

## Expectation

Oil



Oil prices managed to book pronounced gains yesterday. The Brent front month, adding 1,86 USD/bbl, closed the day at 75,46 USD/bbl. The contract was seen as high as 76,13 USD/bbl, the highest since the end of July. Prices took direction from U.S. inventories that dropped more than expected last week, as U.S. Gulf production is still feeling the aftermath of hurricane Ida. Additional support is coming from IEA's assessment, that vaccine roll-outs will help demand growth to recover. Demand optimism could possibly keep prices steady or a bit supported to the upside today.

Gas



We experienced another hectic day on the gas market yesterday. A fire at a French-UK power interconnector intensified concerns in an already tight market, lifting the front month contract on the TTF hub to 79,305 EUR/MWh before noon (nearly EUR 1.3 higher than Tuesday's close). Afterwards there was a steep fallback where the contract closed at 65,25 EUR/MWh, even slipping below Tuesday's closing trade at 66,765 EUR/MWh. The correction downwards continues this morning.

Coal



The European coal market reacted to the ultra-bullish drive from gas, and prices were seen heading higher temporarily. Eventually, prices turned around here as well, as gas slumped back massively. The front month and quarter contracts ended the session in red, settling the day around 1 USD/t lower at 167,95 USD/t and 163,87 USD/t respectively. The API2 Call-22 managed to maintain a small gain vs. Tuesday and added 0,20 USD/t to settle at 128,55 USD/t, after hitting 132 USD/t during the day. We expect that losses for gas will weigh on coal today.

Carbon



Emissions trading kept moving along its own lines yesterday. The Dec '21 benchmark contract was seen as low as 58,74 EUR/t, could recover to a day high at 61,44 EUR/t in the afternoon, but eventually settled at 59,86 EUR/t (+0,01 EUR/t vs. Tuesday). Emitters seem to put their efforts to cover demand on hold, probably hoping for a normalisation to the current situation. Buying interest could also be low due to traders shifting the focus on power instead of EUAs for now. Next week's option expiry could potentially keep current prices around 60 EUR/t, as there's solid open interest in call options at this strike level. We could see some downside today, but maybe not as heavy as for gas and power.

Hydro



During the rest of this week and next week high pressure is set to dominate, but some lows could move in from the west. Temperatures are below norm, but expected to turn milder by mid next week. The EC12 operational turns wetter keeping dry conditions until mid of next week, but showing high amounts of precipitation thereafter. This is not supported by the ensemble though, which appears dry instead. Most probable seems continued dry condition for now.

Germany



The extraordinary jump in gas prices was reflected in the German power market, the front month was temporarily seen 24 EUR/MWh higher than Tuesday's close. As gas prices came off their highs and eventually even slipped into negative territory, this was somehow mirrored by power as well. Oct-21 was closing at 145,50 EUR/MWh (+5,50 EUR/MWh), Q4-21 was ending at 142,50 EUR/MWh (+1,90 EUR/MWh). Only the front year fully reflected gas turning negative on day-to-day basis and slipped 0,85 EUR/MWh to 100,35 EUR/MWh. There's the chance of the downward adjustment to remain today, while the question is, how much room there is.

Equities



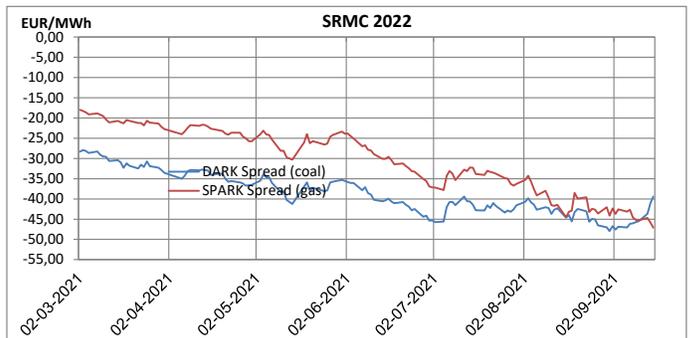
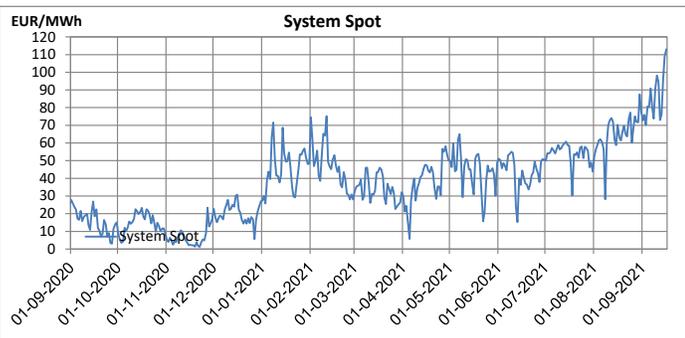
Yesterday, in the U.S., the S&P 500 index increased 0,9%, while there was some positive macro data and for example energy related companies increased value. In Europe, STOXX 600 was down 0,8%. This morning, the Asian indices are in red, but for example European futures prices indicate slight gains. We expect sideways movements today, but assume that sentiment could somehow be skewed downwards.

Conclusion



As for gas and German power, yesterday was a very volatile session for Nordic power, too. Dry forecasts, waning hydropower supply and the jump in gas sent the Oct-21 as high as 90,90 EUR/MWh before eventually closing at 89,13 EUR/MWh (+6,00 EUR/MWh on the day). Q4-21 fell back from 90,00 EUR/MWh to a session end at 88,60 EUR/MWh (+6,20 EUR/MWh). YR-22 at a closing of 52,50 EUR/MWh gained 1,65 EUR/MWh. With higher probability of dry conditions, we expect some support to the power prices. It is a bit uncertain, how much more downside there is for gas and German power and how strongly this could drive the Nordic power market.

Spot	DK1	DK2	SE3	SE4	HEL	OSL	SYS	Forwards	DK1	DK2	STO	MAL	HEL	OSL	SYS
14-sep	143,24	143,24	120,16	142,55	90,02	115,38	95,60	October	144,88	148,13	93,63	124,13	95,78	100,63	89,13
15-sep	168,21	168,21	137,60	160,36	138,62	113,84	108,83	Q4-21	135,85	141,60	92,15	125,60	96,60	105,60	88,60
16-sep	158,94	158,94	116,88	146,29	123,92	121,61	113,04	2022	89,50	95,50	55,05	94,50	68,78	63,80	52,50



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