September 2017 - Market Summary

Review of Market Trends

Report No. 9
Martin Rawlings
10/9/2017

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Macro Economics

<table>
<thead>
<tr>
<th></th>
<th>Closing Rate</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>GBP</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EUR</td>
<td>0.892</td>
<td>0.30%</td>
</tr>
<tr>
<td>USD</td>
<td>1.3148</td>
<td>0.98%</td>
</tr>
</tbody>
</table>

US Dollars (USD) per British Pound (GBP)

Euros (EUR) per British Pound (GBP)
United States Dollar:

GBP/USD fall’s ground to a halt following a negative non-farm payroll print and better than expected UK House Price numbers. US Bureau of Labor Statistics stated that the number of employed people, excluding the farming industry, fell by 33,000 from the previous month, however, Analysts largely dismissed the news and mentioned it will take a few months fully clarify the impact of recent US hurricanes. Investors also focused on the overall fall in US unemployment rate, from 6.3% to 6.2% and the rise in average hourly earnings rate, from 0.3% to 0.5%. This meant the pair continued to trade a little lower directly following release, reaching an interbank low of just above 1.3030 but has since retraced around three-quarters of a cent as suggestions North Korea is preparing to test a long-range missile heightened concerns that some form of military intervention was imminent.

Looking ahead, today is relatively clear with bank holidays in US, Canada and Japan; tomorrow is also quite light with only UK Manufacturing Producing due while Wednesday sees things start to ramp up with the FOMC minutes from their meeting 3 weeks ago. It’s unlikely anything further will be gleaned from these minutes as much will have been reported already or stated by FED member speeches. Instead, Thursday and Friday have the highest chance of volatility with US Unemployment claims and Retail sales due respectively plus the headline news of US Consumer Price Index.

I anticipate a range in the GBP/USD rate of 1.3065 – 1.3165

Euro:

Political instability from both the UK and Europe was the main driver. In the UK the Tory party conference didn’t go to Theresa May’s plans. A bad cough, set trouble and a comedian interrupting her speech to hand her a fake P45, apparently from Boris Johnson, were used to highlight her deteriorating leadership. Since then MPs have rallied around the Prime Minister backing her comments she is providing calm leadership. Boris Johnson was one of these MPs providing support, however, this is unsurprising as speculation she might reshuffle the cabinet would see his name as top of the list to move to the backbenches.

While politics will continue to dominate this week, further volatility is likely following Tuesdays’ UK Industrial, Construction and Manufacturing PMI print plus a speech from ECB President Draghi who is due to participate in a panel discussion about Monetary Policy at the Peterson Institute for International Economics in Washington DC.

EUR/USD fell through 1.17 on Friday despite a disappointing non-farm payroll print. With little European data, markets were focused on US numbers. The Greenback found support following stronger than expected wage growth data and jumped to touch two-month highs against the Euro. This capped the world reserve currency’s best weekly winning streak in nearly 12 months.

Attention now turns to the FOMC minutes on Wednesday, Eurozone Industrial Production and ECB President Draghi speech on Thursday. Friday will likely see the strongest volatility following US Consumer price index and Retail Sales numbers.

I anticipate a range in the GBP/EUR rate of 1.1120 – 1.1220
Oil Market: Brent $57.54/bbl, WTI $51.67/bbl

<table>
<thead>
<tr>
<th>Market</th>
<th>Price</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brent ICE (USD/b)</td>
<td>57.54</td>
<td>↑</td>
</tr>
<tr>
<td>Gasoil ICE (USD/t)</td>
<td>549.00</td>
<td>↓</td>
</tr>
<tr>
<td>Fuel 1% Fob cg (USD/t)</td>
<td>322.22</td>
<td>↑</td>
</tr>
</tbody>
</table>

Close to close at $57.41/bbl for Brent ICE (This morning at $57.54/bbl)

Oil prices soften but on the way to solid monthly gains

Despite high volatility yesterday, Brent prices held stable around $57.6/b. Weekly gains will nevertheless be positive and monthly gains for September could be the best since December last year just after the initial deal was struck between OPEC and Non-OPEC producers. WTI didn’t show the same strength and posted new losses (-50 cents intraday) to trade this morning back below $51.6/b. The recent positive sentiment was fueled by hopes of a deal extension, brighter demand outlook for the medium term and tensions in Kurdistan although rising dollar and recovery in US are weighing on prices.

