

A Hard Rain's A Gonna Fall

...a buyer's theme song (Bob Dylan)

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By

Thomas J. Saal

Senior Vice President - Energy Trading

Hencorp Futures LC

777 Brickell Avenue, Suite 1010

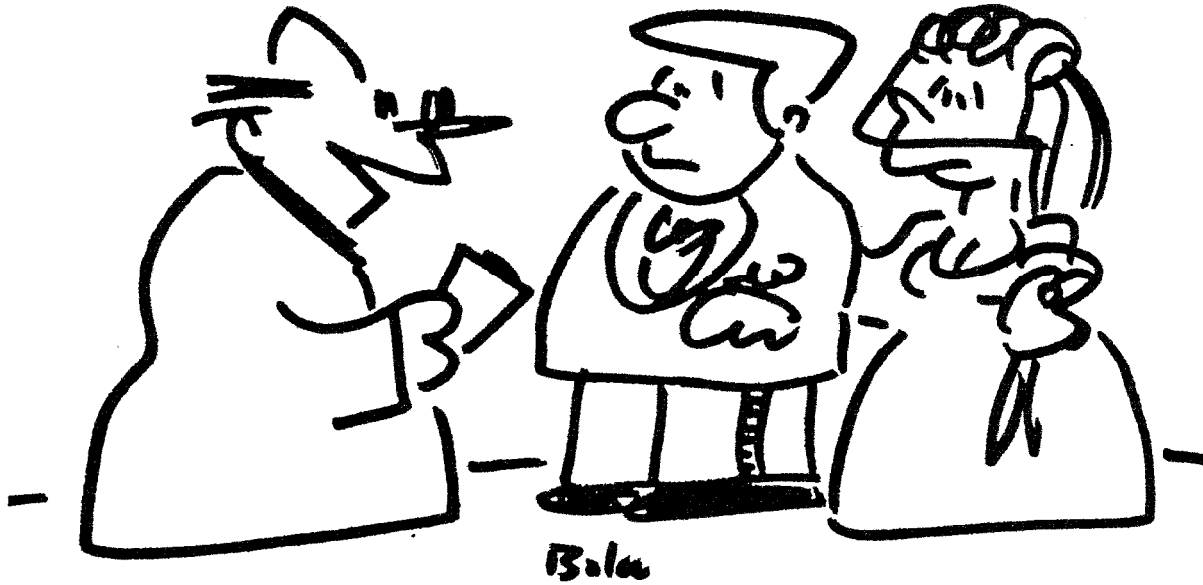
Miami, Florida 33161

877-863-6749

tsaal@hencorp.com

Three Essential Concepts to Success

1. Our job is to ...*process information*... to make the best possible decisions, and to **communicate** it to your costumers.
2. The ...*price*... of natural gas futures is determined in a...
...double electronic **auction** (Globex), and
...double oral **auction** (pit).
3. A ...*graph*... is a **communication** vehicle.



“ . . . And past performance is no guarantee of future results.”

BACK TESTING AND/OR HYPOTHETICAL PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS. ONE OF THE LIMITATIONS OF HYPOTHETICAL PERFORMANCE RESULTS IS THAT THEY ARE GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT. IN ADDITION, HYPOTHETICAL TRADING DOES NOT INVOLVE FINANCIAL RISK, AND NO HYPOTHETICAL TRADING RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.

...from one information processor to another...

Simplify, simplify, simply...

Henry David Thoreau

Annual Energy Outlook Retrospective Review: Evaluation of Projections in Past Editions (1982-2008) Source: E.I.A.

Table 2. Comparison of Absolute Percent Difference Between AEO Reference Case Projections and Realized Outcomes

