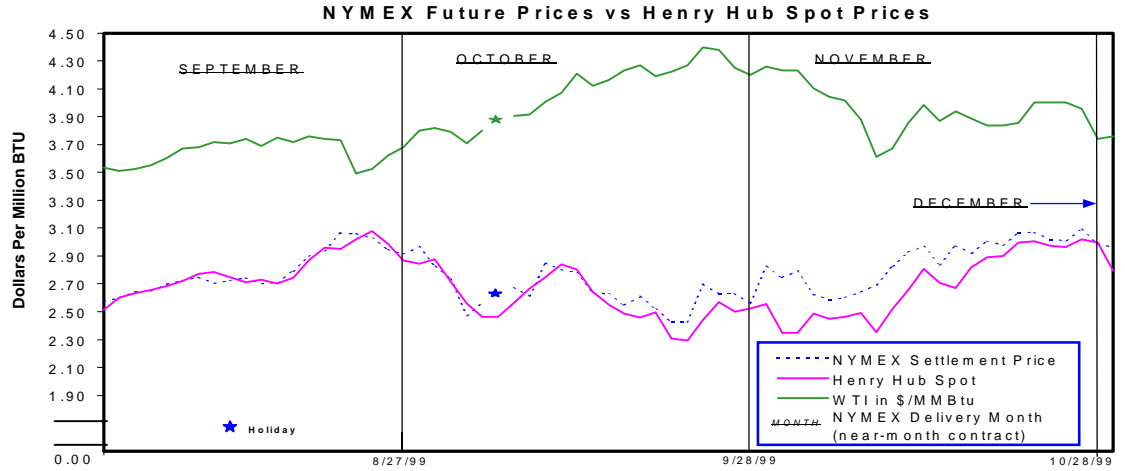


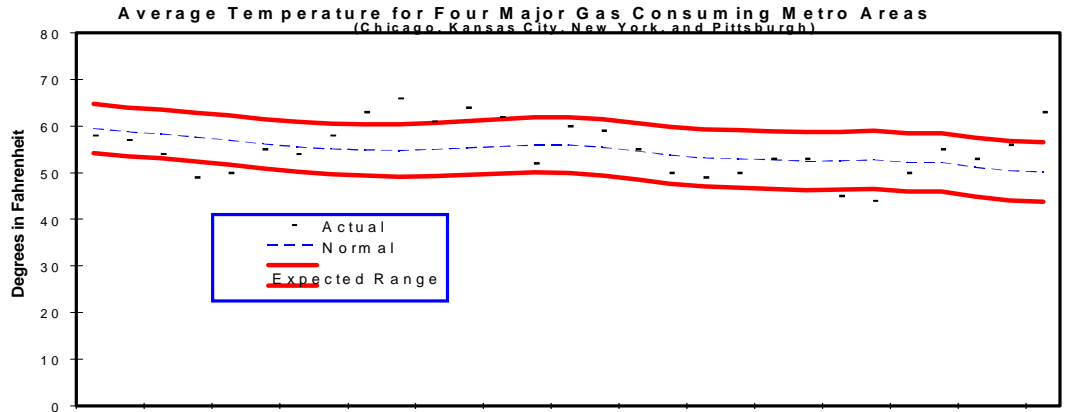
HENRY HUB PRICE (\$ per MMBtu)		
	SPOT	FUTURES
October	Nov/Dec	
Del	Del	
10/25	2.95-3.00	3.016
10/26	2.94-2.99	3.011
10/27	2.99-3.05	3.092
10/28	2.95-3.04	2.985
10/29	2.71-2.88	2.961



Note: The Henry Hub spot price is from the GAS DAILY and is the midpoint of their high and low price for a day. The dates marked by vertical lines are the NYMEX near-month contract settlement dates.

**Average Temperature for Four Major Gas Consuming Areas**

	Actual	Normal	Diff
10/23	45	53	-8
10/24	44	53	-9
10/25	50	52	-2
10/26	55	52	3
10/27	53	51	2
10/28	56	50	6
10/29	63	50	13

