15. For the week ahead there is a 68% probability that the market will close between $50.42 and $51.88.

Calendar 2023



R3	50.57
R2	49.46
R1	48.31
Median	46.64
S1	45.04
S2	43.91
S3	42.88

R=Resistance	
S=Support	
Latest Close:	48.35
Last Week's Close:	48.15
Last Year's Close:	39.05
52-Week H/L:	49.20 / 38.75

Q3 Hedge Recommendation

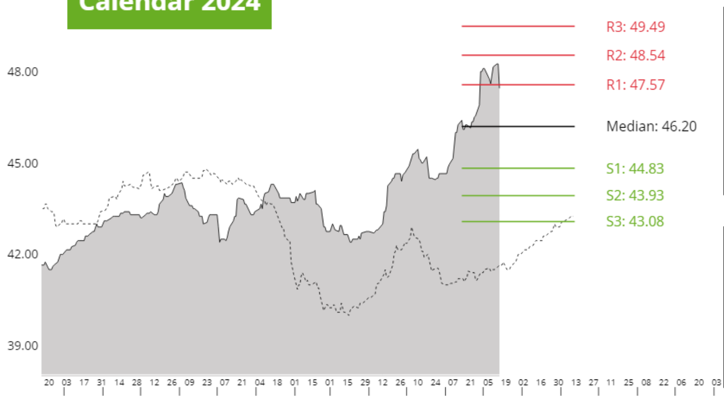
Buy 20% ≤ $45.04

Just like in Calendar 2022, bullish momentum in the Calendar 2023 strip has run out of steam. Over the last week the market has traded in between our first and second resistance levels, settling yesterday $0.04 above the former.

As temperatures have risen over the past month, the market's volatility has doubled to 15.86% ($0.48).

We do not recommend hedging at current levels.

Calendar 2024



R3	49.49
R2	48.54
R1	47.57
Median	46.20
S1	44.83
S2	43.93
S3	43.08

R=Resistance	
S=Support	
Latest Close:	47.45
Last Week's Close:	47.60
Last Year's Close:	41.65
52-Week H/L:	48.25 / 41.50

Q3 Hedge Recommendation

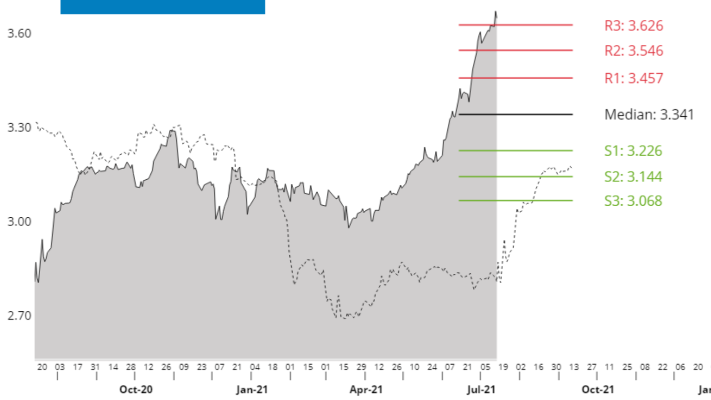
Buy 20% ≤ $44.83

Earlier this week, Calendar 2024 posted a 52-week high of $48.25 but finished 12 cents below our initial resistance target of $47.57.

The strip's volatility has—on a relative basis—been as strong as the 2022 and 2023 markets. Over the last month volatility has nearly doubled to 13.02%, the equivalent of $0.39.

Calendar 2024 closed yesterday at $47.45. For the next week of trading there is a 68% probability that the market will settle in between $47.06 and $47.84.

Calendar 2022



R3	3.626
R2	3.546
R1	3.457
Median	3.341
S1	3.226
S2	3.144
S3	3.068

R=Resistance	
S=Support	
Latest Close:	3.648
Last Week's Close:	3.609
Last Year's Close:	2.809
52-Week H/L:	3.670 / 2.806

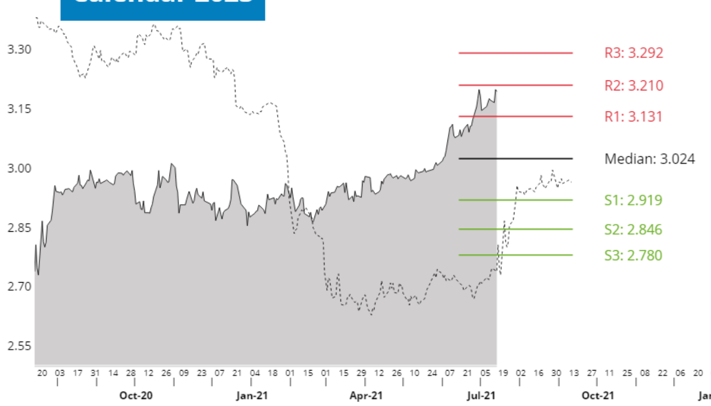
Q3 Hedge Recommendation
Buy 20% ≤ $3.226

Calendar 2022 continues to maintain its sharp bullish skew despite its relative decline in year-on-year volatility. Uncertainty over the past month has remained stable at $0.029 in contrast to last year's $0.045.

Cal 2022 is trading at the highest price of the six Transco Z6 strips that we analyze, with the contract trading at a premium ranging from $0.454 (Calendar 2023) to $0.566 (Calendar 2026).

We do not recommend hedging at current levels.

Calendar 2023



R3	3.292
R2	3.210
R1	3.131
Median	3.024
S1	2.919
S2	2.846
S3	2.780

R=Resistance	
S=Support	
Latest Close:	3.194
Last Week's Close:	3.167
Last Year's Close:	2.738
52-Week H/L:	3.199 / 2.729

Q3 Hedge Recommendation
Buy 20% ≤ $2.919

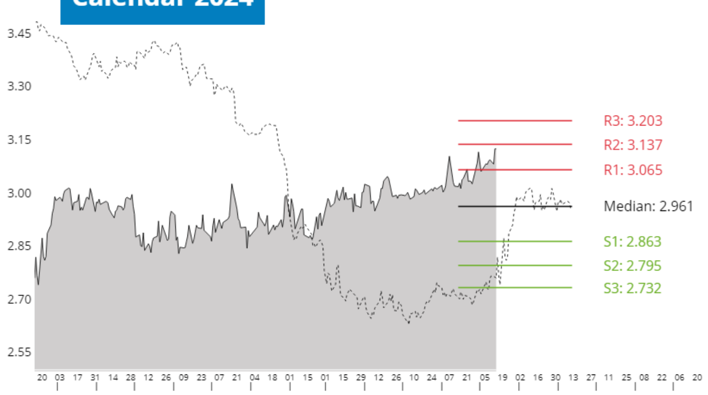
Calendar 2023 revisited its 52-week high and closed $0.027 above last week's print but failed to break through our model's second level of resistance as of yesterday's close.

Bullish momentum has lost strength in recent weeks, with the strip trading 2.3% above its 30-day moving average.

Volatility is relatively low with a 68% probability that the market will settle between $3.175-$3.213 this week.

We do not recommend hedging at current levels.

