

NYMEX Henry Hub Natural Gas

CFTC Open Interest Report as of April 26, 2005

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(29-Apr-2005) The report released by the Commodity Futures Trading Commission (CFTC) on April 29 for open interest as of April 26 indicated that the non-commercial traders had continued to reduce their long positions in NYMEX Henry Hub natural gas futures and swaps. The short positions of the non-commercial traders were reduced but a significant reduction in short futures was partially offset by a smaller increase in short swaps. Net spreading positions increased slightly.

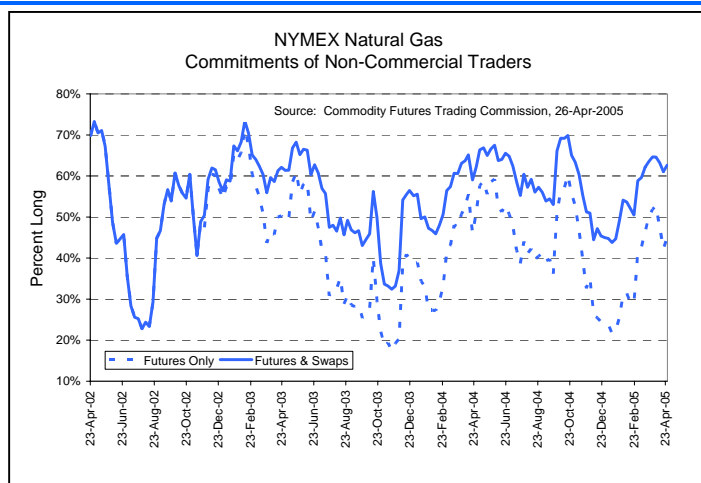
The decline in long open interest corresponded to a drop in the price of the one-year NYMEX natural gas strip.

The level of the delta-equivalent of the options positions held by the non-commercial traders remained negligible.

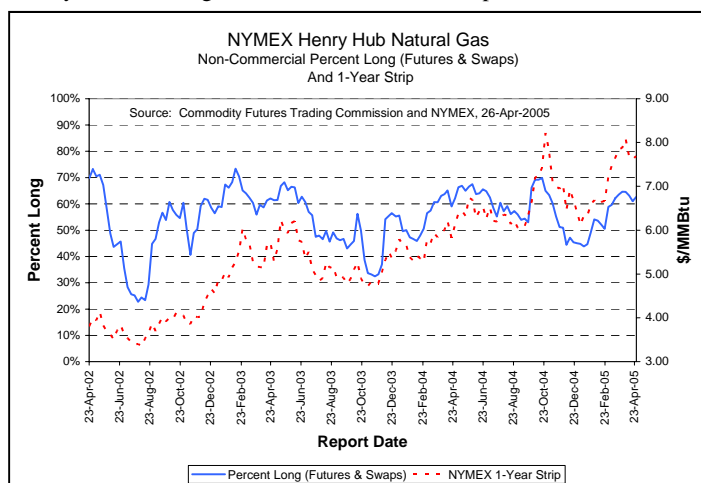
The non-commercial traders held positions in futures contracts that were 55 percent short (45 percent long) and positions in swaps contracts that were 79 percent long (21 percent short). The net position was 63 percent long (37 percent short).

Open interest continued to rise and has established a new record equivalent to 732 thousand futures contracts. The portion of total long open interest held by non-commercial traders dropped to 41 percent as opposed to 43 percent a week earlier. The portion of short open interest held by non-commercial traders has generally moved with long open interest.

The CFTC released the first draft of a working paper, "Price Dynamics, Price Discovery and Large Futures



Total percentage-long of non-commercial open interest in NYMEX Henry Hub natural gas futures contracts and swaps increased.



The increase in non-commercial open interest corresponded to a rise in gas prices as indicated by the value of the 12-month strip.

