

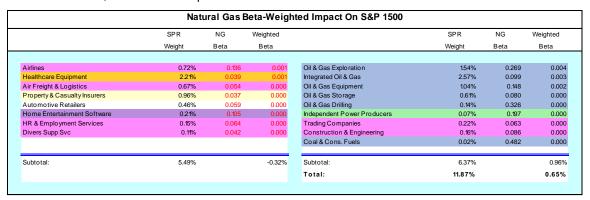
Partial Contribution Of Natural Gas To U.S. Equities Increasingly Positive

Eighteen-month natural gas strip prices have declined 18.86% since their year-to-date high in mid-January. The decline in October alone has been 7.42% as prospects for a warm El Niño winter in North America have intersected with continued high levels of production.

Eight industry groups in the S&P 1500 accounting for 5.49% of market capitalization have a statistically significant negative relative performance beta to natural gas. The net weighted beta is -0.32%.

Nine groups accounting for 6.37% of the S&P 1500 have a statistically significant positive relative performance beta; the net weighted beta here is 0.96%. Unsurprisingly, the impact is concentrated in the Energy sector (mauve background).

The net contribution is 0.65%, up from 0.36% at the start of October. Each 1% decrease in natural gas strip prices, about 2.63¢ per million BTU at present, will lead to a 0.0065% decrease in the S&P 1500, all else held equal.



Alpha Impact

Positive relative performance betas (green markers) are concentrated amongst negative-alpha groups while negative relative performance betas are concentrated amongst positive-alpha groups. Lower natural gas strip prices thus can be expected to increase the dispersion of returns.