Calendar 2024



R3	3.203
R2	3.137
R1	3.065
Median	2.961
S1	2.863
S2	2.795
S3	2.732

R=Resistance	
S=Support	
Latest Close:	3.124
Last Week's Close:	3.080
Last Year's Close:	2.759
52-Week H/L:	3.124 / 2.740

Q3 Hedge Recommendation
Buy 20% ≤ $2.863

Calendar 2024 edged higher this week, nearing our model's second level of resistance and setting a new 52-week high.

The contract is trading 10.9% above last year's levels during the corresponding time period.

Recent price activity has remained flat, with a 1.4% week-over-week increase and a 2.2% premium to the 30-day moving average price movements.

We do not recommend hedging at current levels.

NYISO

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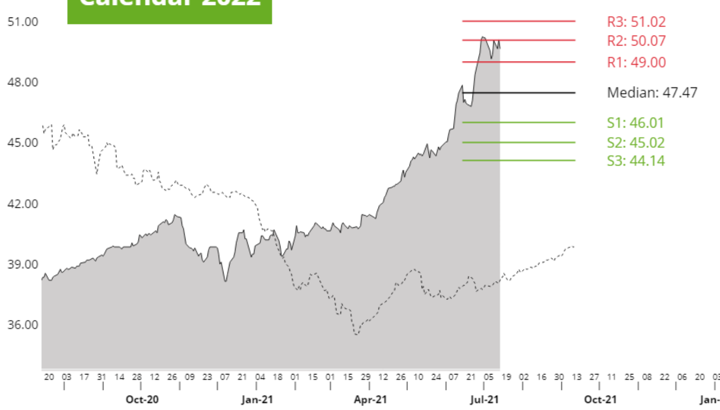
Calendar 2022



R3	51.02
R2	50.07
R1	49.00
Median	47.47
S1	46.01
S2	45.02
S3	44.14

R=Resistance	
S=Support	
Latest Close:	49.65
Last Week's Close:	49.15
Last Year's Close:	38.20
52-Week H/L:	50.25 / 38.15

Q3 Hedge Recommendation

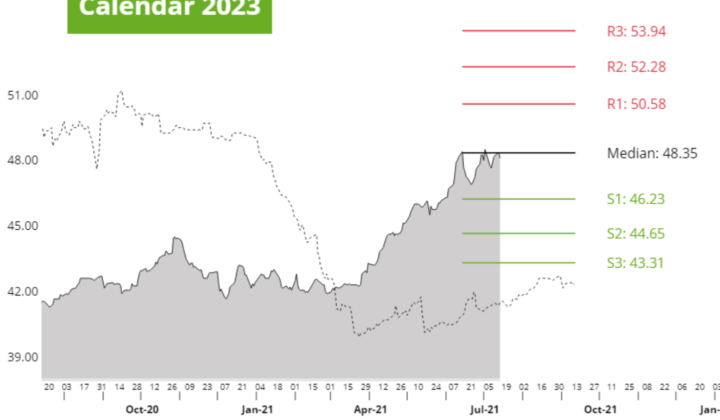
Buy 20% ≤ $46.01

At the end of June, Calendar 2022 peaked at a 52-week high of $50.25. Since then, bullish momentum has stalled with the market rangebound in between our first and second resistance targets, $49.00 and $50.07.

Over the last month volatility has increased from 11.92% (the equivalent of $0.35) to 15.06% ($0.47), i.e., even though prices have steadied for the moment, trading has become riskier.

We do not recommend hedging at current levels.

Calendar 2023



R3	53.94
R2	52.28
R1	50.58
Median	48.35
S1	46.23
S2	44.65
S3	43.31

R=Resistance	
S=Support	
Latest Close:	48.10
Last Week's Close:	47.65
Last Year's Close:	41.50
52-Week H/L:	48.50 / 41.30

Q3 Hedge Recommendation

Buy 20% ≤ $46.23

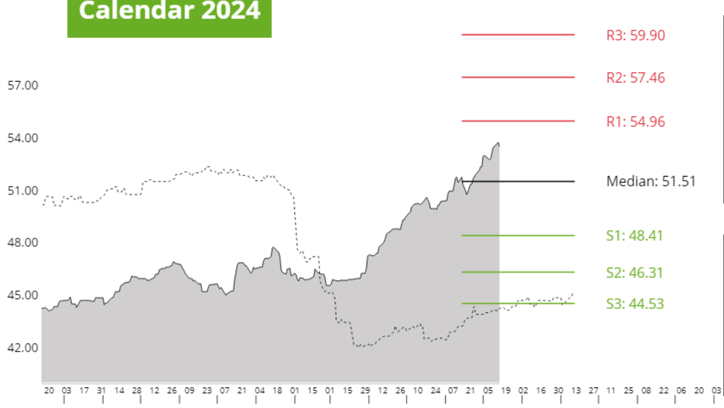
After peaking in the first week of July at a 52-week high of $48.50, Calendar 2023 pulled back and has run into consistent resistance around our model's median of $48.35.

Over the last month, volatility has held steady at around 10.25% ($0.31).

Since the market is now below the median, it is time to consider layering in hedge positions.

There is a 36% probability that prices will hold below the median of $48.35 this week.

Calendar 2024



R3	59.90
R2	57.46
R1	54.96
Median	51.51
S1	48.41
S2	46.31
S3	44.53

R=Resistance	
S=Support	
Latest Close:	53.50
Last Week's Close:	52.80
Last Year's Close:	44.25
52-Week H/L:	53.75 / 44.10

Q3 Hedge Recommendation

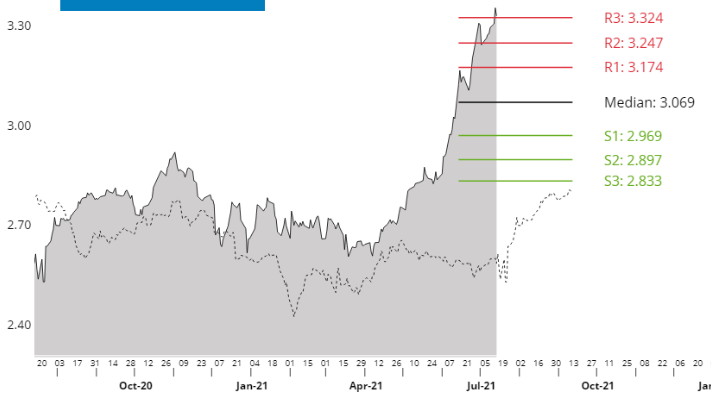
Buy 20% ≤ $48.41

Of the first the three strips that we analyze, Calendar 2024 is the highest valued. On Tuesday of this week the market peaked at a 52-week high of $53.75. At the same time, volatility was cut by one-third to 6.49% ($0.22).

The takeaway is that prices are rising, and risk is falling-a clear sign of strength.

We do not recommend hedging at current levels.

