



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.

Natural Gas Beta-Weighted Impact On S&P 1500							
	SPR	NG	Weighted		SPR	NG	Weighted
	Weight	Beta	Beta		Weight	Beta	Beta
Airlines	0.72%	0.136	0.001	Oil & Gas Exploration	154%	0.269	0.004
Healthcare Equipment	2.2%	0.039	0.001	Integrated Oil & Gas	2.57%	0.099	0.003
Air Freight & Logistics	0.67%	0.054	0.000	Oil & Gas Equipment	104%	0.148	0.002
Property & Casualty Insurers	0.96%	0.037	0.000	Oil & Gas Storage	0.6%	0.080	0.000
Automotive Retailers	0.46%	0.059	0.000	Oil & Gas Drilling	0.14%	0.326	0.000
Home Entertainment Software	0.2%	0.105	0.000	Independent Power Producers	0.07%	0.197	0.000
HR & Employment Services	0.15%	0.064	0.000	Trading Companies	0.22%	0.063	0.000
Divers Supp Svc	0.1%	0.042	0.000	Construction & Engineering	0.16%	0.086	0.000
				Coal & Cons. Fuels	0.02%	0.482	0.000
Subtotal:	5.49%		-0.32%	Subtotal:	6.37%		0.96%
				Total:	11.87%		0.65%

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.

**Industry Groups With Statistically Significant Alpha: Beta To Natural Gas
S&P 1500 Stocks Over Past Thirty Trading Days**

