



## Natural Gas Gains for 3rd Day This Week on Demand Outlook

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By Reg Curren

April 2 (Bloomberg) -- Natural gas futures rose for the third time this week as a rally in commodity and stock markets eased concern that the recession would further trim demand for the industrial fuel.

Gas, crude oil and copper advanced after China reported an expansion in manufacturing for the first time in six months. Gains for gas were limited after a government supply report showed that gas use by factories and power plants is still weak.

"Natural gas fundamentals are going to be turning bullish, and when they turn it will catch people off guard," said **Chris Jarvis**, president of Caprock Risk Management LLC in Hampton Falls, New Hampshire. "It's going to be like a V bottom for natural gas. People are trying to find the data point of when it will kick in for gas."

Natural gas for May delivery rose 8.7 cents, or 2.4 percent, to settle at \$3.782 per million British thermal units at 2:53 p.m. on the New York Mercantile Exchange. Gas has declined 33 percent this year and is down 72 percent from a 2008 high of \$13.694 reached on July 2.

Crude oil for May delivery rose \$4.25, or 8.8 percent, to \$52.64 a barrel in New York.

"We're down enough and crude is rallying big time," said **Tom Orr**, research director at Weeden & Co. LP in Greenwich, Connecticut. "There are plenty of positive data points. From a trading standpoint we'll probably hang around these levels."

Rising stock markets and higher crude will keep natural gas from falling at a time when fundamentals suggest it should go lower, Orr said.

"I don't think we're going to \$3 and gas could bounce to \$4.30 or \$4.50," said Orr. "People aren't going to sell it down here."

### Supply Report

Gas supplies were unchanged in the week ended March 27 at 1.654 trillion cubic feet, the **Energy Department** said. The average change for the week over the past five years is a decline of 23 billion, according to department data. Inventories were 22 percent higher than the five-year average compared with a 20 percent surplus in last week's report.

A surge in crude may ignite buying of natural gas because it will get so much cheaper on a relative basis and coincide with reduced supplies as drilling declines in the U.S., Jarvis said.

"You're playing with fire on the short side," he said. "What happens if crude goes to \$55, the Standard & Poor's goes over 900 and the rig counts start to bite? We may get back to \$5" per million Btu.

The number of gas rigs working in the U.S. has fallen 50 percent from a peak of 1,606 last September to 810, a Baker Hughes Inc. report last week showed. The drop will begin to pare supplies and force prices higher, Jarvis said.

Reclassified Gas

The Energy Department said it reclassified 9 billion cubic feet of gas away from usable supplies. Without that, the report would have shown a gain of 9 billion, the biggest increase since November.

“Natural gas is not a willing passenger because of the storage report and recent trading,” **Michael Rose**, a director of trading at Angus Jackson Inc. in Fort Lauderdale, Florida, said before the report.

“There have been several false starts in gas, first to the downside and then to the upside, and this has made traders say, ‘Show me,’ before buying a move.”

Equity markets in the U.S., Asia and Europe rose, with gains of more than 5 percent on some indexes, amid speculation that stimulus efforts by the U.S. and China are starting to stabilize world economies.

The Standard and Poor’s index of 500 stocks rose 3.3 percent to 837.97, and the Dow Jones Industrial Average gained 3.2 percent to 8,007.95 at 3:09 p.m.

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