Calendar 2022



R3	3.324
R2	3.247
R1	3.174
Median	3.069
S1	2.969
S2	2.897
S3	2.833

R=Resistance	
S=Support	
Latest Close:	3.329
Last Week's Close:	3.273
Last Year's Close:	2.585
52-Week H/L:	3.353 / 2.529

Q3 Hedge Recommendation

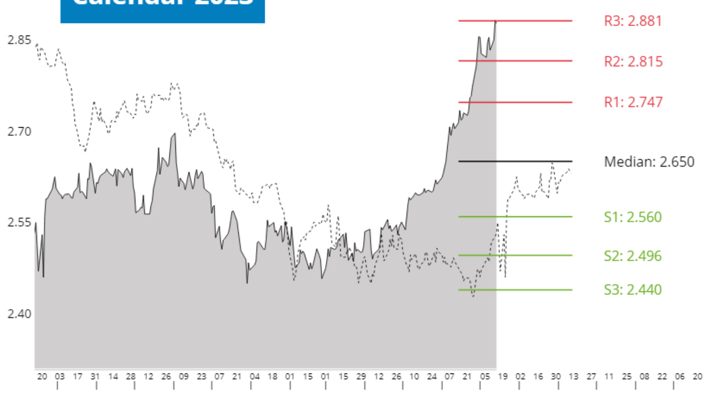
Buy 20% ≤ $2.969

Calendar 2022 increased $0.056 from last week's print and is trading at a $0.716 year-on-year premium, the largest variance of the six Transco Z6 contracts that we analyze.

Volatility has gradually decreased over the past seven trading sessions, with a current probability of 68% that the strip will settle between $3.299-$3.359 this week.

We do not recommend hedging at current levels.

Calendar 2023



R3	2.881
R2	2.815
R1	2.747
Median	2.650
S1	2.560
S2	2.496
S3	2.440

R=Resistance	
S=Support	
Latest Close:	2.877
Last Week's Close:	2.845
Last Year's Close:	2.533
52-Week H/L:	2.882 / 2.450

Q3 Hedge Recommendation

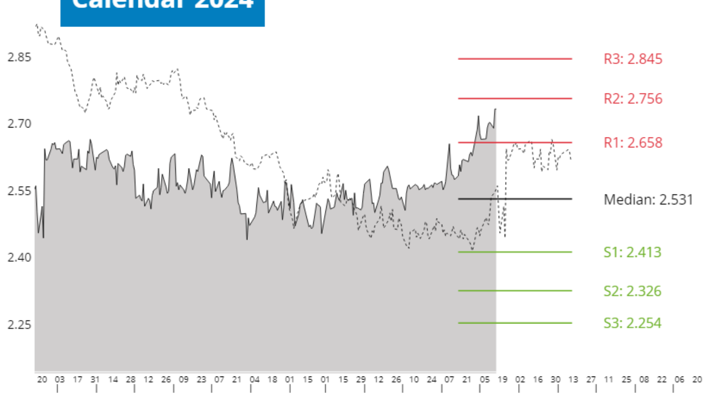
Buy 20% ≤ $2.560

Calendar 2023 set a new 52-week high this week and breached our model's third level of resistance.

This market has been on a bullish tear since May, trading 12.6% above its Q1 high. Over the past four weeks, volatility has held steady, averaging 10.09% ($0.017).

We do not recommend hedging at current levels.

Calendar 2024



R3	2.845
R2	2.756
R1	2.658
Median	2.531
S1	2.413
S2	2.326
S3	2.254

R=Resistance	
S=Support	
Latest Close:	2.733
Last Week's Close:	2.691
Last Year's Close:	2.553
52-Week H/L:	2.733 / 2.440

Q3 Hedge Recommendation

Buy 20% ≤ $2.413

Calendar 2024 was the lowest price of the six Tetco M3 strips that we analyze each week, with the contract trading at a $0.596 discount to Calendar 2022.

Volatility has steadily declined over the past four weeks from 17.72% to 13.05% as of yesterday's close. This equates to a $0.022 decrease.

We do not recommend hedging at current levels.

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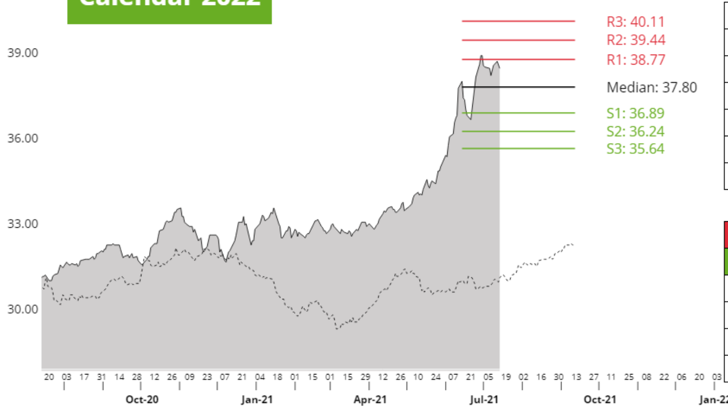
Calendar 2022



R3	40.11
R2	39.44
R1	38.77
Median	37.80
S1	36.89
S2	36.24
S3	35.64

R=Resistance
S=Support

Latest Close:	38.45
Last Week's Close:	38.20
Last Year's Close:	31.10
52-Week H/L:	38.90 / 31.00

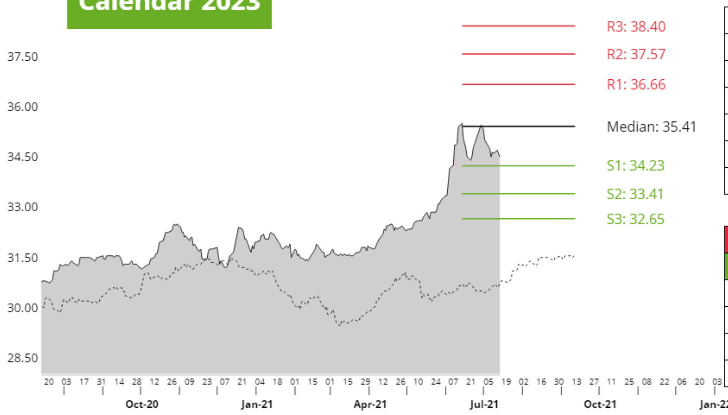
Q3 Hedge Recommendation
Buy 20% ≤ $36.89

At the end of June, Calendar 2022 peaked at a 52-week high of $38.90. Through the first half of July, the strip has consistently tested resistance around our initial target of $38.77. At the same time, volatility was reduced by one-third to 10.77%, the equivalent of $0.26.

In the week ahead, there is a 68% probability that the market will finish in between $38.19 and $38.71.

We do not recommend hedging at current levels.