Main events:
The president of Turkey, Tayyip Erdogan, said yesterday he could use force to prevent the formation of an independent Kurdish state, after the referendum last Sunday, and added he might close the oil "tap": The Iraqi Kurdish region exports about 500 kbd through a pipeline that runs through Turkey to the Mediterranean Sea. Erdogan was meeting President Putin in Ankara about the conflict in Syria but also to make progress on two major energy projects in the region: the TurkStream gas pipeline (shipping gas from Russia to Turkey) and the Akkuyu nuclear power plant in Turkey that will be built with Russian collaboration.
Despite a recent softening of Brent prices, the backwardation structure that appeared during September survives with a -$2.1/b 1-13 time spread on Tuesday and -$1.8/b yesterday at the close. The WTI has a ST contango structure and a MT backwardation shape. As a result, the transatlantic that narrowed again yesterday has a clear contango structure.

**Outlook:**
The second nearby is already 30 cents below the first nearby that expires tonight and we could see Brent prices weakening a little bit more ahead of the weekend, heading toward $57/b. The dollar could move today as the economic agenda is very thick (see daily eco) and a new rise of the greenback could also pull crude prices lower.

**European Gas Market NBP Price:** 1.5372 pence/kWh

<table>
<thead>
<tr>
<th>Date</th>
<th>Day Ahead (p/therm)</th>
<th>October 2017 (p/therm)</th>
<th>Winter 2017 (p/therm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 2017</td>
<td>45.05</td>
<td>45.70</td>
<td>50.05</td>
</tr>
</tbody>
</table>

**NBP Gas Prices**

Close to close at 17.21 EUR/MWh for TTF CAL 18 (This morning at 17.13 EUR/MWh)

**Nuclear news shake European gas prices**

European gas prices were volatile as news of a 1-month unplanned shutdown of the Tricastin nuclear plant in France gave a boost to the whole energy complex before profit taking, dwindling oil prices and a progressive upward revision in temperature forecasts since the beginning of the week led to a downward correction towards the close. A recovery in Norwegian gas exports weighed on prompt contracts but two unplanned outages limited intraday export capacity. Coal prices posted significant losses yesterday with the benchmark API 2 Cal 2018 contract closing more than $2/t below Wednesday’s level at $79.39/t for the first time below the $80/t level in three weeks. It seems that an easing supply/demand balance in China in the short term fueled the bearish sentiment in coal markets this week after the NRDC released an action plan in order to boost coal supply last week and coal to
power demand decreased thanks to a jump in hydropower generation so far in September (+23% yoy in the first 25 days of the month according to the Chinese NDRC) ahead of a week-long public holiday next week in China.

**Main Event:**
NBP ICE October 2017 prices expired 0.13 p/therm higher at the close (+0.3%), to 46.45 p/th. TTF ICE October 2017 prices were also slightly higher at the close: +11 euro cents (+0.6%) to €17.61/MWh. On the far curve, TTF Cal 2018 prices traded as high as €17.45/MWh but were ultimately assessed 2 euro cents higher at the close (+0.1%), to €17.21/MWh.

**Outlook:**
The short term fundamental context is not supportive for gas prices as temperatures are expected to remain relatively close to seasonal norms next week and overall supply is likely to improve with the end of the TAG pipeline maintenance and higher Norwegian export capacity expected next week. In addition the UK system is long which could fuel the bearish sentiment on the NBP prompt.

Nevertheless, coal prices could find some technical support on the lower bound of their recent bullish tunnel, while market players should remain cautious ahead of a key announcement over the ongoing French nuclear probe next week.

