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Natural Gas Fluctuates in New York on Outlook for Mild Weather
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By Christine Buurma

Jan. 13 (Bloomberg) -- Natural gas futures fluctuated near 28-month lows in New York amid forecasts for warmer-than-normal weather across most of the continental U.S. in late January, crimping demand for heating fuels.

Gas slid as much as 2 percent. MDA EarthSat Weather in Gaithersburg, Maryland, predicted above-normal temperatures from Southern California to Maine from Jan. 23 through Jan. 27. About 51 percent of U.S. households use natural gas for heating, according to the Energy Department.

"A couple of weeks ago, some of the forecasters were calling for cold weather mid-month and beyond, but it looks like that's not happening," said Tom Saal, senior vice president of energy trading at INTL Hencorp Futures LLC in Miami. "Prices will continue to grind lower."

Natural gas for February delivery rose 0.4 cent to \$2.701 per million British thermal units at 9:33 a.m. on the New York Mercantile Exchange after slipping to \$2.644, the lowest intraday price since Sept. 8, 2009. The futures have declined 39 percent from a year ago.

February \$3.10 calls, bets that prices will rise, were the most active options in electronic trading. They fell 0.3 cent to 0.3 cent per million Btu on volume of 110 at 9:26 a.m.

The low temperature in New York on Jan. 25 may be 39 degrees Fahrenheit (4 Celsius), 12 above normal, according to AccuWeather Inc. in State College, Pennsylvania. The low in Chicago may be 30 degrees, also 12 above normal.

Heating demand in the U.S. may be 3 percent below normal from Jan. 19 through Jan. 23, data from Weather Derivatives in Belton, Missouri, showed today.

Mild February

Temperatures in the East may be 1 to 1.9 degrees Fahrenheit above normal in February, followed by a more seasonal March, MDA's 60-day outlook showed yesterday.

Gas inventories dropped 95 billion cubic feet in the week ended Jan. 6 to 3.377 trillion cubic feet, the Energy Department reported yesterday. The stockpile drop was smaller than the five-year average decline for the week of 128 billion cubic feet, department data show.

Inventories were 17 percent above the five-year average and 13.4 percent above year-earlier levels. Stockpiles have been above the average since the week ended Sept. 23.

Gas in storage ended December at 3.472 trillion cubic feet, a record for that time of year, the department said Jan. 10 in its Short-Term Energy Outlook.

Gas supplies may rise to a record 3.96 trillion cubic feet by the end of October on increased production from U.S. shale deposits, the Energy Department said in the Jan. 10 report.

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