

Expectation

Oil



International crude oil prices rose for a fourth straight day yesterday, although the upside ended up being quite minimal. Inventory levels are declining in the US, and the OPEC-led production cuts appear to be stabilizing the market. The Brent front month contract closed at 69,26 USD/bbl, up marginally from Wednesday and at the highest level for almost three years. We expect another largely neutral session Friday.

Gas



Following the massive upside in Wednesday's trading, European gas prices retreated a bit yesterday. Focus on the market remains on the Netherlands, where output from Europe's largest gas field might be reduced due to man-made earthquakes caused by the drilling activity. The previous upside was so big that a slight downside was reasonable yesterday, but the insecure situation on the market remains intact.

Coal



European coal prices have entered a slightly bearish phase, a very rare event for a market which rose almost uninterrupted throughout 2017. Yesterday, the API 2 Cal-18 contract fell 0,52 USD/t, closing at 84,36 USD/t. The market awaits further signals from Asia, but it is questionable whether the big demand in China will continue.

Carbon



Falling coal prices and bearish sentiment on the German power market led to a downside on the European carbon emission market in Thursday's trading. The benchmark quota contract fell 0,07 EUR/t to 7,82 EUR/t, and it seems likely that the market will continue to trade below the 8 EUR/t-barrier during the coming time.

Hydro



Except for a few wet days early next week, the forecasts indicate very dry weather in the Nordic area during the forthcoming weeks. Precipitation is expected below average most of the days. Despite the dry forecasts, the hydro balance remains in a solid surplus of 15,1 TWh. Temperatures have been above average for some time, but they could drop below normal during next week, as a high pressure starts dominating the weather picture.

Germany



German power prices continued to decline yesterday, with bearish sentiment on both the coal and carbon markets paving the way for the losses. Weakening spot prices for Friday added to the downside. The Cal-19 contract fell 0,30 EUR/MWh to 35,50 EUR/MWh and in general, the market has been bearish since New Year. This could however easily change today, as cool weather forecasts for next week should lead to a bullish sentiment that could break the downtrend.

Equities



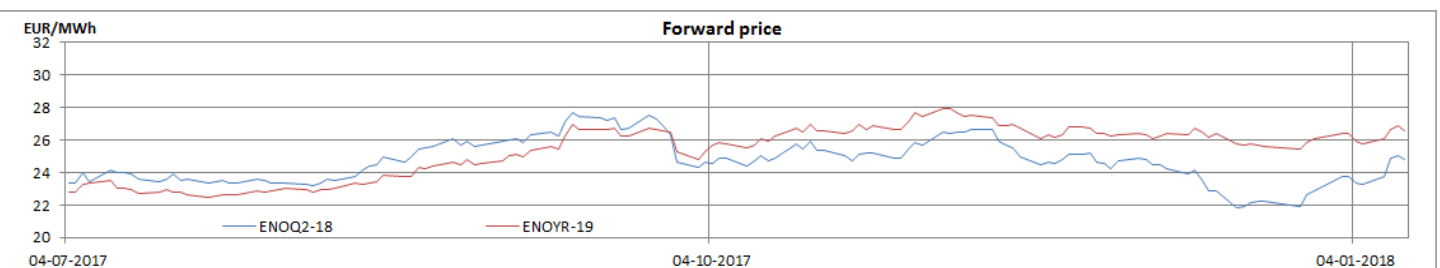
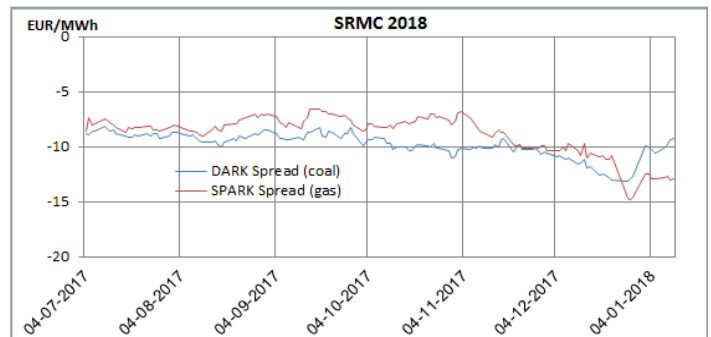
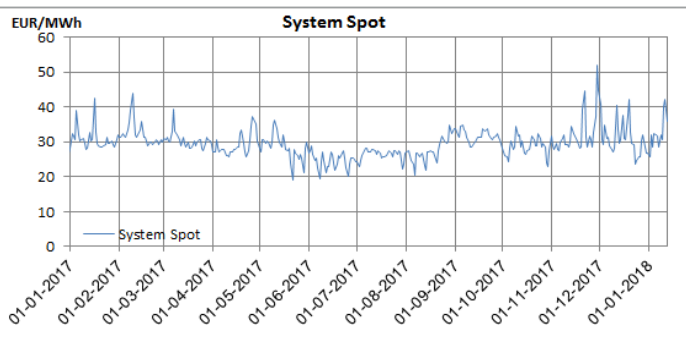
Thursday, higher interest rates in Europe led to a negative day on the stock markets. In the US, the development was more positive, despite key figures on unemployment showing the highest level since September last year. Today, focus on the market will be on key figures on consumer prices and retail sales in the US.

Conclusion



After rising quite noticeably earlier during the week, the Nordic power market traded down yesterday, possibly as a correction to the previous gains. Falling coal and carbon markets combined with a downside in Germany added to the bearish sentiment. The Q2-18 contract fell 0,20 EUR/MWh, closing at 24,80 EUR/MWh, while the YR-19 contract was down 0,30 EUR/MWh, settling at 26,55 EUR/MWh. We do however expect the upside to return Friday, as the cool forecasts for the coming weeks offers bullish support to the market.

Spot	DK1	DK2	SE3	SE4	HEL	OSL	SYS	Forwards	DK1	DK2	STO	MAL	HEL	OSL	SYS	SRMC	Coal	Gas	Oil
10-jan	40,41	40,41	40,02	40,02	40,20	39,92	40,06	February	35,15	36,78	35,54	37,70	38,45	33,65	33,95	February	39,61	44,42	68,63
11-jan	43,84	43,84	43,03	43,12	43,12	43,03	42,31	Q2-18	32,40	33,55	27,07	27,55	31,60	24,45	24,80	Q2-18	38,56	38,43	79,76
12-jan	35,78	36,38	35,78	36,38	37,19	35,78	35,96	2019	30,95	33,13	28,93	29,68	32,50	26,50	26,55	2019	35,79	39,43	79,76



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