



Natural Gas Has First Weekly Gain in Month on Narrower Surplus

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By Mario Parker

July 17 (Bloomberg) -- Natural gas futures capped their first weekly gain in a month after a government report showed a narrowing surplus of the factory and power-plant fuel.

Inventories of the fuel, at 2.886 trillion cubic feet in the week ended July 10, are 18.7 percent higher than the five-year average, down from 19.3 percent the previous week, the fourth consecutive narrowing, the Energy Department said yesterday.

"That number can only get smaller and smaller as we go," said [Chris Jarvis](#), president of Caprock Risk Management LLC in Hampton Falls, New Hampshire. "Where are you going to put the stuff, in the bathtub? Injection rates are going to slow."

Natural gas for August delivery rose 0.1 cent to settle at \$3.669 per million British thermal units at 2:53 p.m. on the New York Mercantile Exchange. The futures rose 8.8 percent this week, the first gain since the week ended June 19. Gas is down 35 percent this year.

The Commerce Department said construction of single-family dwellings rose 3.6 percent to 582,000, the biggest jump since 2004 and the highest level since November.

"Any time you have positive economic news it's going to be a feather in the cap of natural gas," Jarvis said.

Industrial gas consumption is forecast to drop 8.2 percent this year and total demand will slide 2.3 percent to 62.1 billion feet a day, the Energy Department said July 7 in its monthly Short-Term Energy Outlook.

Industrial Demand

Consumption of gas at factories, steel mills and chemical makers, which accounts for 29 percent of U.S. demand, has tumbled during the slowdown. Power generation is also about 29 percent of gas usage.

Gas rigs operating in the U.S. dropped by 7, or 1 percent, to 665 this week, the lowest since May 3, 2002, according to Baker Hughes Inc. In September 1,606 rigs were online.

"That's been cut by more than half of what we've seen," Jarvis said. "If things flip the other way we're going to go through that supply like a knife through butter."

Falling prices this year may be providing utilities and storage companies an incentive to buy the fuel to use now or store for use next winter.

"Commercial buyers have been steadily increasing their portfolios because the upside risk is starting to grow a little bit," said [Chris Kostas](#), an analyst at Energy Security Analysis Inc. in Wakefield, Massachusetts. "If we had a hurricane, that would change things, or a cold winter. Those purchases would be at a higher price."

The hurricane season began June 1 and runs through November, producing storms that have the potential to enter the Gulf of Mexico and disrupt production from offshore gas platforms.

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