



## Natural Gas Futures Rise on Smaller-Than-Forecast Supply Gain

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By Reg Curren

June 25 (Bloomberg) -- Natural gas futures advanced in New York for the first time in six days after a government report showed U.S. stockpiles increased less than expected.

Inventories rose 94 billion cubic feet last week, below analyst estimates for 101 billion, the Energy Department report showed. A separate government report indicated the worst of the recession may be over. Gas producers have been cutting back on drilling with prices down 72 percent from a peak last July.

"Much of the economic bad news is in the rear-view mirror," said **Chris Jarvis**, president of Caprock Risk Management LLC in Hampton Falls, New Hampshire. "We're limping along with an industry that's really hurting and no incentive to drill with prices where they're at."

Natural gas for July delivery rose 8.3 cents, or 2.2 percent, to settle at \$3.844 per million British thermal units at 3:20 p.m. on the New York Mercantile Exchange. Prices have declined 32 percent this year. Gas touched \$3.155 on April 27, the lowest in more than six years.

Options on the July contract expired today and the futures expire tomorrow.

The number of gas rigs working in the U.S. last week totaled 692, down 57 percent from 1,606 in September, before demand peaked with winter weather, according to Baker Hughes Inc. data. Fewer rigs working this winter will help to undercut the gas surplus, Jarvis said.

Inventories of natural gas rose to 2.651 trillion cubic feet last week, the department said. Supplies were 22 percent above the five-year average, compared with 23 percent in last week's report. Stockpiles typically gained 84 billion cubic feet for the week over the past five years.

### Report on GDP

A Commerce Department report today showed that the U.S. gross domestic product shrank at a 5.5 percent annual pace in the first quarter, less than the 5.7 percent rate economists had estimated. The change was spurred by a smaller trade deficit, department figures showed.

"The number was lower and it does give a little bit of breathing room," said **Cameron Horwitz**, an analyst at SunTrust Robinson Humphrey Inc. in Houston.

Hot weather in Texas and other parts of the South in the past several days will begin to limit gas injections into storage for the current week, which will be reported July 2, Horwitz said.

"I'm not sure the market is braced for the amount of change you're going to see in the next two weeks, given how hard power generation has swung up," Horwitz said. "A lot of people's models probably have 100 billion cubic feet of injections over the next few weeks and those just aren't going to happen. We're probably looking at 70 billion" being reported next week.

### Hot Weather

Houston is forecast to top 100 degrees Fahrenheit (38 Celsius) today and be near that temperature

through June 29, according to AccuWeather.com of State College, Pennsylvania. The typical high for this time of year is 92 degrees.

The south-central region, including Texas, Oklahoma, Louisiana and Arkansas, accounts for 34 percent of all gas-fired electricity output in the U.S., according to Horwitz.

Higher temperatures lift demand for power from gas-fired plants to run air conditioners.

The surplus of gas that now exists will limit gains for gas until consumers and traders see inventories turn in a series of lower-than-expected increases, Horwitz said.

Technical analysis also indicates natural gas is poised to move higher, Jarvis said.

"We had a big rally off the April 27 low and then they sold it and then rallied and sold again, but we had a series of higher lows" which indicates an area of support around \$3.70, said Jarvis.

Technical traders monitor patterns on daily charts for clues to price direction, and may sell or buy based on those signals.

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