April 2015 - Market Summary

Review of Market Trends

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Martin Rawlings
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United States Dollar

The dollar was slammed again this month. Weaker than expected U.S. GDP released earlier was a big contributor to the move, showing that the economy expanded by 0.2% in Q1 vs. forecasts for 1.0%. GBP/USD siphoned through the 1.54 level on the release and traded to a high of 1.5485. That said the bad news didn’t come as an enormous surprise to investors, as many economic indicators over the last month or so have printed below forecasts. It will however lead many to doubt whether the Fed will actually raise interest rates this calendar year. The FOMC statement last night suggested that the slowdown was temporary and attributed it to ‘transitory factors’. On the jobs front, the statement said: “the pace of job gains moderated, and the unemployment rate remained steady. A range of labour market indicators suggests that underutilisation of labour resources was little changed.” So in fact, despite the weak GDP number, a June rate hike – although unlikely – is still possible, but even the hawks think lift-off should happen in September. The dollar really didn’t react to the statement though and remains firmly on the back foot with GBP/USD trading at 1.5460 currently.

Blizzard anticipates a range of 1.5350 to 1.5485

Euro

EUR/USD pushed up through 1.10 following the release of the soft U.S. GDP figure. The dollar sell-off continued throughout the New York session. The pair traded to a high of 1.1175, took a slight knock following the FOMC statement, but is back on the front foot and trades at 1.1230 currently, a very odd move this month given European economic data released earlier hasn’t been particularly positive; German Retail Sales, French Consumer Spending and German Unemployment Change have all printed weaker than expected. There’s more data on the way so more whipsaw movement is anticipated in EUR/USD and euro cross rates. The euro is a touch stronger vs. the pound too and GBP/EUR trades at 1.3775 currently.

Blizzard anticipates a range of 1.3750 to 1.3880
Close to close: Up at $ 65.84/bbl

Why?
Crude prices surged this month following a bullish EIA stocks report that showed US output resuming growth and stocks still rising but Cushing declining. Both benchmarks topped new 5-month high at $66.72/b for Brent and $59.33/b for WTI before slipping around -$1/b below these levels overnight. Impact on WTI was pretty strong and therefore took the Bent/WTI spread up to -$7/b.

Main events:
Stocks rose less than expected in US and levels in Cushing even fell (-0.5 Mb); the EIA report for week ending 24 April 2015 was surprising. With a +1.9 Mb increase, US crude stocks rise is decelerating (but topped 490 Mb) and Cushing hub saw its level decrease for the first time since November 2014. Domestic production marginally rose after a slight decrease and the output is now almost stable just below 9.4 Mbd since early March. US imports also remain low, around the level of 2014. According to sources, Iran's crude oil exports have risen by around 500 kbd in April to 1.18 Million barrels per day, helped by firmer sales to India, which bought no Iranian crude last month. Iran, once OPEC's second-largest producer after Saudi Arabia, hopes to boost crude exports by as much as 1 Million barrels per day if Tehran and six major powers finalise a nuclear agreement by a June 30 deadline after the framework accord on March 31st. In Libya, some protesters have shut down an eastern Irdi gas field, and threaten to close the western Wafa oil and gas field, which would stop gas exports to Italy, according to NOC. Libya's oil production has recently fallen to less than 500 kbd due to the closure of El Feel compared to an output as high as 1.6 Mbd before the ousting of Gaddafi in 2011.
Outlook:
Crude prices are on a strong bullish trend since early April and no bearish news appears to be able to stop it. The earlier stock report was only slightly bullish (stock rise lower than expected, Cushing fall) but it contributed to fuel the increase. For the moment we have stable to bearish outlook.

European Gas Market NBP Price: 1.6481 pence/kWh

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<tbody>
<tr>
<td>Close to close:</td>
<td>Up at 21.66 EUR /MWh</td>
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</table>

Why?
Delays in the restart of the Troll field in Norway offered some support to European spot prices as markets were expecting maintenance work to be completely finished. Norwegian flows dropped from 248 mm cm/day to 219 mm cm/day, which was below levels seen earlier due to compressor problems at the Troll facility affecting flows by up to 44 mm cm/day. Temperatures remained below-average across Europe, keeping gas demand to relatively high levels at this time of year. In the UK, Local Distribution Zones demand remained 17% above seasonal norms while consumption rose to its highest level since early April in the Netherlands. Stronger oil prices helped to lift contracts on the curve, although gains remained rather weak as the unseasonably cool weather period is expected to end next week.

Main event
For their last day of trading, TTF ICE May 2015 prices edged 6 euro cents higher at the close (+0.28%), to €20.946/MWh. TTF ICE Cal 2016 prices rebounded slightly on their 38.2% Fibonacci support at €21.6/MWh: they were assessed 5 euro cents higher at the close (+0.25%).
€21.661/MWh. A slide in the pound against the euro provided additional support to the British curve. NBP ICE May 2015 prices gained 0.32 p/therm (+0.73%) for their last day of trading, to 44.05 p/therm.