Average Absolute Percent or Percentage Point Difference						
Variable	AEO1982 to AEO2003	AEO1982 to AEO2004	AEO1982 to AEO2005	AEO1982 to AEO2006	AEO1982 to AEO2007	AEO1982 to AEO2008
Gross Domestic Product						
Real Gross Domestic Product (Growth Rate)*	1.2	1.2	1.2	1.1	1.1	1.0
Petroleum						
World Oil Prices	59.3	56.4	54.1	52.6	51.7	50.9
Total Petroleum Consumption	3.0	2.9	2.9	2.9	2.9	2.9
Crude Oil Production	4.6	4.6	4.7	4.9	5.1	5.4
Petroleum Net Imports	7.1	6.8	6.6	6.5	6.2	6.0
Natural Gas						
Natural Gas Wellhead Prices	→ 70.4	→ 67.5	→ 64.9	→ 63.1	→ 61.1	→ 59.1
Total Natural Gas Consumption	6.4	6.4	6.4	6.6	7.0	7.0
Natural Gas Production	4.5	4.6	5.0	5.7	6.1	6.2
Natural Gas Net Imports	15.4	15.2	14.9	14.7	14.6	14.3
Coal						
Coal Prices to Electric Generating Plants**	48.4	47.7	47.0	46.4	45.4	44.5
Total Coal Consumption	3.7	3.9	3.9	4.0	4.1	4.1
Coal Production	3.6	3.8	3.9	4.0	4.0	4.1
Electricity						
Average Electricity Prices	19.7	19.6	19.5	19.7	19.7	19.6
Total Electricity Sales	2.3	2.4	2.4	2.5	2.5	2.6

...from one information processor to another...

What gets us into trouble
Is not what we don't know...

It's what we know for sure
That just ain't so.

Mark Twain

Spot contract - Monthly data - Bar chart



...from one information processor to another...

You can't
think and hit
at the same time.

Yogi Berra

Spot contract - Monthly data - Bar chart
Slow Stochastics

BUYER'S signal - Oversold

4.600

Trend

16000
14000
12000
10000
8000
6000
4000
2000

4600
4163

SStoch

Overbought

A B C D E F G

Oversold

75
50
25
10
0

SSK= 6.52
SSD= 10.88

1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012

...from one information processor to another...

Forget what you **believe**....

...and...

Believe what you see!!!

