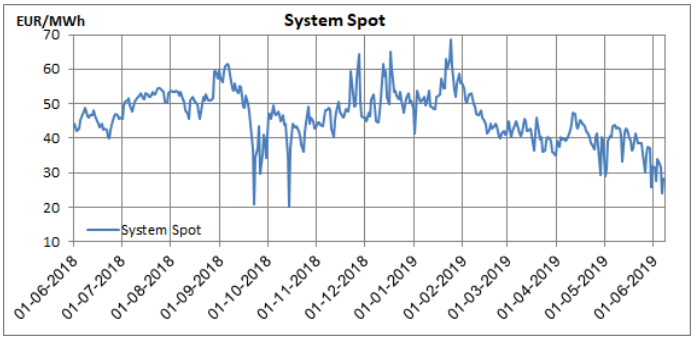
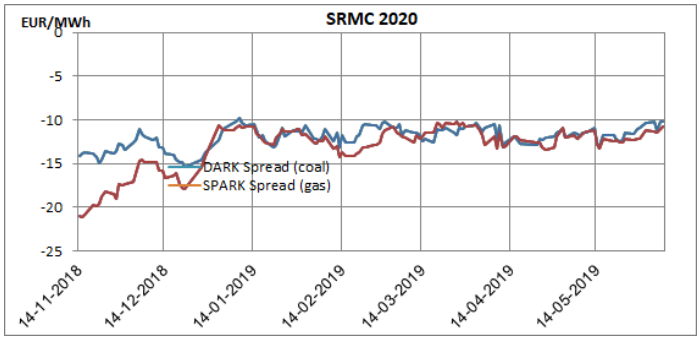
Morning Report June 7, 2019

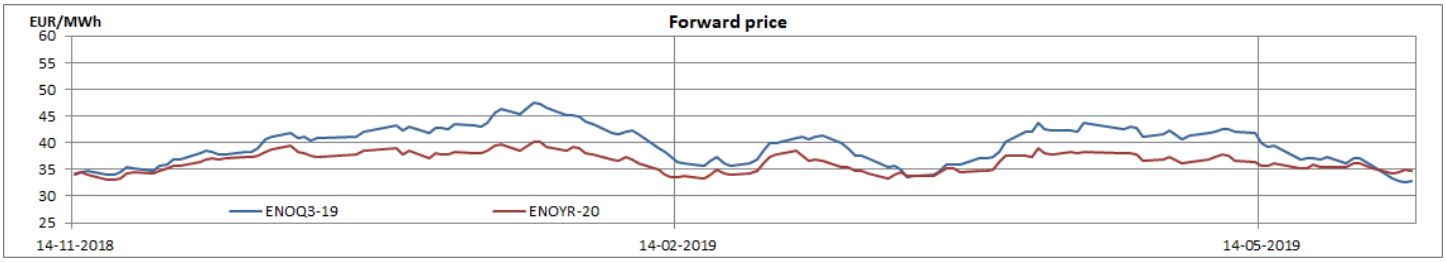
Energi Danmark SECURITIES

	Expectation	
Oil	↗	Front month contracts are up this morning compared to yesterday. Trade war issues are currently the main sentiment driver and there might be some relief because of recent talks between the US and Mexico. On the supply side, there might be some tension between OPEC and Russia, but we assume there is co-operation needs so may be this is just talks. We expect a small increase to prices.
Gas	↗	Gas markets in the north-western region of Europe were subject to a pretty much unchanged sentiment yesterday. Price developments were driven by mainly the same headlines, i.e. a robust supply situation meeting growing storages while demand is depressed. Hence the front end of forward curves dipped further. The longer end showed less variation as some gains in the coal market might have lend some support, the NCG Cal-20 setteld the session flat to Wednesday's close. It appears that longer-dated contracts might see some upside today.
Coal	↗	European coal prices managed to shift a bit up yesterday along the forward curve. Fundamentally there is little change to the recent situation in the European as well as the Asian market with low demand weighing on the sentiment. The tick up in futures was rather driven by the EUR appreciating vs. the USD, making dollar-linked prices more appealing. Some of the gains were pared towards the end of the session on the back of dipping emissions prices, which led German power to some late weakness as well. Some further ticking up seems likely today.
Carbon	→	The Dec '19 contract is trading a little higher this morning compared to its last closing price of 23,98 EUR/t. High auction supply this week and low demand from coal-fired power generation might have helped this move yesterday. It seems though that the overall range of 24 to 26 EUR/t might still be valid. We assume sideways trading but the direction may be clearer if the short-term sentiment in today's week closing session turns out more positive and fuel prices manage to strengthen.
Hydro	→	While temperatures are expected slightly above normal for the coming period, precipitation levels are anticipated to stay well above the seasonal norm. The precipitation is expected around 2,3 TWh above normal, but the total hydrological balance is slightly down compared to yesterday.
Germany	↗	Forward prices saw a bit of a mixed result yesterday. Nearby contracts ticked lower with the front month and quarter ending the session some 0,40 and 0,60 EUR/MWh below the previous days close on the EEX. Apparently high wind output tomorrow, warm temperatures and weak prompt gas weighed on the sentiment. The Cal-20 contract on the other hand gained 0,25 EUR/MWh to finish the session at 46,60 EUR/MWh while coal could support a bit. Some gains during the day were pared though as a dip of emissions prices towards the session end led the way. Some strength in fuels and emissions could provide impetus through the day.
Equities	→	It appears that global equity markets have some kind of uplift. The reasoning for that might come from ECB talks that policy makers are willing to do rate cuts and possibly create new QE. However, global growth prospects might work in the opposite direction. We expect a rather neutral day before weekend.
Conclusion	↗	Thursday the market started out with falling prices due to a wet weather forecast as well as low spot prices. During the afternoon the market rose though with higher coal and CO2 prices. The Q3-19 contract closed at 32,80 EUR/MWh, 0,15 EUR/MWh up compared to Wednesday;s closing price. The YR-20 contract on the other hand closed 0,05 EUR/MWh down at 38,80 EUR/MWh. This morning the Nordic power market is rising, supported by stronger fuel markets as well as rising CO2 prices pushing German power higher.

Spot	DK1	DK2	SE3	SE4	HEL	OSL	SYS	Forwards	DK1	DK2	STO	MAL	HEL	OSL	SYS	SRMC	Coal	Gas	Oil
05-jun	35,36	35,74	28,63	33,79	52,37	32,38	31,35	July	36,51	36,86	28,63	29,63	34,38	29,91	29,63	July	41,56	30,55	85,10
06-jun	31,77	31,77	9,04	9,04	39,08	30,62	24,06	Q3-19	39,78	40,38	33,08	35,03	39,05	33,03	32,80	Q3-19	42,10	32,64	0,00
07-jun	36,74	36,74	23,98	31,06	58,11	30,17	28,23	2020	39,73	41,53	36,10	37,40	39,15	34,83	34,80	2020	44,97	45,55	0,00







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