**UK Electricity Market Average Buy Price: £47.27/MW**

<table>
<thead>
<tr>
<th></th>
<th>Day Ahead (p/kWh)</th>
<th>October 2017 (p/kWh)</th>
<th>Q4 2017 (p/kWh)</th>
<th>Winter 2017 (p/kWh)</th>
<th>Summer 2018 (p/kWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4.575</td>
<td>5.000</td>
<td>5.000</td>
<td>5.026</td>
<td>4.209</td>
</tr>
</tbody>
</table>

Close to close at 35.35 EUR/MWh for German power CAL 18 (This morning at 35.47 EUR/MWh)
Power prices jump on the ASN order to shut down 4 reactors for 1 month

Spot prices finally inched down as the level of power consumption will decrease. Temperatures have also been revised higher and supply conditions are unchanged with still a lack of wind in Germany and a relatively comfortable (but below expectations) nuclear output in France. Nuclear generation however returned to nearly a 100% in Germany.

Main Event:
Elsewhere calendar power prices were very volatile. The main story started after the ASN ordered EDF to shut down the 4 nuclear reactors (3.6 GW) of Tricastin for one month (starting next week) after it had detected a risk of flooding of the plants in case of an earthquake. The level of security being too low, EDF will have to rebuild the flood protection. EDF said the measure of closing the plant while doing the works was unfair but conceded they would comply, which forced them to revise down their nuclear production target from 390-400 TWh to 385-392 TWh. But the fall in production could be even bigger because of the repeated maintenance operations on other plants. The announcement lifted the whole energy complex from power to CO2 but there was a significant downward correction later in the afternoon in all these contracts due to falling coal prices, expect for the French Cal 18 therm at kept a premium.

The French year-ahead baseload closed at €42.4/MWh (+2%), while the French Q1 increased by 5% in baseload and by 7.3% in peak. The German Cal 18 stayed at €36.0/MWh (+0.4%). CO2 prices ended the session flat at €6.96/t and the API2 Cal 18 contract was back below $80/t.

Outlook:
Market actors are unlikely to go too short today ahead of a possible announcement of the ASN next week regarding the Creusot investigation. Looking at the mid-term, conditions start to appear a little bearish on the demand side. Meteo France published forecasts for Q4 indicating there’s a higher probability for mild than cold temperatures. There will be a test with coal prices. If they exit their upward trend channel, this could be really bearish for power market prices. EUA prices could post gains after more analysts expect higher emissions for 2017 than in 2016. All in all, we have a stable view for day.

Coal Buy Price: £98.65/tonne
Carbon Buy Price: €7.07/tonne

News

UK’s worst energy suppliers named:

Find out how the UK’s largest and smallest energy providers ranked in the latest Citizens Advice survey

Economy Energy has been named the worst energy provider by the latest Citizens Advice survey.

The Citizens Advice star rating system scores energy firms against five criteria including: Complaints—how well energy suppliers handle customer complaints; Ease of switching—the number of switches the supplier successfully carries out within 21 days; Ease of contact—how highly people rate their supplier’s customer service; Bill clarity—how easy people find it to understand their bills; Switch Guarantee—whether the supplier is signed up to the switch guarantee that commits them to switching a customer within 21 days.

Economy Energy only managed to rack up a star rating of 2.2 for its service between April and June this year, falling dramatically from the previous quarter’s third place score of 3.85. SSE led the way in this quarter’s figures, scoring and impressive 4.5 out of 5 stars, closely followed by Ecotricity on 4.4.

First Utility made the biggest improvement, with a score of 4.1 up from 2.9 stars. Here are the full results of the latest Citizens Advice survey, starting with the best performers this quarter:
Supplier & Star rating January to March 2017 & Star rating April to June 2017  
--- & --- & ---  
SSE & 4.4 & 4.5  
Ecotricity & 4.4 & 4.4  
First Utility & 2.9 & 4.1  
EDF Energy & 3.75 & 4  
Utility Warehouse & 3.4 & 3.9  
Flow Energy & 3.9 & 3.85  
Spark Energy & 2.3 & 3.7  
British Gas & 3.7 & 3.7  
Ovo Energy & 3.1 & 3.7  
E.ON & 3.15 & 3.65  
Utilita & 3.14 & 3.25  
Npower & 3 & 3.25  
E (Gas and Electricity) & 4.1 & 3.25  
ScottishPower & 3.15 & 3.1  
Green Star Energy & 2.85 & 3.1  
Co-operative Energy & 2.6 & 2.95  
Extra Energy & 2.05 & 2.55  
Economy Energy & 3.85 & 2.2  
Source: Citizens Advice