John Gambino



12 month strip price - Monthly data - Line chart

BUYER'S signal - Oversold

4.600

Trend

12000
10000
8000
6000
4000
2000

100
75
50
25
3.1

SSStoch

Overbought

Oversold

A

B

C

D

E

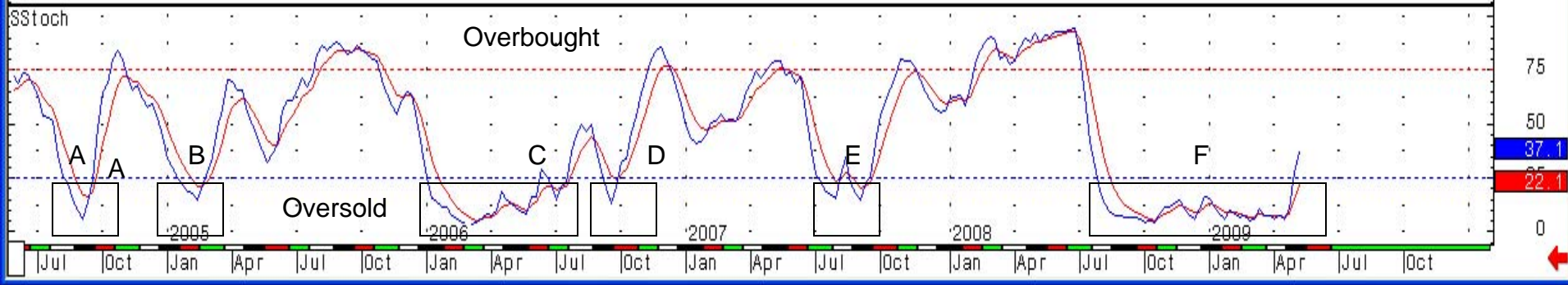
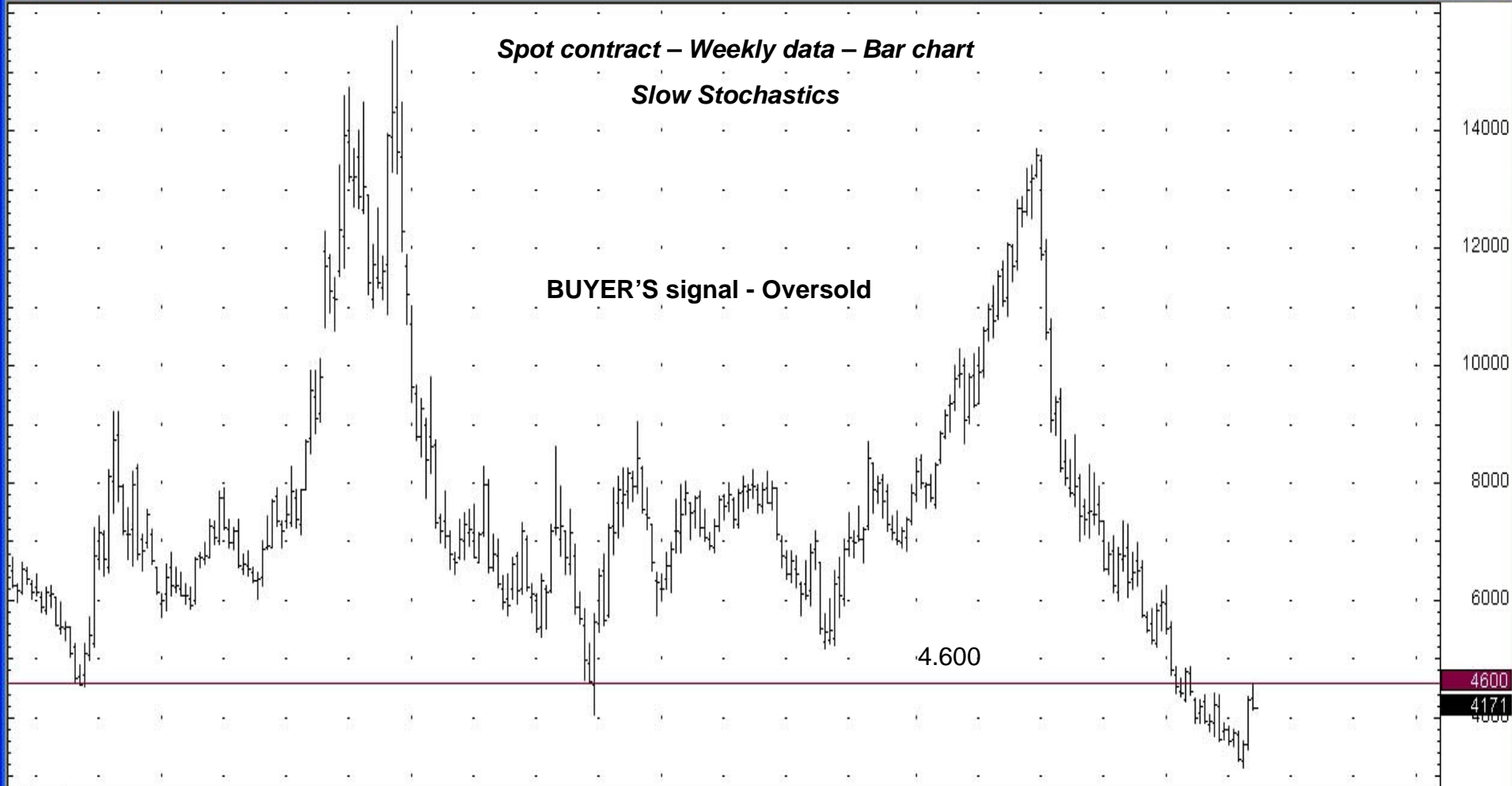
1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012

...from one information processor to another...

The market can stay *irrational*
...longer...
Than you can remain **solvent.**

John Maynard Keynes

Spot contract – Weekly data – Bar chart
Slow Stochastics



...from one information processor to another...

In the long-run...

We are all dead.

John Maynard Keynes

Supplemental Information

The Black Swan, Nassim Nicholas Taleb, 2007

Bollinger on Bollinger Bands, John Bollinger, 2001

Fooled by Randomness, Nassim Nicholas Taleb, 2004

The Futures Game, Teweles and Jones, 2000

Rocket Science for Traders, John F. Ehlers, 2001

Steidlmayer on Markets Trading with Market Profile, Steidlmayer and Hawkins, 2003

Technical Analysis of the Financial Markets, John Murphy, 1999

Trading Systems and Methods, Perry J. Kaufman, 1998

The Visual Investor, John J. Murphy, 1996

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