Positions of Non-Commercial Traders as of April 26

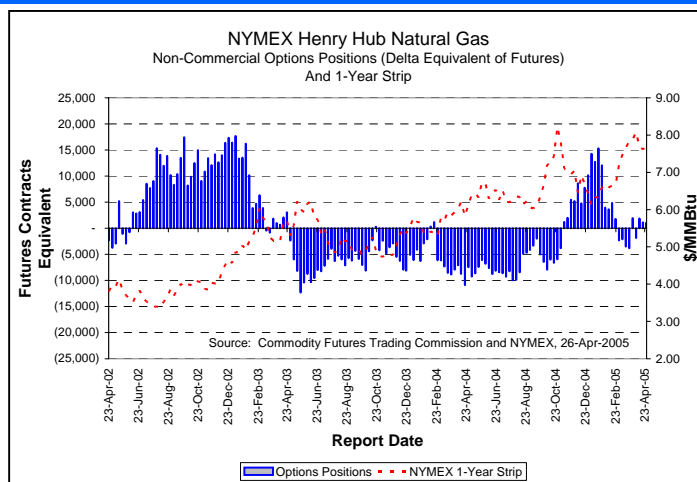
	Position	Contracts	Change	Percent Long/(Short)	Percent of O.I.
Futures (10,000 MMBtu)	Long	36,711	-1,150	44.89/(55.11)	7.78
	Short	45,073	-6,554		10.61
	Spreading	161,731	+1,512		32.94
Swaps 2,500 (MMBtu)	Long	274,100	-4,536	79.39/(20.61)	27.37
	Short	71,178	+3,207		7.11
	Spreading	144,637	-5,060		14.44
Total (Equivalent 10,000 MMBtu)	Long	105,236	-2,194	62.60/(37.40)	14.38
	Short	62,868	-5,752		8.59
	Spreading	197,890	+247		27.05

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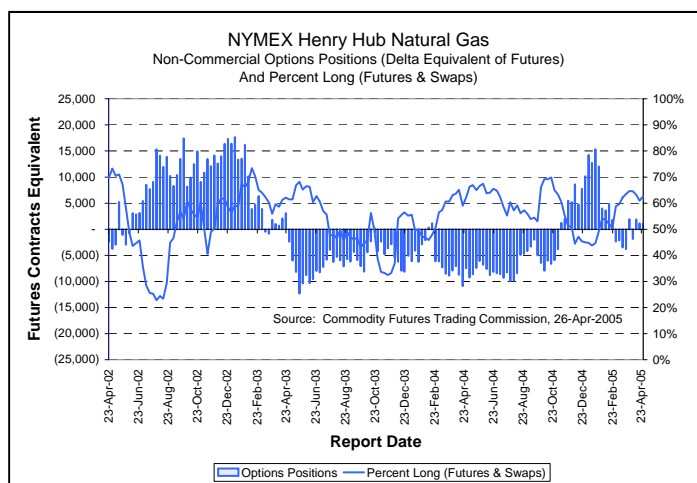
Trader Interactions in the Energy Complex” (www.cftc.gov/opa/press05/opa5074-05.htm) on April 28. The paper examines “the relationship between futures prices and the positions of managed money traders (MMTs), commonly known as hedge funds, for the natural gas and crude oil futures markets.” The authors also examine the relationship between the positions of MMTs and positions of other categories of traders (e.g., floor traders, merchants, manufacturers, commercial banks, dealers) for the same markets.

The report is based on analysis of data much more detailed than the weekly aggregate data posted on the CFTC’s website.

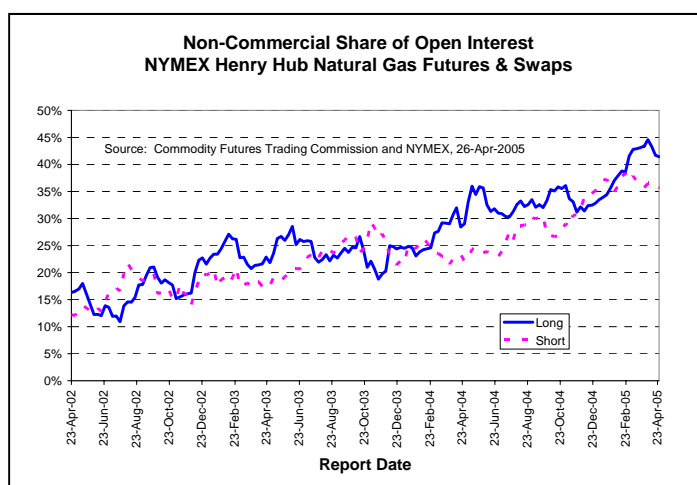
The results suggest that on average, MMT participants do not change their positions as frequently as other participants, primarily those who are hedgers. “There is a significant correlation (negative) between MMT positions and other participant’s positions (including the largest hedgers), and results suggest that it is the MMT traders who are providing liquidity to the large hedgers and not the other way around. We find that most of the MMT position changes in the very short run are triggered by hedging participants changing their positions. That is, the price changes that prompt large hedgers to alter their positions in the very short run eventually ripple through to MMT participants who will change their positions in response. We also find no evidence of a link between price changes and MMT positions (conditional on other participants trading) in the natural gas market, and find a significantly negative relationship between MMT position changes and price changes (conditional on other participants trading) in the crude oil market.”



The delta-equivalent of options positions has declined to nil, as gas prices appear generally stabilized.



The delta-equivalent of options positions of non-commercial traders is negligible while futures and swaps positions remain long.



The percent of long open interest held by non-commercial traders declined; the percentage of short open interest also dropped.