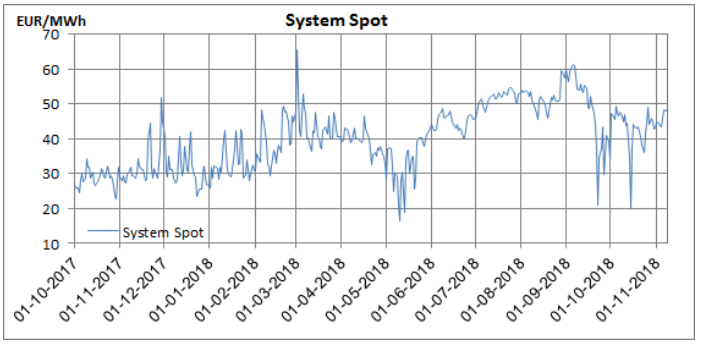
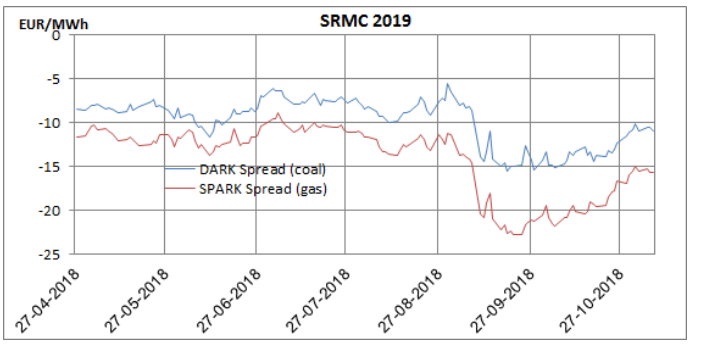
Morning Report November 8, 2018

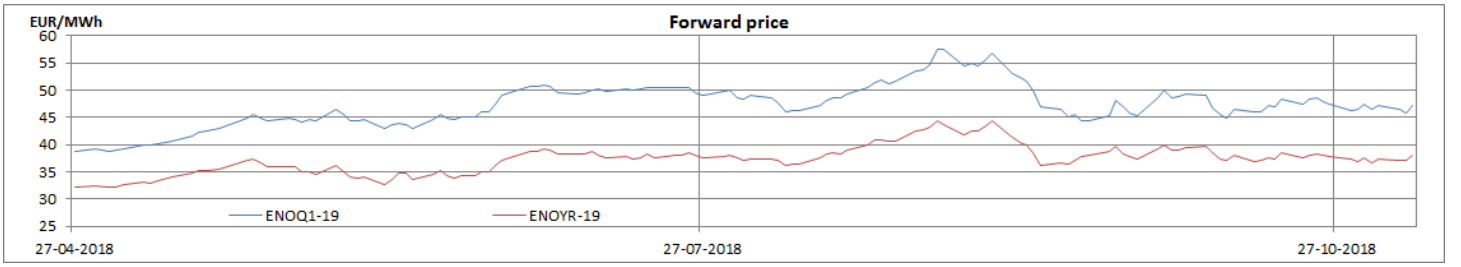
Energi Danmark SECURITIES

	Expectation	
Oil	→	Oil prices struggled on Wednesday with Brent front month closing at 72,07 $/bbl down 0,06 $/bbl after surging U.S. crude output hit another record and domestic inventories rose more than expected. Weighing on prices was record U.S. crude production, which hit 11.6 million bpd according to EIA and that is a 22.2 per cent rise just this year alone and makes the United States the world's biggest producer of crude. A ministerial committee of some OPEC members and allies will meet on Sunday in Abu Dhabi to discuss the market and outlook for 2019 and a return to oil production cuts by OPEC and its allies next year cannot be ruled out.
Gas	↗	During yesterday's session prices rose across the gas markets in Northwestern Europe. The sentiment was driven by a number of factors. Prompt prices partly reacted to an outage at the Norwegian pipeline infrastructure that is said to cut flows during the next couple of days, while latest weather forecasts also turned a bit colder. Real wintry weather is still not in sight though. Longer-dated contracts also took direction from the emissions market bouncing back while staging a technical correction to recent losses on their own.
Coal	↗	Despite some signals still being bearish for the coal market, prices jumped yesterday. The API2 front year contract gained as much as 2,50 USD/t on the day before settling at 91,90 USD/t. Near-term demand is still muted by relatively warm weather and record high transit stocks at European terminals. There were some signs though that temperatures will be falling to seasonal norm by late November which could potentially raise the call on coal-fired generation units. The majority of yesterday's profits though seems owed to the bullish wider energy complex setting the stage.
Carbon	↗	It seems that the sentiment on global energy markets was positively leaning towards a upwards correction yesterday and therefore fuels and emissions were driven to end the trading session in positive territory. We expect small increases in EUA prices again. Our argument today is that in short term, there might be some demand from natural buyers while profit margins are still positive for producers. In the long term, fundamental price estimations are unchanged and quite a bit higher than the current market level.
Hydro	↗	The dry and mild weather forecasts continue for the Scandinavian region. We will most likely get some precipitation around the weekend, but it will allegedly turn drier again after that. The precipitation for the next 15 days is around 1,3 TWh below normal while the temperatures are expected around 3 degrees above normal for this time of the year. The dry weather is reducing water lelves in the reservoirs, supporting the rising power prices at the moment.
Germany	↗	With fuels prices and emissions contracts booking decent gains yesterday, the German power market didn't have any other choice than to follow this development with own profits. The short end of the price curve was also supported by forecasts turning colder and the wind potential still being rather subdued. The longer end of the curve received quite some support from jumping emissions prices. In line with this the Cal-19 contract managed to regain levels above 50 EUR/MWh, ending the day at around 50,55 EUR/MWh.
Equities	↗	The vast majority of stock indices ended green on Wednesday, The Asian markets are up this morning so it is natural to expect slight increases in valuations. Today, the Fed has a meeting and no rate hike is expected at all, but investors look into the Fed's worries about recent downward adjustment on stock markets. The resignation of former justice minister (Jeff Session) has not caused any effect on markets. The recent statistics in trade show a 13% increase in exports from China to the U.S., it appears the trade war has not had any effects, yet. We expect small gains in indices globally but we expect the equilibrium to be fragile.
Conclusion	↗	After 3 days with falling prices the Nordic power market rose yesterday. Dry weather forecast, gains in German power as well as rising coal and carbon were supporting the relatively large price increase. The Q1-19 contract rose 1,36 EUR/MWh before closing at 47,06, while the YR-19 contract rose 1,10 EUR/MWh before closing at 38,10 EUR/MWh. The Nordic power is following the German market up this morning. Continued dry weather forecasts keep on adding to the bullish sentiment.

Spot	DK1	DK2	SE3	SE4	HEL	OSL	SYS	Forwards	DK1	DK2	STO	MAL	HEL	OSL	SYS	SRMC	Coal	Gas	Oil
06-nov	57,89	57,89	51,20	57,04	51,20	47,20	48,19	November	44,05	49,03	49,13	50,88	51,15	47,20	47,15	November	49,78	58,73	68,63
07-nov	55,11	55,32	52,60	54,91	52,60	45,63	48,07	Q1-19	45,98	49,34	48,74	50,56	52,64	47,31	47,06	Q1-19	49,48	58,64	96,71
08-nov	60,58	61,61	54,96	61,08	54,96	46,37	48,68	2019	42,63	44,93	40,28	41,73	45,15	38,23	38,10	2019	49,06	53,83	96,71







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