Calendar 2023



R3	38.40
R2	37.57
R1	36.66
Median	35.41
S1	34.23
S2	33.41
S3	32.65

R=Resistance
S=Support

Latest Close:	34.50
Last Week's Close:	34.50
Last Year's Close:	30.75
52-Week H/L:	35.50 / 30.75

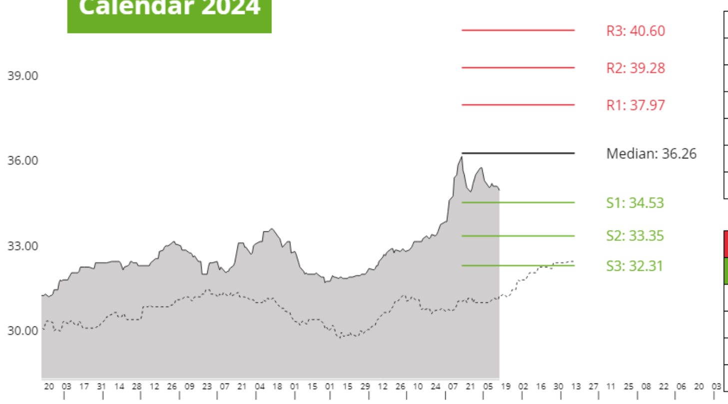
Q3 Hedge Recommendation
Buy 20% ≤ $34.23

Four weeks ago, Calendar 2023 peaked at a 52-week high of $35.50. The market has subsequently yo-yoed but has held below our model's median of $35.41 and trended towards our initial level of support at $34.23.

Volatility has moved steadily lower over the month. In the week ahead, we calculate a 25% probability the market will trade below $34.23.

We strongly encourage a layer of hedges at these levels.

Calendar 2024



R3	40.60
R2	39.28
R1	37.97
Median	36.26
S1	34.53
S2	33.35
S3	32.31

R=Resistance
S=Support

Latest Close:	34.95
Last Week's Close:	35.10
Last Year's Close:	31.25
52-Week H/L:	36.15 / 31.20

Q3 Hedge Recommendation
Buy 20% ≤ $34.53

Calendar 2024 peaked last month at a 52-week high of $36.15. Since then, the market has moved lower and is now in range of our initial $34.53 support band.

The market's volatility is at a one-month low of 6.84% ($0.15).

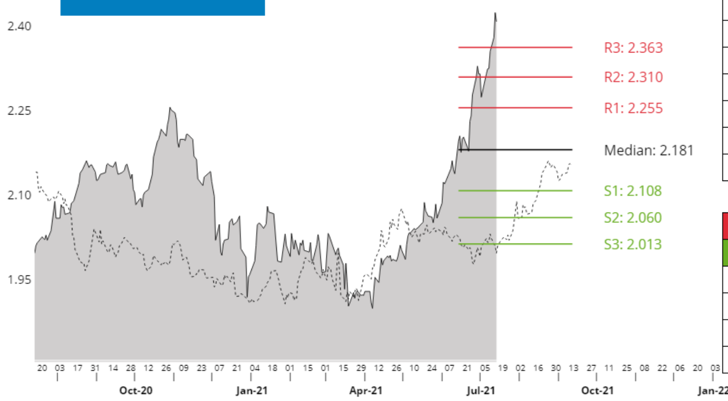
In the week ahead there is a 10% probability that the market trades below our initial target of $34.53.

We strongly encourage a layer of hedges at these levels.

DOMINION SOUTH POINT

THE SCHORK GROUP, INC.

Calendar 2022



R3	2.363
R2	2.310
R1	2.255
Median	2.181
S1	2.108
S2	2.060
S3	2.013

R=Resistance	
S=Support	
Latest Close:	2.408
Last Week's Close:	2.324
Last Year's Close:	1.997
52-Week H/L:	2.424 / 1.899

Q3 Hedge Recommendation
Buy 20% ≤ $2.108

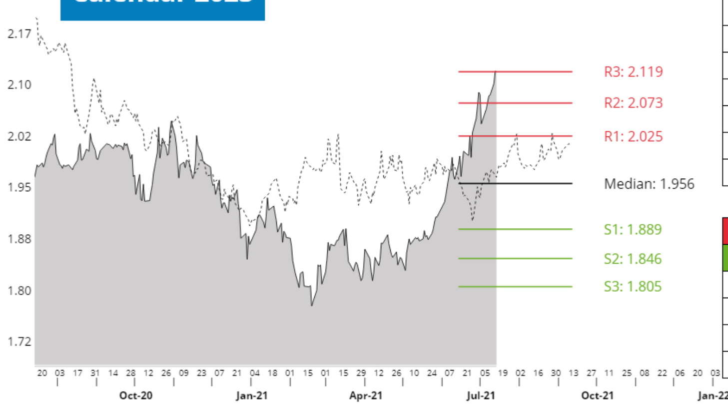
At the start of this week, Cal 2022 smashed our third (and final) resistance at $2.363 and hit a 52-week high of $2.424.

Volatility has been steady over the last month, last measured at 17.95% ($0.03).

The market last traded at $2.408. Over the next week, there is a 23% probability that prices will close below our third level of resistance ($2.363) and a 39% chance that a new 52-week high will be set.

We do not recommend hedging at current levels.

Calendar 2023



R3	2.119
R2	2.073
R1	2.025
Median	1.956
S1	1.889
S2	1.846
S3	1.805

R=Resistance	
S=Support	
Latest Close:	2.119
Last Week's Close:	2.077
Last Year's Close:	1.965
52-Week H/L:	2.120 / 1.777

Q3 Hedge Recommendation
Buy 20% ≤ $1.889

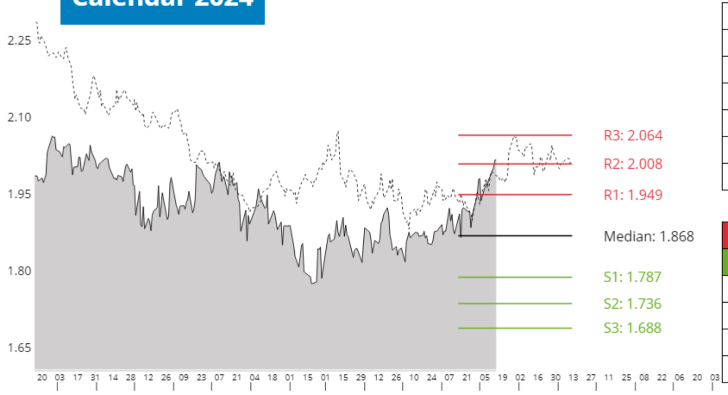
Like the 2022 market, Cal 2023 posted a 52-week high this week. In the process, the strip peaked one tick above our third (and final) resistance point of $2.119.

Over the last month, volatility has risen by 3 percentage points to 16.24% ($0.02).

The market last traded at $2.119. For the next week there is a 17% probability of a correction below our second resistance ($2.073) and a 49% chance that a new 52-week high will be set.

We do not recommend hedging at current levels.