**Ofgem satisfaction survey**

Ofgem produces quarterly complaints statistics about the largest, medium-sized and small-sized energy firms. The latest figures broadly reflect the findings of the Citizens Advice survey, with Ecotricity attracting the fewest complaints (32 per 100,000) in the second quarter of the year. However, large independent supplier Utilita had the most complaints for the second quarter in a row with 6,005 per 100,000 recorded. Below is a table showing how all the suppliers fared:

<table>
<thead>
<tr>
<th>Supplier</th>
<th>Q1 2017 complaints per 100,000</th>
<th>Q2 2017 complaints per 100,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ecotricity</td>
<td>32</td>
<td>30</td>
</tr>
<tr>
<td>Green Star Energy</td>
<td>89</td>
<td>43</td>
</tr>
<tr>
<td>Flow Energy</td>
<td>43</td>
<td>58</td>
</tr>
<tr>
<td>Economy Energy</td>
<td>59</td>
<td>64</td>
</tr>
<tr>
<td>Ovo Energy</td>
<td>79</td>
<td>79</td>
</tr>
<tr>
<td>Good Energy</td>
<td>81</td>
<td>101</td>
</tr>
<tr>
<td>Spark Energy</td>
<td>105</td>
<td>108</td>
</tr>
<tr>
<td>Extra Energy</td>
<td>371</td>
<td>271</td>
</tr>
<tr>
<td>Utility Warehouse</td>
<td>1,073</td>
<td>742</td>
</tr>
<tr>
<td>Co-operative</td>
<td>691</td>
<td>786</td>
</tr>
<tr>
<td>First Utility</td>
<td>2,052</td>
<td>1,182</td>
</tr>
<tr>
<td>British Gas</td>
<td>1,463</td>
<td>1,393</td>
</tr>
<tr>
<td>NPower</td>
<td>2,200</td>
<td>1,986</td>
</tr>
<tr>
<td>SSE</td>
<td>1,929</td>
<td>2,079</td>
</tr>
<tr>
<td>E.ON</td>
<td>2,250</td>
<td>2,211</td>
</tr>
<tr>
<td>EDF Energy</td>
<td>2,438</td>
<td>2,356</td>
</tr>
<tr>
<td>ScottishPower</td>
<td>2,493</td>
<td>2,623</td>
</tr>
<tr>
<td>Utilita</td>
<td>5,685</td>
<td>6,005</td>
</tr>
</tbody>
</table>

Source: Ofgem
Which? Energy survey

In January, NPower came bottom of the annual Which? Energy company satisfaction survey for the seventh year running.

The survey asked nearly 9,000 energy customers to rate suppliers on a variety of factors including customer service, value for money and accuracy of bills.

Each supplier was then given a customer score based on their overall satisfaction rating and the likelihood of being recommended to a friend.

The average customer score was 56%, but NPower scored just 44%.

Extra Energy customers were the next most fed up (49%) which matches up with the Citizens Advice and Ofgem findings, followed by Scottish Power (50%) and Co-operative Energy (54%).

Apart from EDF, which scored 55%, the other 'Big Six' suppliers either matched or just beat the average customer score. SSE and British Gas hit 56% while E.ON managed 57%.

The best performer was Ovo Energy for the second year running, which achieved a customer score of 78%.

Here's how the all the suppliers stacked up:

Source: Which?
Terminology
- All oil prices: in US dollar
- Oil product: Brent crude or West Texas Intermediary (WTI)
- Mb/d – Million Barrels per day.
- Freight rates: US dollar per tonne.
- Natural gas prices quoted as pence per therm.
- Power prices quoted as Pounds Sterling per MWh.
- CO2 market: EURO

Information & Data Sources
1. Total Gas & Power
2. GdF Suez
3. Haven Power
4. Coal spot.com
5. Forex
6. ICIS

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