

Natural Gas Markets – December 2009

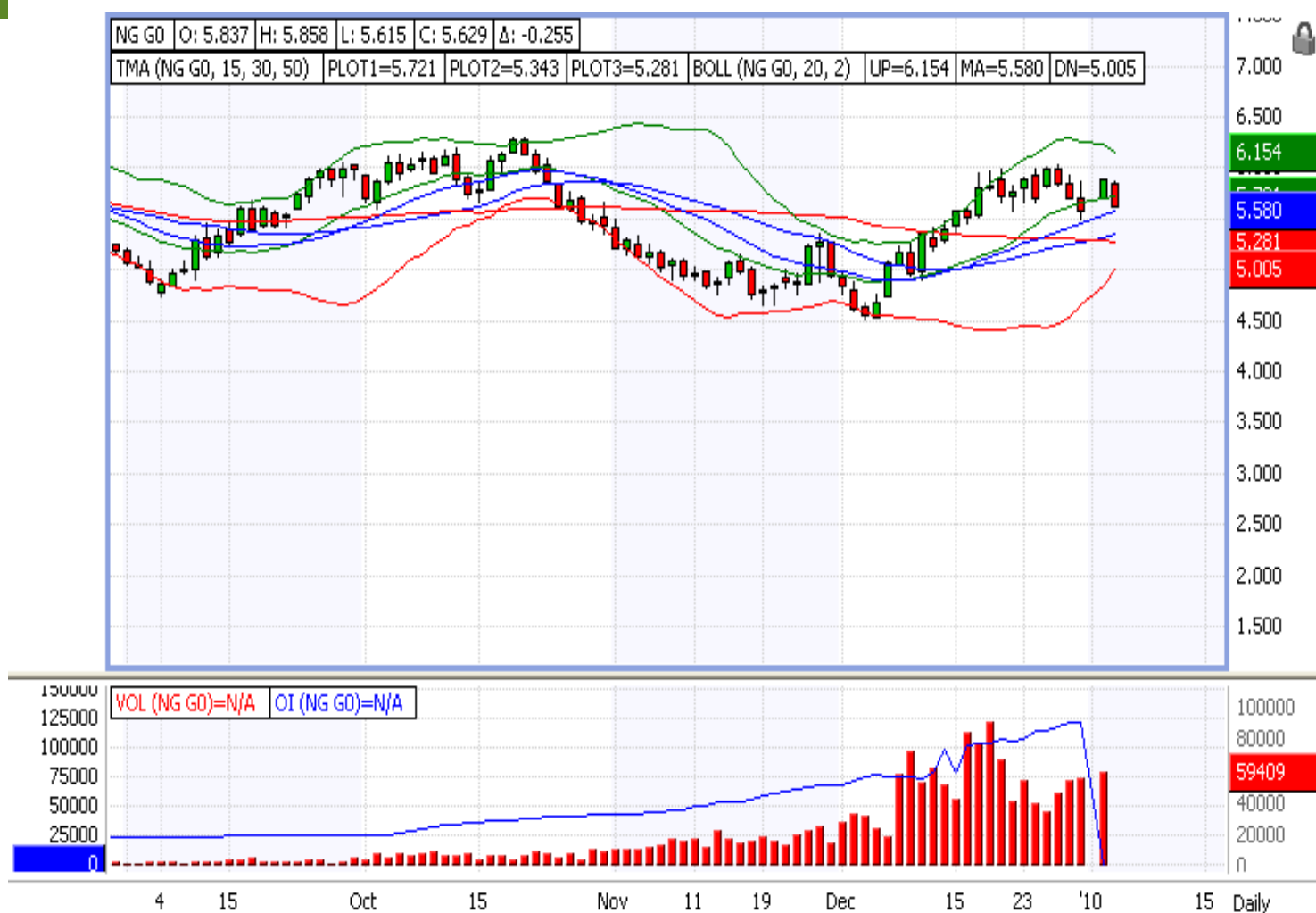
Monthly Market Update

Market Activity

Weather and storage were the main drivers of price volatility in January spot month trading. Early in the month we saw prices tumble as much as 23.2 cents to settle at \$4.53/mmbtu. Warm weather on the east coast amplified by a substantial build in the petroleum stock sent crude futures tumbling almost \$2.00/barrel. These factors triggered the fall of the January gas contract to sink through its support at \$4.66 and then through second-level support at \$4.56. Physical gas acted inversely in the opening few days of the January contract as warmer weather curtailed power generation and several pipelines had technical difficulties limiting price increases.

As the trading month progressed, weather and storage again played a major factor -- this time sending prices upward. Midway through the trading month, frigid weather and a bullish storage report, forced NYMEX futures to rise 30.6 cents, up 5% on the day. The settlement of \$5.768/mmbtu was the highest spot-month settlement in almost a year. Many traders felt that the weather played an equally substantial part in the climb. Despite tempered demand for the holiday season, the glacial weather predicted for the near future prompted traders to be bullish on the spot contract.

Spot Henry Hub Continuation



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