Calendar 2024



R3	2.064
R2	2.008
R1	1.949
Median	1.868
S1	1.787
S2	1.736
S3	1.688

R=Resistance	
S=Support	
Latest Close:	2.016
Last Week's Close:	1.966
Last Year's Close:	1.985
52-Week H/L:	2.063 / 1.775

Q3 Hedge Recommendation
Buy 20% ≤ $1.787

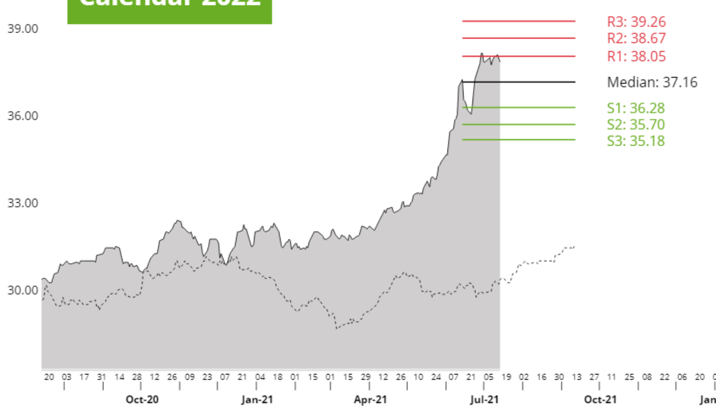
Calendar 2024 moved steadily higher over the last week and peaked eight ticks above our second resistance target at $2.016.

Over the last month, volatility has fallen by around one-fifth to 17.34% ($0.22).

In the week ahead, there is a 44% probability that the market will close below our second resistance target of $2.008, and a 56% chance that it will settle above this band.

We do not recommend hedging at current levels.

Calendar 2022



R3	39.26
R2	38.67
R1	38.05
Median	37.16
S1	36.28
S2	35.70
S3	35.18

R=Resistance	
S=Support	
Latest Close:	37.85
Last Week's Close:	37.75
Last Year's Close:	30.35
52-Week H/L:	38.15 / 30.25

Q3 Hedge Recommendation
Buy 20% ≤ $36.28

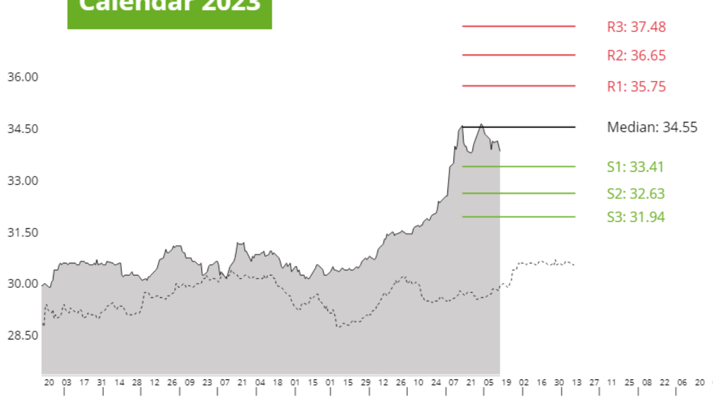
At the end of June, Calendar 2022 peaked at a 52-week high of $38.15. Through the first half of July, the strip has remained at an elevated level around out initial resistance target of $38.05.

Over the last month, volatility has been cut by one-third to 10.22% ($0.24).

Trading closed yesterday at $37.85. In the week ahead, there is a 10% probability that the market will settle below the model's $37.16 median.

We do not recommend hedging at current levels.

Calendar 2023



R3	37.48
R2	36.65
R1	35.75
Median	34.55
S1	33.41
S2	32.63
S3	31.94

R=Resistance	
S=Support	
Latest Close:	33.85
Last Week's Close:	33.90
Last Year's Close:	29.95
52-Week H/L:	34.65 / 29.90

Q3 Hedge Recommendation
Buy 20% ≤ $33.41

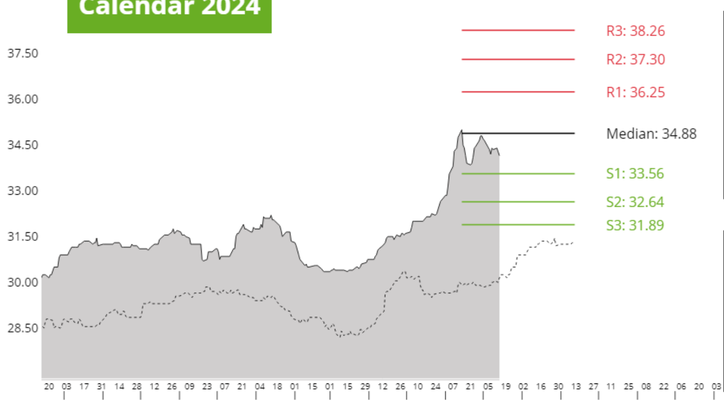
Similar to Calendar 2022, at the end June, the 2023 market peaked at a 52-week high. Momentum has since run into resistance around our model's $34.55 median .

Through the first half of July, volatility has fallen to 7.77% ($0.16).

The strip last traded at $33.85. Given the bearish skew, there is a strong probability of holding below the median this week, with a 12% chance of breaking our initial support band of $33.41.

We strongly encourage a layer of hedges at these levels.

Calendar 2024



R3	38.26
R2	37.30
R1	36.25
Median	34.88
S1	33.56
S2	32.64
S3	31.89

R=Resistance	
S=Support	
Latest Close:	34.15
Last Week's Close:	34.20
Last Year's Close:	30.15
52-Week H/L:	35.00 / 30.15

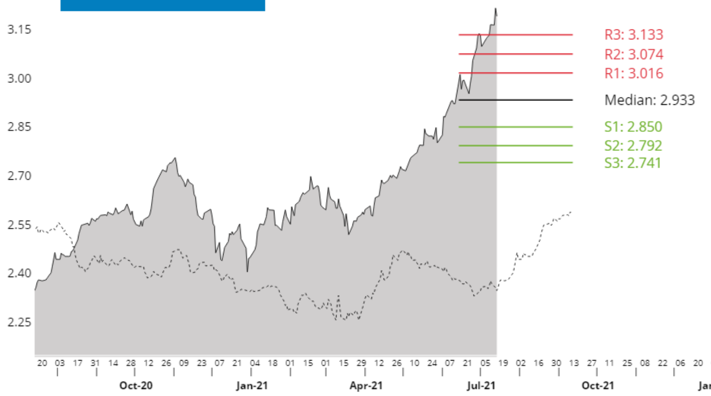
Q3 Hedge Recommendation
Buy 20% ≤ $33.56

Four weeks ago, the Calendar 2024 market peaked at a 52-week high ($35.00). Since then, the strip has traded with a bearish skew, settling yesterday at $34.15-essentially spot on the midpoint between our model's median and initial level of support.

Given the downward momentum, there are favorable odds that the market will hold below the $34.88 median this week. There is a 5% probability of breaking our initial $33.56 support band.

We strongly encourage a layer of hedges at these levels.

