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## Mixed investor sentiment towards natural gas companies

**Natural gas is much in the news after Obama's energy speech this week during which he showed support for this cheap and clean fuel, yet recent investor behavior is not one-way traffic in this regard. The medium term trend shows funds to be very positive towards natural gas businesses and negative towards U.S. coal companies but there could be some short term interruptions to this previously successful theme if recent activity (inspired by the warm winter) is anything to go by.**

*Stocks covered include: BG Group (LON:BG), Cheniere Energy (NYSE:LNG), Cheniere Energy Partners (NYSE:CQP), Poseidon Concepts Corp (TSX:PSN), Patriot Coal (NYSE:PCX) and James River Coal (NASDAQ:JRCC).*

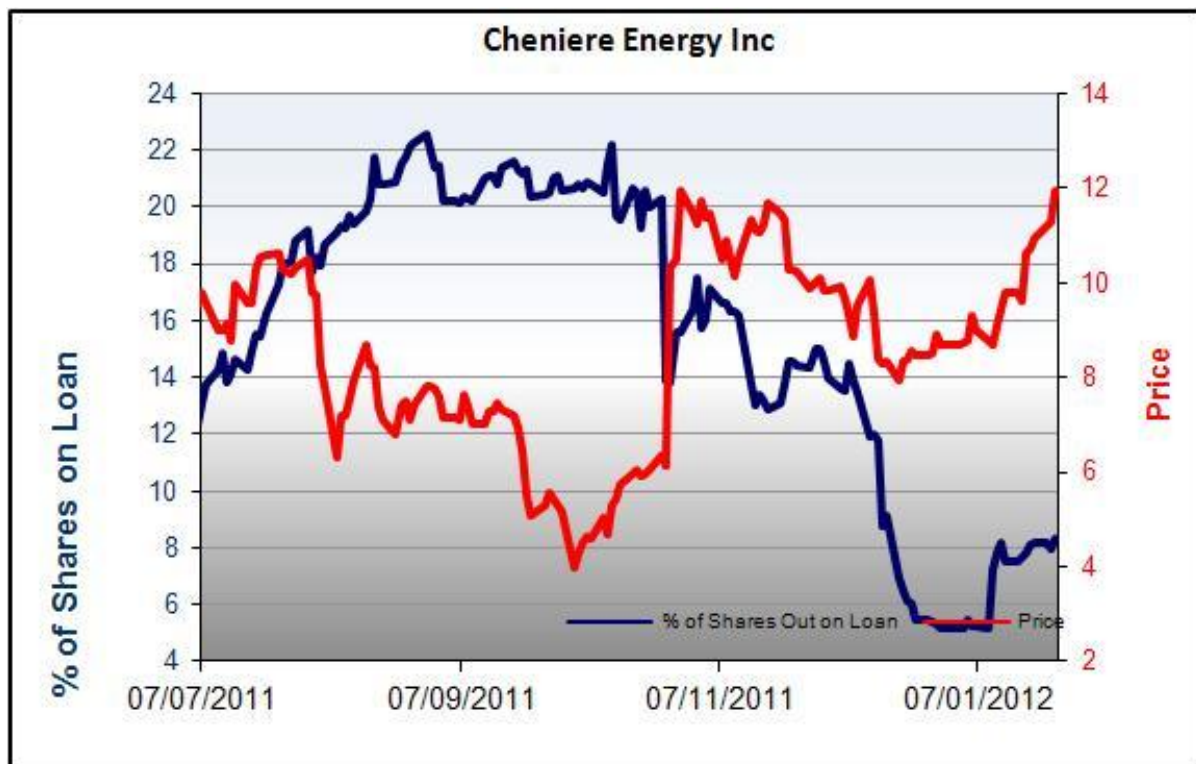
### Macro movements

Demand to borrow global oil and gas companies is only 2% of outstanding shares making it one of the least shorted sectors overall. Barely any of these firms have seen any increase this past month with the exception of two natural gas storage and supply firms, Canadian listed and recently floated Poseidon Concepts and NYSE's Cheniere Energy.

### Long Cheniere

The strongly rising share price in both listed Cheniere companies coincides with a rise in institutional ownership. Funds who lend have increased their holdings in Cheniere Energy Partners by 37% since the share price dip in mid October while Cheniere Energy Inc saw a whopping 66% increase over the same period to a record high. This represents a ringing endorsement of the prospects for this firm who are major players in the storage, import and export of North America's plentiful natural gas resources via their ownership of Louisiana's terminal.

We also know from public filings that many hedge fund super powers also like the story, having eagerly taken up new shares during the issuance in mid December.



### Short Cheniere

There might be a small base layer of short interest in Cheniere Inc due to their convertible bond but this can't explain why it was as high as 22% of shares last summer. It has been a rollercoaster ride for short sellers with the price going from USD 7 down to 4 and back up to 12 in the space of six weeks between late September and early November 2011.

Fast forward to today and equity short sellers have all but given up predicting tough times for this firm. Demand to borrow went from over 20% down to 5% in the last two months of last year. This pattern is mirrored in the convertible bond with a massive reduction to almost zero of the quantity being borrowed. But, there has been a recent rebound to 8% of the equity shares. Either some investors are worried about the incredibly low natural gas prices due to the mild winter or they are looking to profit from the shares having risen too far too fast; or both.

### Short Poseidon

Poseidon Concepts is another natural gas storage company. They floated in Canada in November and their shares have steadily risen since from CAD 11 to over 15. But, on the 1st of January short sellers stepped in and borrowed most of the available supply over the next three weeks with 22% of the company on loan. One wonders why?

### BG Group

UK listed BG Group is a much bigger, end to end, natural gas company. Although short interest is very low, the last half year has seen a small reduction in institutional ownership by about 50m shares. That said, funds who lend remain extremely long this stock in comparison to their holdings of other FTSE 100 firms with 27% of BG's shares in lending programs versus an average of 23%.

### Short coal producers

Two firms showing recently increasing short interest are Patriot Coal and James River Coal. The latter small cap miner in Kentucky and southern Indiana has a massive 35% of its shares on loan. Patriot Coal sees demand to borrow at an annual high of 16% of shares. With institutional investors still large owners of this name there remain plenty of shares available to borrow despite such a large demand. So far, this has been an extremely profitable firm to short with the shares sliding 70% since August.

