

16:23 03Aug2009 NYMEX-Natural gas rises 10 pct, with crude, equities

- * NYMEX crude futures rise more than \$2/barrel
- * Cash gas lifted by return of weekday demand
- * Wall Street rallies, S&P 500 above 1,000
- * High storage still weighs on sentiment

NEW YORK, Aug 3 (Reuters) - U.S. natural gas futures rose more than 10 percent Monday, rallying to their highest level in more than six weeks amid stronger cash gas, higher crude futures and bullish weather patterns, traders said.

Traders are keeping a close eye on summer heat trickling in to more areas of the nation and the onset of the typical "peak" of the hurricane season in August and September.

"With the energy complex soaring on the heels of a very strong equity market, coupled with the start of peak hurricane season kicking in and summer heat sizzling in the West, natural gas prices are signaling a secular bottom has been put in, with higher prices likely in the cards," said Caprock Risk Management's president and senior analyst, Chris Jarvis.

Traders also said the market remained vulnerable to short-covering, noting Friday's CFTC report that showed funds holding 160,950 net short futures, up 2,514 contracts from the previous week's total of 158,436. [ID:nN31289895]

Funds have added to their net short natural gas futures positions in 17 of the last 20 weeks.

Steep declines in drilling this year have also slowed production and tightened supplies, but some expect the market to remain oversupplied until the economy shows more signs of recovery or a sustained, broad-based heat wave kicks up demand or a series of summer storms starts to disrupt supplies.

Front month September futures on the New York Mercantile Exchange <NGU9> rose 37.8 cents, or 10.35 percent, to settle at \$4.031 per million British thermal units, after trading in electronic trade between \$3.596 and \$4.162, the highest level for a front-month contract since mid-June, according to Reuters data.

Some traders were surprised by the \$4.162 trade, which was confirmed by a NYMEX spokeswoman.

Other months were higher as well, with the October contract <NGV9> ending up 37.6 cents, or more than 9 percent, at \$4.285, and winter months settling up about 30 cents each.

The NYMEX 12-month Henry Hub strip rose 29.6 cents to finish at \$5.565.

NYMEX front month September crude futures <CLU9>, meanwhile, rose \$2.13, or more than 3 percent, to settle at \$71.58 a barrel.

In the cash market, gas for delivery at Henry Hub <NG-W-HH>, the NYMEX delivery point in Louisiana, rose 9 cents on average to \$3.43, with cash deals done at about a 26-cent discount to the front month, firming slightly from deals done late Friday at about a 33-cent discount.

Gas on the Transco pipeline at the New York city gate <NG-NYCZ6> rose 19 cents on average to \$3.75, while Chicago gas <NG-CHGC> was 16 cents higher on the day at \$3.44.

Temperatures in both key gas consuming cities were seen a mix of above and below normal for the next six days, with highs mostly in the 80s Fahrenheit, according to forecaster DTN Meteorlogix.

Houston, Los Angeles and Miami were all seen just 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 and the 11 to 14-day outlook both issued Sunday called for above-normal readings across the eastern two-thirds of the nation and below normal in the western third.

On the storage front, last week's report from the U.S. Energy Information Administration showed total domestic gas inventories climbed to 3.023 trillion cubic feet, still a record high for this time of year and the earliest ever that stocks crossed the 3 tcf mark.

Normally, storage does not break 3 tcf until mid-September.

Inventories now stand 571 billion cubic feet, or 23 percent, above last year and 478 bcf, or 19 percent, above the five-year average. [ID:nPRWPI54]

Early injection estimates for this week's EIA report range from 55 bcf to 60 bcf versus a 57 bcf adjusted gain for the same week in 2008.

The U.S. National Hurricane Center said Monday it did not expect any tropical development during the next 48 hours.

In the news Monday, the United States Natural Gas Fund, a giant exchange traded fund in the natural gas market, said it was still awaiting approval from the U.S. Securities and Exchange Commission to issue new shares. [ID:nN03351182]

Also Anadarko Petroleum Corp, operator of the huge Independence Hub natural gas production platform in the Gulf of Mexico, said the platform was operating near normal production volumes despite market rumors to the contrary. [ID:nN03514850]

Chart traders saw September resistance at recent highs in \$4.387 and \$4.575 area. Support was pegged first at recent lows in the \$3.40 area and then at the 6-1/2 year spot chart low of \$3.155 from late April and at \$3.

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