Calendar 2022



R3	3.133
R2	3.074
R1	3.016
Median	2.933
S1	2.850
S2	2.792
S3	2.741

R=Resistance	
S=Support	
Latest Close:	3.190
Last Week's Close:	3.128
Last Year's Close:	2.347
52-Week H/L:	3.215 / 2.372

Q3 Hedge Recommendation
Buy 20% ≤ $2.850

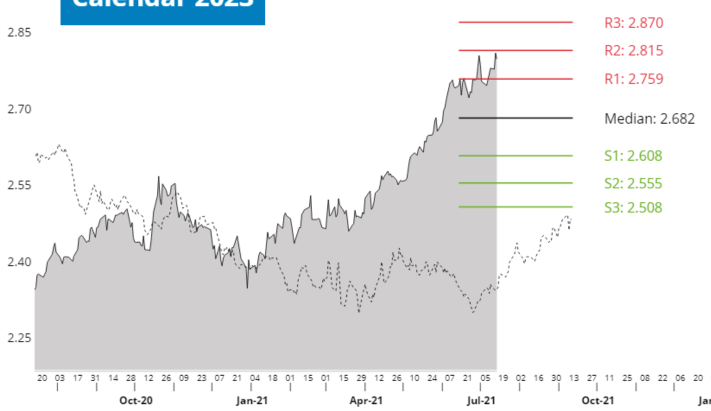
The Chicago Citygate market remains red hot thanks to a prolonged spate of strong demand for cooling Btus.

Trading smashed through our third (and final) resistance target of $3.133, on its way to a 52-week high of $3.215. Volatility was last measured at $13.28%, the equivalent of $0.026.

There is a strong probability (67%) that a new 52-week high will be set over the next week.

We do not recommend hedging at current levels.

Calendar 2023



R3	2.870
R2	2.815
R1	2.759
Median	2.682
S1	2.608
S2	2.555
S3	2.508

R=Resistance	
S=Support	
Latest Close:	2.798
Last Week's Close:	2.756
Last Year's Close:	2.345
52-Week H/L:	2.810 / 2.348

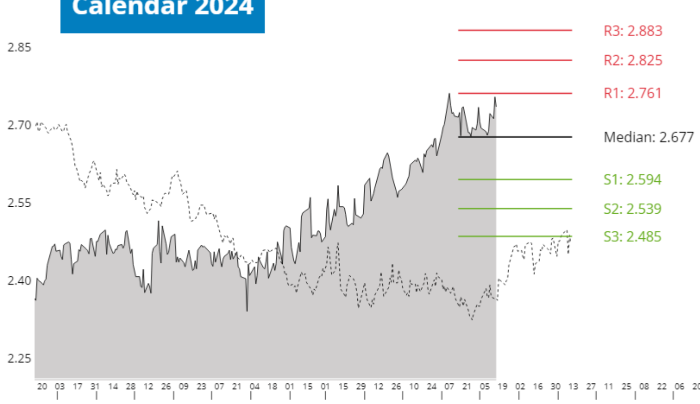
Q3 Hedge Recommendation
Buy 20% ≤ $2.608

Like Calendar 2022, the 2023 also posted a 52-week high this week. In the process, the market rallied to the doorstep (five ticks) of our model's second resistance target of $2.815.

Over the last month, volatility has been steady, last measured at 10.26% ($0.018). In the week ahead, there is a strong likelihood that prices hold above our initial resistance of $2.759 and a 38% probability that a new 52-week high is set.

We do not recommend hedging at current levels.

Calendar 2024



R3	2.883
R2	2.825
R1	2.761
Median	2.677
S1	2.594
S2	2.539
S3	2.485

R=Resistance	
S=Support	
Latest Close:	2.735
Last Week's Close:	2.680
Last Year's Close:	2.365
52-Week H/L:	2.761 / 2.340

Q3 Hedge Recommendation
Buy 20% ≤ $2.594

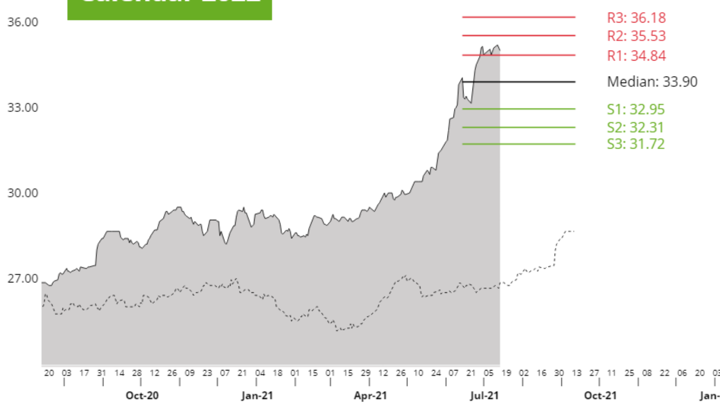
Calendar 2024 is rangebound in between our model's median and first resistance target.

Over the last month, volatility has fallen by one-third to 11.80%, the equivalent of $0.020.

The market last traded at $2.735. In the week ahead, there is a 10% chance the strip will close below the $2.677 median but a 28% probability of finishing above our initial $2.761 resistance band.

We do not recommend hedging at current levels.

Calendar 2022



R3	36.18
R2	35.53
R1	34.84
Median	33.90
S1	32.95
S2	32.31
S3	31.72

R=Resistance	
S=Support	
Latest Close:	35.00
Last Week's Close:	34.85
Last Year's Close:	26.85
52-Week H/L:	35.20 / 26.75

Q3 Hedge Recommendation
Buy 20% ≤ $32.95

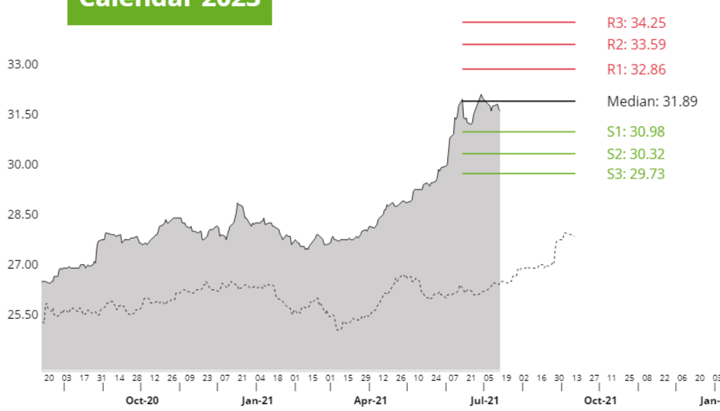
Calendar 2022 peaked Monday at a 52-week high of $35.20, thanks largely to a spate of unusually strong cooling demand in the spot market.

Volatility has been cut by one-third over the last month to 9.91% ($0.22).

The strip settled yesterday at $35.00. In the week ahead, there is a 63% probability that trading will hold above this point.

We do not recommend hedging at current levels.

Calendar 2023



R3	34.25
R2	33.59
R1	32.86
Median	31.89
S1	30.98
S2	30.32
S3	29.73

R=Resistance	
S=Support	
Latest Close:	31.60
Last Week's Close:	31.60
Last Year's Close:	26.50
52-Week H/L:	32.10 / 26.45

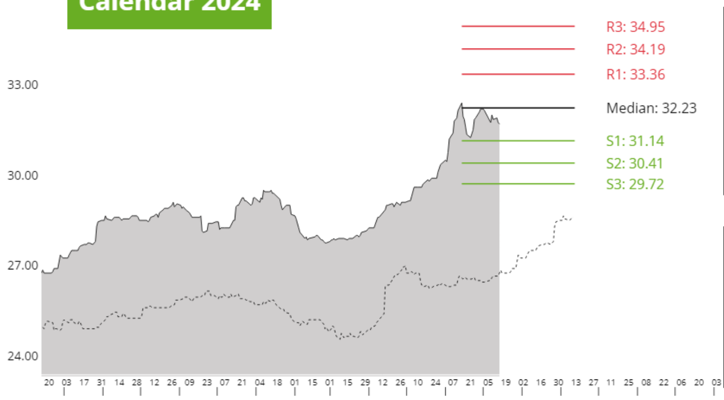
Q3 Hedge Recommendation
Buy 20% ≤ $30.98

At the end of last month, Cal 2023 peaked at a 52-week high of $32.10. The market is currently holding just below our model's median.

