

16:38 16Jul2009 RTRS-NYMEX-Natural gas rises near 12 percent despite cash

* Cash gas slips on mild Northeast, Midwest weather

* Inventory build above most expectations, below year-ago

* More shorts cover after Wednesday's crude rally

NEW YORK, July 16 (Reuters) - U.S. natural gas futures ended nearly 12 percent higher on Thursday, rallying amid continued short-covering and stronger crude futures and equities despite weaker cash gas and mild weather in consuming regions in the Northeast and Midwest.

"With the core cooling and hurricane season ahead of us, prices technically washed out, and global equity markets leading commodities higher on the back of better-than-expected earnings thus far, natural gas had nowhere to go but up. Given this, and with the market so very short, it wasn't a surprise that we saw a huge up day today," said Caprock Risk Management's senior analyst Chris Jarvis.

Traders are also eyeing the giant United States Natural Gas Fund <UNG.P>, also known as UNG, an exchange traded fund that tracks the price of gas futures and is awaiting permission from the U.S. Securities and Exchange Commission to issue 1 billion new units.

Last week UNG said the popular ETF effectively ran out of shares to issue until the SEC approves issuing new ones.

Front month August futures on the New York Mercantile Exchange <NGQ9> jumped 38.5 cents, or 11.73 percent, to settle at \$3.668.

Other months ended higher as well, with the September contract <NGU9> up 38 cents, or just over 11 percent, at \$3.813, and winter months ending up about 28 cents each.

The NYMEX 12-month Henry Hub strip surged 29.5 cents to finish at \$5.050.

NYMEX front month August crude futures <CLQ9>,

meanwhile, rose 48 cents to settle at \$62.02 a barrel.

In the cash market, gas for delivery at Henry Hub <NG-W-HH>, the NYMEX delivery point in Louisiana, fell 16 cents on average to \$3.21, with late Hub cash deals easing to about a 30-cent discount to the front-month contract, from deals done early Wednesday at about a 12-cent discount.

Gas on the Transco pipeline at the New York city gate <NG-NYCZ6> fell 10 cents on average to \$3.59, while Chicago gas <NG-CHGC> was 18 cents lower on the day at \$3.16.

Temperatures in both key gas-consuming cities were seen mostly below normal for the next six days, with highs topping out near 80 degrees Fahrenheit in both cities, according to forecaster DTN Meteorlogix.

Houston, Los Angeles and Miami, however, were all seen above normal for the period, with highs in the South and West expected to range from the high-70s to the high-90s F, the forecaster said.

The latest National Weather Service six to 10-day outlook issued Wednesday called for above-normal readings for most of the western half of the nation and below-normal temperatures for most of the eastern half.

On the storage front, most traders agreed Thursday's 90 billion cubic feet weekly natural gas storage build was neutral, noting it was slightly above the Reuters estimates for an 87 bcf gain and the five-year average for that week of 88 bcf, but below the 102 bcf gain last year.

The U.S. Energy Information Administration report showed total domestic gas inventories climbed to 2.886 trillion cubic feet, still a record high for this time of year.

Inventories now stand at 589 bcf, or 26 percent, above last year and 454 bcf, or 19 percent, above the five-year average. [ID:nPRWPI54]

If weekly injections match the five-year average for the remaining 16 weeks of the stock-building season, storage will begin next winter with a record high 3.832 tcf in the ground.

While heat was expected to persist in Texas and other parts of the South and West this week, traders said a broader-based heat wave was needed in key population centers to really kick up demand.

Some also said the recent decline in gas drilling and slowing domestic production could lead to a tighter market.

Recent government data showed U.S. natural gas production was down for a fourth straight month in June, with output finally dropping below the same year-ago month for the first time this year.

Chart traders pegged August resistance at the 40-day moving average in the \$3.77 area and then at \$4. Key August support was seen at the 6-1/2-year spot chart low of \$3.155 from late April, with further buying expected at \$3.

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