

DJ US GAS: Futures Jump On Weather Forecasts, Storm Chances
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By Jason Womack
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HOUSTON (Dow Jones)--Natural gas futures climbed Monday morning amid forecasts for warmer temperatures and as the heart of hurricane season nears.

Natural gas for September delivery on the New York Mercantile Exchange was trading 31.7 cents higher, or 8.68%, at \$3.970 a million British thermal units. The contract shot as high as \$4.162/MMBtu in earlier trading - the highest intraday level since June 18.

Natural gas prices were lifted Monday as weather forecasts called for hotter weather.

Meteorologists with the private forecasting firm Commodity Weather Group wrote in a note to clients on Monday that over the weekend weather models showed much warmer temperatures.

"The main concern will be the Midwest, where the hottest weather of the summer so far is anticipated," the forecasters wrote.

The National Weather Service forecast for Aug. 8 to Aug. 12 calls for warmer-than-normal temperatures across the Midwest, the Great Plains, the mid-Atlantic and the Southeast.

The National Hurricane Center reported no tropical disturbances Monday morning. However, analysts said that storm chances were increasing.

"The peak of hurricane season is upon us," said Tom Saal, a senior vice president of energy trading with Hencorp Becstone Futures.

Saal noted that some traders were buying back contracts before hurricane season picks up. Hurricane season is most active between late August and early September.

Meanwhile, robust supplies of natural gas and weak demand, which have helped keep a lid on gas prices, have also made the market prone to price spikes.

"Weak fundamentals have caused the market to become oversold very quickly so

violent short covering corrections are followed by further drops," John Kilduff, an analyst with MF Global in New York, wrote in a note to clients on Monday.

Analysts said that the brisk drop in U.S. drilling activity was creating some concerns that storage levels could be drawn down quickly when the economy rebounds and demand increases.

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