Over the past four weeks, volatility has been slashed in half to 6.77% ($0.13). There is a strong probability that trading will hold below our $31.89 median this week, along with a slight chance of breaking our initial support band of $30.98.

Should the market reach these levels, we strongly encourage layering in hedge positions.

Calendar 2024



R3	34.95
R2	34.19
R1	33.36
Median	32.23
S1	31.14
S2	30.41
S3	29.72

R=Resistance	
S=Support	
Latest Close:	31.70
Last Week's Close:	31.75
Last Year's Close:	26.75
52-Week H/L:	32.40 / 26.75

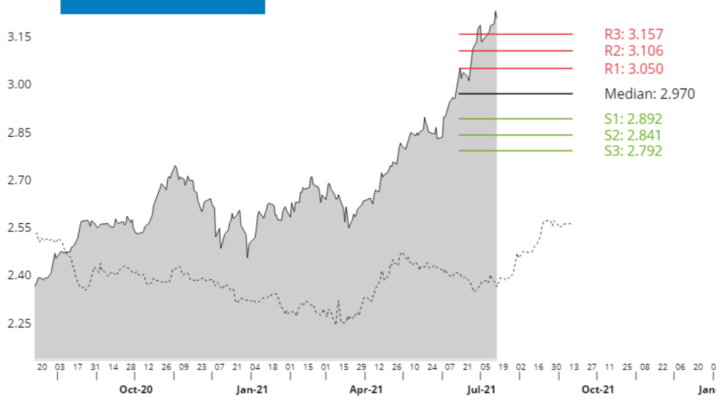
Q3 Hedge Recommendation
Buy 20% ≤ $31.14

Four weeks ago, Calendar 2024 peaked at a 52-week high of $32.40. After testing our model's median at $32.23 two weeks ago, the market has been drifting lower.

In the week ahead, there is a strong probability that prices will hold below the $32.23 median and a 7% chance of breaking our initial $31.14 support band.

Should the market reach these levels, we strongly encourage layering in hedge positions.

Calendar 2022



R3	3.157
R2	3.106
R1	3.050
Median	2.970
S1	2.892
S2	2.841
S3	2.792

R=Resistance	
S=Support	
Latest Close:	3.208
Last Week's Close:	3.162
Last Year's Close:	2.364
52-Week H/L:	3.230 / 2.382

Q3 Hedge Recommendation
Buy 20% ≤ $2.892

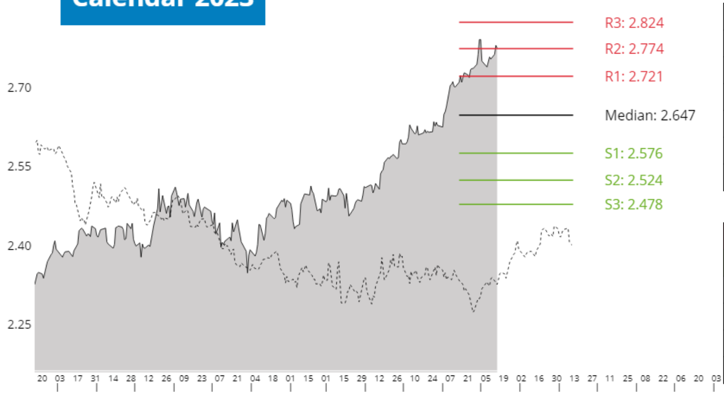
Calendar 2022 surged this week through our third (and final) resistance target of $3.157, on its way to a 52-week high of $3.230.

Over the last month, volatility has been cut by one-fifth to 12.74% ($0.026).

The market last traded at $3.208. In the week ahead, there is a strong probability that trading will hold above our third level of resistance of $3.157, along with a 6% chance of making a run above $3.300.

We do not recommend hedging at current levels.

Calendar 2023



R3	2.824
R2	2.774
R1	2.721
Median	2.647
S1	2.576
S2	2.524
S3	2.478

R=Resistance	
S=Support	
Latest Close:	2.775
Last Week's Close:	2.748
Last Year's Close:	2.326
52-Week H/L:	2.791 / 2.338

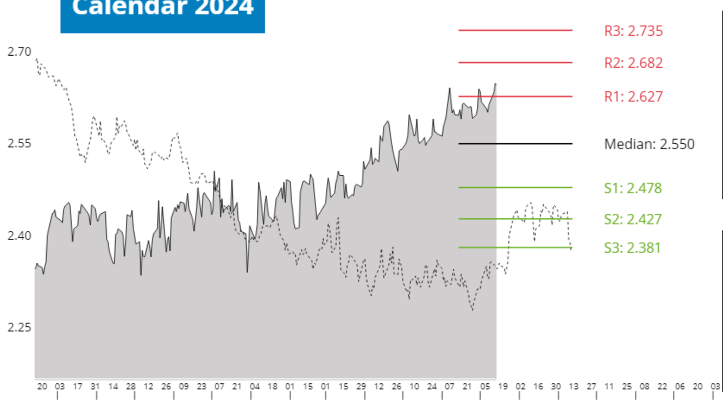
Q3 Hedge Recommendation
Buy 20% ≤ $2.576

At the start of July, Calendar 2023 hit a 52-week high of $2.791. At the same time, volatility has risen by around two percentage points to 9.08% ($0.016).

The market last traded one tick above our second resistance target of $2.774. In the week ahead, there is a 51% probability that trading holds above this band.

We do not recommend hedging at current levels.

Calendar 2024



R3	2.735
R2	2.682
R1	2.627
Median	2.550
S1	2.478
S2	2.427
S3	2.381

R=Resistance	
S=Support	
Latest Close:	2.646
Last Week's Close:	2.601
Last Year's Close:	2.346
52-Week H/L:	2.648 / 2.335

Q3 Hedge Recommendation
Buy 20% ≤ $2.478

Earlier this week, Calendar 2024 peaked at a 52-week high of $2.648 and volatility dropped to a four-week low of 7.96% ($0.013).

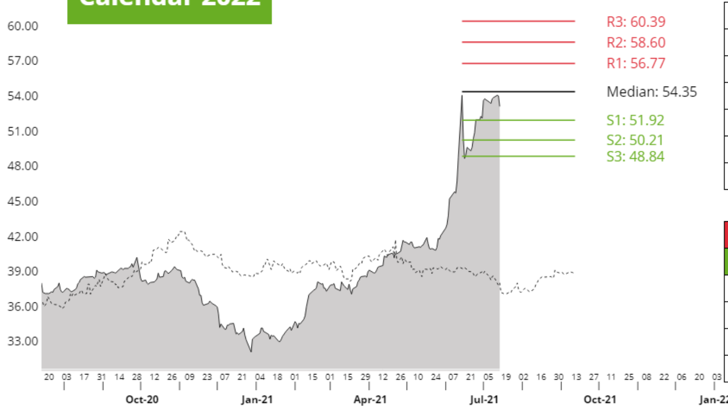
The strip settled yesterday at $2.646, above our model's first level of resistance. In the week ahead, there is a 68% probability that the market trades in between $2.633 and $2.659.

