



Natural Gas Futures Advance as Recession Shows Signs of Easing

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By Reg Curren

May 4 (Bloomberg) -- Natural gas gained for a second day in New York on speculation demand for the industrial fuel will begin to recover as the U.S. economy emerges from a recession.

Gas advanced as a Commerce Department report today showed spending on U.S. construction projects unexpectedly advanced in March, rising for the first time in six months. A recovery in construction would help boost demand for gas from industrial consumers and power-generators, which together account for 58 percent of U.S. demand.

"Every little thing that is positive out of the economy shows that industry is getting a foothold," said **Michael Rose**, a director of trading at Angus Jackson Inc., a brokerage in Fort Lauderdale, Florida. "We're going to see things get worked out, rather than unravel. Natural gas needs the stimulus package to take hold and start creating some industry movement."

Natural gas for June delivery rose 17.9 cents, or 5.1 percent, to settle at \$3.725 per million British thermal units at 2:52 p.m. on the New York Mercantile Exchange. Prices have dropped 34 percent this year.

The U.S. government approved a \$787 billion economic-stimulus package in February to help revive the economy, which may boost demand for energy.

Gas has declined this year as companies including Chrysler LLC and General Motors Corp. idled plants because of tumbling demand. Gas use by factories in the U.S. may drop 7.4 percent this year as the recession cuts demand, the **Energy Department** said in a report on April 14.

Chrysler filed for bankruptcy protection on April 30 and General Motors may have to follow the same route.

'Cheap' Supplies

Since reaching a 2008 high of \$13.694 per million Btu on July 2, natural gas tumbled 73 percent, outpacing declines in other energy commodities, including crude oil.

"It is so cheap right now that end users are coming in and snapping it up on opportunity buying," said **Stephen Schork**, president of the Schork Group Inc., an energy markets consulting company, in Villanova, Pennsylvania. "We have an oil market that remains stubbornly high, so you're getting some uplift."

Natural gas for delivery in January closed at \$5.799 per million Btu, a premium of \$2.074 to June futures. When prices for future delivery are higher than near-month contracts it's a situation known as contango, which encourages companies to put supplies in storage now for use later in the year.

Crude oil for June delivery rose \$1.27, or 2.4 percent, to \$54.47 a barrel on the exchange.

Economic News

Reports on the construction industry and a rally in stock markets helped lift gas and crude today, Schork

said.

"It's supportive in the long term so that maybe we're on track to get demand back into the market a year from now," he said. "Crude oil is following equities, and gas is following along."

Pending sales of U.S. existing homes posted their first back-to-back gain in almost a year in March.

The number of Americans signing contracts to buy previously owned homes jumped 3.2 percent after a 2 percent gain in February, the National Association of Realtors said today in Washington.

A technical analysis of recent price movements indicates gas may be poised to break above \$4 per million Btu in the coming weeks, said **Chris Jarvis**, president of Caprock Risk Management LLC.

Jarvis expects gas to break through an area of congestion between \$3.60 and \$3.80 per million Btu and then trend to \$4.38 over the next six to eight weeks.

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