

(BN) Natural Gas Declines on Outlook for Break in Eastern U.S. Heat

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By Naureen S. Malik

Aug. 6 (Bloomberg) -- Natural-gas futures dropped for a fifth day in New York as forecasts for cooler weather signaled reduced demand for the fuel to generate electricity.

Gas fell as much as 2.6 percent as Commodity Weather Group LLC predicted normal temperatures in the eastern half of the U.S. over the next six to 10 days. The futures have gained 51 percent since sliding to a decade low in April as high temperatures and increased demand from power plants helped reduce a supply glut.

"It looks like the weather is going to moderate a little, finally," said Tom Saal, senior vice president of energy trading at INTL Hencorp Futures LLC in Miami. "We have an abundance of supply. The market is still pretty weak."

Natural gas for September delivery fell 4.9 cents, or 1.7 percent, to \$2.828 per million British thermal units at 9:59 a.m. on the New York Mercantile Exchange. It declined earlier to \$2.801, the lowest intraday price since July 18. The futures are down 5.4 percent this year, after falling 36 percent to \$1.902 on April 19, the lowest intraday price since January 2002.

The Midwest and East Coast will "see a more significant break in the hot summer pattern with mostly seasonal temperatures," Matt Rogers, president of Commodity Weather Group in Bethesda, Maryland, said in a note to clients today.

"And as normal temperatures continue to fade, it becomes tougher to reach those hotter levels."

New York High

The high temperature in New York City on Aug. 14 will be 73 degrees Fahrenheit (23 Celsius), 10 below normal, and Indianapolis may be 84 degrees, matching the historical norm, according to AccuWeather Inc. in State College, Pennsylvania.

U.S. cooling demand will average 12 percent above normal over the next five days before dropping to 4 percent below normal on Aug. 12 to Aug. 16, according to Weather Derivatives in Belton, Missouri.

Electricity generators are the largest consumers of U.S. gas, accounting for 36 percent of annual demand, Energy Department data show.

Gas stockpiles in the lower 48 states totaled 3.217 trillion cubic feet in the week ended July 27, 15 percent above the five-year average for the week. The surplus reached a six-year high of 61 percent at the end of March after the warmest U.S. winter since 2000 crimped demand amid higher production from shale formations.

"It's almost this sudden realization that as hot as it's been, you are still going to end the year with an incredible amount of storage and that's weighing on the market," said Phil Flynn, senior market analyst at Price Futures Group in Chicago.

"There is some strong support around \$2.77. If they don't take that out today, you may see a little bit of a rebound."

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