We do not recommend hedging at current levels.

ERCOT HOUSTON

THE SCHORK GROUP, INC.

Calendar 2022



R3	60.39
R2	58.60
R1	56.77
Median	54.35
S1	51.92
S2	50.21
S3	48.84

R=Resistance	
S=Support	
Latest Close:	53.10
Last Week's Close:	53.35
Last Year's Close:	38.00
52-Week H/L:	54.05 / 32.10

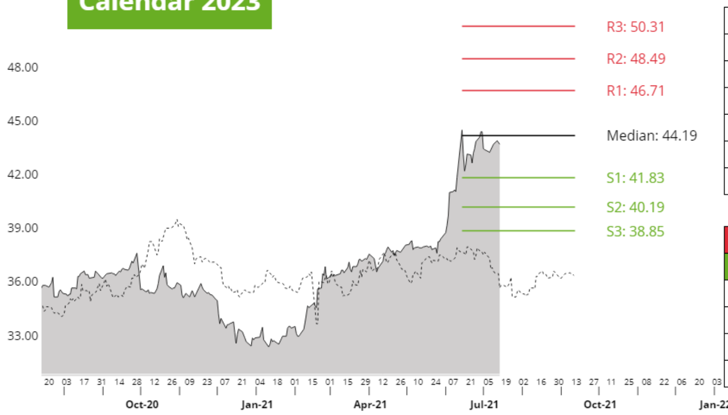
Q3 Hedge Recommendation
Buy 20% ≤ $51.92

At the start of this week, Calendar 2022 peaked at a 52-week high of $54.05. The market is holding below our model's $54.35 median.

After a hot June, the first half of July has been seasonally cool. As a result, volatility has plunged from 57.91% ($1.78) to 17.13% ($0.57)!

There is an 18% probability that this week's trading breaks our initial $51.92 support band. **Should prices reach these levels, a layer of hedges ought to be considered but with the caveat that the strip remains near its 52-week high. Contact us for specific guidance.**

Calendar 2023



R3	50.31
R2	48.49
R1	46.71
Median	44.19
S1	41.83
S2	40.19
S3	38.85

R=Resistance	
S=Support	
Latest Close:	43.70
Last Week's Close:	43.40
Last Year's Close:	35.65
52-Week H/L:	44.50 / 32.35

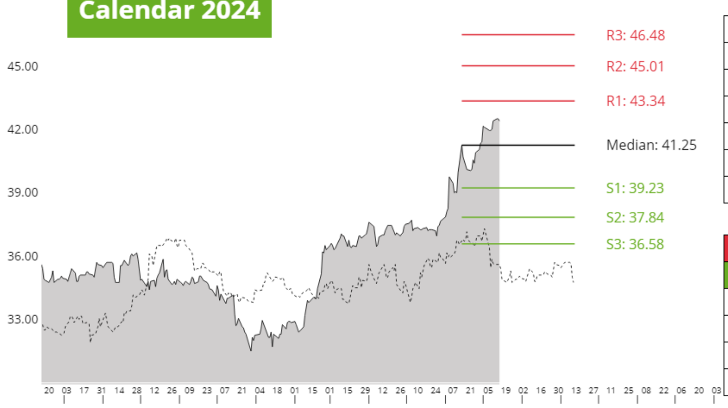
Q3 Hedge Recommendation
Buy 20% ≤ $41.83

Calendar 2023 peaked four weeks ago at a 52-week high of $44.50. Since then, the market has meandered aimlessly below our model's median. As a result of the lack of direction, volatility has been cut by half to 13.12%, ($0.36).

In the week ahead, there is a strong probability that the market will trade below the $44.19 median but only a miniscule chance that trading will breach our initial support target of 41.83.

Given that prices are holding near the strip's 52-week high, we do not recommend hedging.

Calendar 2024



R3	46.48
R2	45.01
R1	43.34
Median	41.25
S1	39.23
S2	37.84
S3	36.58

R=Resistance	
S=Support	
Latest Close:	42.40
Last Week's Close:	41.95
Last Year's Close:	35.60
52-Week H/L:	42.50 / 31.50

Q3 Hedge Recommendation
Buy 20% ≤ $39.23

Earlier this week, the market peaked at a 52-week high of $42.50 and rallied through our model's median target of $41.25. Volatility has been slashed by more than half over the last month to 10.07% ($0.27).

There is a strong probability that prices will hold above the $41.25 median this week and a 6% chance of testing support at our initial resistance of $43.34.

We do not recommend hedging at current levels.

ABOUT THE SCHORK GROUP

THE SCHORK GROUP, INC.

Profile

In 2005, Stephen Schork launched The Schork Group – an energy advisory firm that provides independent fundamental and quantitative analysis of the energy markets, with special emphasis on the impact of inconstant cost drivers on price volatility. Clients of The Schork Group represent the largest and most influential producers, marketers, financial institutions, traders, and end-users in the world.

The Schork Group is widely recognized as the energy industry's foremost provider of price range forecasting. Professionals in the global energy arena rely on The Schork Group's services to improve their economic performance while managing risk.

Through a multi-disciplinary approach to trading and idea generation, The Schork Group has developed a proprietary probabilistic modeling and volatility calculation methodology to signal statistically significant points at which buying/hedging is recommended.

The company's daily research note, **The Schork Report**, is the industry's leading briefing tool which highlights key metrics of import to the energy markets.

Presenter

https://view.schorkgroup.com/bBr9Q4

Stephen Schork is a highly acclaimed speaker and is widely recognized for his ability to integrate a vast array of information into a dynamic and succinct market view. His presentations include a synopsis of the key issues affecting energy industry professionals, together with a contextual basis in which to view market action. Stephen's dynamic and thought-provoking presentations have established him as one of the industry's most sought-after energy experts.

Adviser

As a research analyst and trader, Stephen is distinguished by his skill in identifying pricing inefficiencies in and among commodity markets. Formerly a proprietary floor trader (Local) in the New York Mercantile Exchange's energy complex, Stephen Schork has more than 30 years' experience in physical commodity and derivatives trading, risk systems modeling, and structured commodity finance.

Stephen Schork is a Commodity Trading Adviser registered with the National Futures Association.

Media

ADVISER ACCESS

Readers have direct access to The Schork Group's consultative services, included as part of the Power & Natural Gas Price Range Forecast Advisory program.

These engagements may be used to enhance your knowledge of the energy markets and/or to review your current exposure and design hedging programs to mitigate risk.

Our goal is to forge productive and lasting business relationships. Many of our readers use a combination of our research notes and advisory services to fit their market intelligence needs.