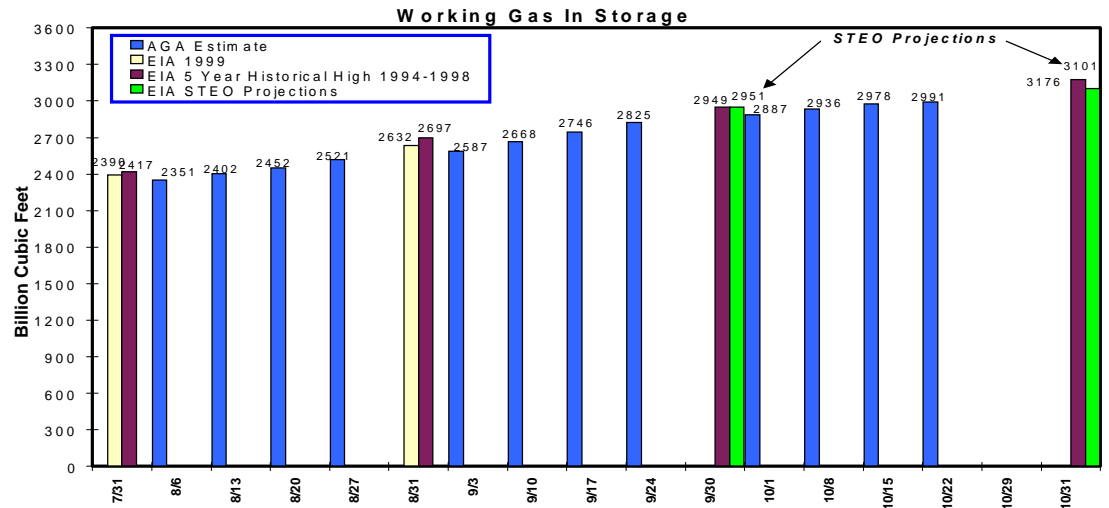


The bounds are computed by adding and subtracting from the average temperatures for the last 10 years an amount equal to twice an estimate of the standard deviation for temperatures on a day.

**Working Gas Volume  
as of 10/22/99**

	BCF	% Full
EAST	1701	94
WEST	430	88
Prod Area	860	91
U. S.	2991	92

Source: AGA



Note: With this issue of the Weekly Market Update, we replace the refill-season temperature graph with the heating-season temperature

The NYMEX futures contract for December delivery at the Henry Hub opened Monday, November 1, at \$2.890 per MMBtu, \$0.071 less than Friday's settlement price. A moderating weather trend began last Monday and continued through the week in many areas of the country. For the four cities monitored for this report (Chicago, Kansas City, New York, and Pittsburgh), the composite average temperature trended up, from 9 degrees below normal on Sunday, October 24, to levels between 2 and 13 degrees above normal on Tuesday, October 26 through Friday, October 29. The November futures contract showed a late surge on Wednesday, its last trading day, when it gained over 8 cents to close at \$3.092 per MMBtu. But on Thursday, December's first trading day as the near-month contract, the contract lost over 25 cents from Wednesday's level to settle at \$2.965 per MMBtu. It ended the week down a bit further, at \$2.961 per MMBtu. Spot prices, which had dipped early in the week then rebounded on Wednesday, fell hard on Friday following Thursday's large price drop on the futures market. The price of West Texas Intermediate crude oil lost about 6 percent from the previous Friday's price of \$23.20 per barrel to end the week at \$21.80, or \$3.759 per MMBtu.

**Storage:** As the refill season draws to a close, storage injections slowed. According to the American Gas Association's (AGA) estimates, about 13 Bcf was added to storage during the week ended Friday, October 22, with only the Consuming East region recording net injections. With one more week remaining in the refill season, stock levels are relatively high with respect to the past 5 years. Based on EIA's estimate for end-of-September stocks of 2,956 Bcf and AGA's estimate of net injections of 104 Bcf thus far in October, working inventories are 3,060 Bcf as of October 22. That estimate already exceeds the 2,989 Bcf average for EIA's end-of-October inventories in 1994-1998.

**Spot Prices:** On Monday and Tuesday, prices in many, if not most, markets sagged from Friday's levels, as temperatures in the Midcontinent, Midwest, and Northeast began to moderate from the cooler temperatures of the weekend. Notable exceptions were in southern CA on Monday and some Northeast markets on Tuesday. On Wednesday, the downward trend was reversed in most markets, with upward price pressure coming from maintenance-related circumstances, buying for paybacks or end-of-month balancing, and the influence of the November futures contract's final-trading-day surge of 8 cents. On Thursday, prices went into a tailspin that greatly accelerated on Friday after Thursday's \$0.25 loss in the near-month futures contract. Decreases on Friday ranged from 10 to nearly 40 cents in nearly all markets, with Midcontinent and Northeast points seeing the largest drops. At the Henry Hub, the midpoint price fell from \$2.995 per MMBtu on Thursday to \$2.795 on Friday, a loss of 21 cents from the previous Friday, October 22.

**Futures Prices:** In its final days of trading, the November contract slipped almost 6 cents on Monday, but held above \$3.00 per MMBtu both Monday and Tuesday and closed on Wednesday at \$3.092. Indeed, all winter-month contracts gained from 5 to 7.5 cents on Wednesday, establishing settlement prices above \$3.00 per MMBtu for the December through February contracts. In fact, December trading settled at \$3.223 on the eve of its becoming the near-month contract. On Thursday, in face of both short-term and winter outlook forecasts for primarily normal or above-normal temperatures and a solid inventory situation, the December contract fell more than 25 cents to settle at \$2.965 per MMBtu. Likewise, the January-through-March contracts fell from 14 to 24 cents, and no winter contract settled above \$3.00 per MMBtu. The downward trend continued on Friday, but losses were much smaller, ranging from just over 5 cents for February to less than half a cent for December, which ended the week at \$2.961 per MMBtu.

**Summary:** With the refill season winding down, working gas in storage already exceeds its EIA-measured 5-year average. Despite a mid-week rally, spot prices ended the week down significantly. Heavy coverage of short positions boosted the expiring November futures contract on its last trading day, after which all winter-month contracts, apparently reacting to the week's warming trend and the National Oceanic and Atmospheric Administration's recent winter outlook, also dropped significantly.