



Natural Gas Rises as Economic Reports Signal Demand Recovery

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By Reg Curren

Oct. 15 (Bloomberg) -- Natural gas rose after government reports showed manufacturing in the New York area gained for a third month and first-time jobless claims were less than estimated, signaling industrial fuel use may be rebounding.

Gas demand may increase as the Federal Reserve Bank of New York said the general economic index soared to 34.6, the highest since mid-2004, from 18.9 in September. A recovery from the worst recession in seven decades would boost fuel demand from industries, which account for 29 percent of consumption.

"The trend is positive and gas has been one of the commodities that hasn't gotten the incremental credit for the rebound in economic activity," said [Cameron Horwitz](#), an analyst at SunTrust Robinson Humphrey Inc. in Houston. "As time progresses, and supply declines and industrial demand comes back, then you'd expect to see prices adjust accordingly."

Natural gas for November delivery rose 4.6 cents, or 1 percent, to settle at \$4.482 per million British thermal units at 2:54 p.m. on the New York Mercantile Exchange.

Gas declined to \$4.355 per million Btu in earlier trading after an [Energy Department](#) report showed stockpiles increased more than analysts forecast. The futures contract has risen 79 percent since closing at \$2.508 per million Btu on Sept. 3, the lowest price since March 2002.

Inventories advanced 58 billion cubic feet in the week ended Oct. 9 to 3.716 trillion cubic feet, reaching a record for the third straight week, according to the department. Analysts forecast an increase of 52 billion.

An economic recovery, combined with reduced gas production after a 55 percent decline since September 2008 in the number of rigs working in the U.S., will tighten the supply-demand balance, pushing prices to an average of about \$7 per million Btu for 2010, Horwitz said.

Jobless Benefits

The number of Americans filing first-time claims for unemployment benefits dropped to the lowest level in nine months, which also helped to lift gas. Applications fell by 10,000 to 514,000 in the week ended Oct. 10, lower than forecast, from a revised 524,000 the week before, Labor Department data showed. Economists had forecast a decline of 520,000.

"There was a little bounce off the economic data," said [Tom Orr](#), research director at Weeden & Co. in Greenwich, Connecticut. "Gas had come back quite a ways, so people probably saw this as a good area to buy for a short-term bounce, probably back to \$4.60."

Factory Demand

Demand for gas from industrial users such as factories and chemical plants dropped 12 percent in the first seven months of the year to 3.495 trillion cubic feet, according to an Energy Department report on Sept. 29.

"An economic rebound will be bullish for the industrial sector, which has been the big drag on the gas market for demand," said [Chris Jarvis](#), president of Caprock Risk Management LLC in Hampton Falls, New Hampshire. "An orderly decline in the dollar could boost manufacturing and demand for natural gas" as U.S. exports increase.

Gas prices will probably average about \$6.50 per million Btu in 2010, Jarvis said.

"Overall, the mood has changed and I think we've seen the worst," he said. "We're definitely in a recovery phase."

Crude oil rose to a one-year high after an unexpected decline in gasoline stockpiles.

Oil for November delivery gained \$2.40, or 3.2 percent, to \$77.58 a barrel in New York after touching \$77.97, the highest price since Oct. 15, 2008.

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