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Winter Chill Lights Fire Under Gas Price

Investors Wager Stockpiles Will Diminish if Frigid Forecasts Prove Prescient

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HOUSTON -- Natural-gas futures settled sharply higher Tuesday, rallying nearly 7% on forecasts for cold weather that could boost natural-gas demand and help draw down record stockpiles of the fuel.



Natural gas for November delivery on the New York Mercantile Exchange settled 32.6 cents, or 6.7%, higher at \$5.161 a million British thermal units.

The front-month contract climbed as high as \$5.195 in earlier trading on forecasts for chilly weather that would spur more demand for gas to heat homes and businesses.

The National Weather Service forecast for Oct. 29 to Nov. 1 calls for colder-than-normal temperatures across the eastern half of the U.S. and across key heating-demand centers in the Midwest and the Northeast.

Market participants also were watching forecasts from private firms calling for a colder-than-normal winter.

Meteorologists with the private Commodity Weather Group reiterated this week that the coming winter could bring the coldest temperatures in a decade.

Another firm, WSI Corp., said it expects cooler-than-normal temperatures in the eastern and south-central U.S. from November through January.

"The pattern expected this winter argues for more extended and intense cold periods" than seen in the past several winters, the Commodity Weather Group said in its updated seasonal outlook.

A cold winter or an economic rebound would help diminish natural-gas inventories, which stand at an all-time high.

Natural gas in U.S. storage for the week ended Oct. 9 stood at 3.716 trillion cubic feet -- 14% higher than a year earlier and 15% above the five-year average. Stocks of natural gas are expected to approach peak capacity of 3.889 trillion cubic feet by the end of October, according to the Energy Information Administration.

Gas producers have let rigs fall idle as gas prices have dropped.

Despite recent rises, the front-month gas contract remains down 60% from its summer 2008 high.

The brisk pullback in drilling could prevent producers from ramping up production quickly enough to meet rising demand.

"The requirements of recovering demand could potentially lead to tight supplies under these conditions," John Kilduff, an analyst with MF Global in New York, wrote in a note to clients.

In other commodity markets:

CRUDE OIL: Futures ended an eight-day run higher Tuesday, slipping lower as weak housing data shook confidence in a quick economic recovery. Light, sweet crude for November delivery on Nymex settled 52 cents, or 0.7%, lower at \$79.09 a barrel. The November contract expired Tuesday, and the more heavily traded December contract settled 84 cents, or 1.1%, lower at \$79.12 a barrel.

COPPER: Futures fell after turning back from a near-13-month high. A rally in the dollar, weaker equities and an inventory build pressured the metal. Thinly traded nearby October copper on the Comex division of the Nymex lost 3.4 cents to settle at \$2.9225 a pound after reaching \$2.9710, its strongest point since September 2008. Most-active December copper fell 3.45 cents to settle at \$2.9320 after hitting \$2.9990.

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