Outlook
The UK system is undersupplied as consumption remains above seasonal norms, which is likely to trigger storage withdrawals to balance the British system while inventories are at historically low levels for this time of year. Moreover, LDZ demand is expected to increase further which could support spot and near-curve contracts at the NBP. The situation is less tight on the continent due to higher Norwegian flows despite an unplanned outage delaying again restart of Troll and a bearish demand outlook, which could exert some downward pressure. All in all, we favour a stable to slightly bearish outlook for European prices today ahead of a public holiday tomorrow and a bank holiday in the UK on Monday. Volatility could also be limited on the far curve as no significant move in oil prices is expected.

UK Electricity Market Average Buy Price: £40.95/MW

<table>
<thead>
<tr>
<th>Period</th>
<th>Price (p/kWh)</th>
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</thead>
<tbody>
<tr>
<td>Day Ahead</td>
<td>4.265</td>
</tr>
<tr>
<td>May 15</td>
<td>4.175</td>
</tr>
<tr>
<td>Q3 2015</td>
<td>4.160</td>
</tr>
<tr>
<td>Winter 2015</td>
<td>4.620</td>
</tr>
<tr>
<td>Summer 2016</td>
<td>4.310</td>
</tr>
<tr>
<td>Winter 2016</td>
<td>4.760</td>
</tr>
<tr>
<td>Summer 2017</td>
<td>4.355</td>
</tr>
<tr>
<td>Winter 2017</td>
<td>4.810</td>
</tr>
</tbody>
</table>
Close to close: Up at £44.10/MWh

Why?
The spot market seems to be rather well-supplied for the time being and for the next days. Nuclear production has stabilised; hydro production is higher and should remain strong in the light of coming precipitations. Wind and solar output could be limited over the next few weeks but consumption will be down too as temperatures rise back above average levels. Near-term contracts were moderately down. One important piece of information came from carbon yesterday: EU member states finally managed to find a provisional agreement on the MSR start date which would be 2019, earlier than was foreseen by the EU commission. Back loaded and unallocated allowances would go straight into the reserve too. The EUA Dec15 contract rose moderately to €7.5/ton yesterday. For now, carbon markets could rise moderately but as levels are already rather high, resistance levels should cap gains. Some profit-taking is not excluded at a later stage.

Main events
One major move on the power curve was a further significant drop 2016 prices. The BE cal16 contract dropped to €45.58/MWh yesterday, reducing the BE-FR spread on this maturity to €6.5/MWh. However, the stance of the regulator was not and remains not so reassuring. The FANC said a report from international experts awaited this week is nothing definitive and that final conclusions are awaited not before mid-May.

Outlook
The other NWE equivalents were moderately higher on the back of higher fuels prices. Some limited rise in 2016 prices is probably in sight. German, French and Dutch calendar products should remain stable.

Coal Buy Price: £31.85/tonne
Carbon Buy Price: €7.53/tonne
News

**ENW helps people cut electricity use by 10 per cent in 6 months**
Power network operator Electricity North West (ENW) said its trial power saving scheme had helped people reduce their electricity usage by more than 10 per cent in its first six months.

**NPowere launch a three month trial of UK’s first ever Fuel Bank**
NPowere set to launch the nation's first Fuel Bank trial. Teaming up with charities such as The Trussell Trust, Durham Christian Partnership and National Energy Action to support those most in need, starting with 13,000 people in the first year of the scheme.

**Use of Solar Power nearly doubles due to energy price increase.**
In response to the rising price of energy per unit Solar panels are now being considered by 60% of UK households.

**New DECC Guide for Business Energy Efficiency**
The Department for Energy and Climate Change (DECC) have just released a ‘SME Guide to Energy Efficiency’ to help business owners make the most of reducing their energy consumption.

**First new pylon design in 90 years**
New style of UK electricity pylon constructed in Nottinghamshire UK.

**E.on Becomes First ‘Big Six’ Supplier to Cut Prices in 2015**
With wholesale energy prices currently in a lull, E.on has become the first of the big six commercial energy companies (the others being British Gas, SSE, Scottish Power, EDF Energy and NPowere) to announce it will pass these lower costs on to their customers.

**Wind Energy Powers 25% of UK Homes in 2014**
Whilst many articles seem to buy into the myth that renewable energy in the UK is still in its infancy, new data following the end of the year has been published, revealing that the UK homes are operating on as much as 25% power from wind.

**OFGEM fine E.ON for overcharging customers**
OFGEM has fined E.ON £7.75m after they incorrectly charged exit fees, and/or overcharged customers following price rises. E.ON was found to have made billing errors in respect of price rises in January 2013 and January 2014. These affected direct debit and standard credit customers. The average amount paid back was around £8 and £12 respectively. E.ON has already paid £400,000 back to customers who were overcharged.

**British Gas invests £50m in customer service**
Energy supplier British Gas will invest £50 million in its customer service over the next three years as part of a...

**Teslas batteries ‘really important’ to energy sector, says expert**
Battery storage technology, such as Teslas’s Powerwall batteries, will be "really important" in allowing distribution network...

**Green Deal needs ‘radical overhaul’ by new government, says EUA**
The energy efficiency Green Deal scheme needs a ‘radical overhaul’ and is a ‘critical issue’ that the new energy minister...
Solar powers 100 per cent of Scottish homes in April

Last month, solar power provided enough electricity to meet the needs of more than 100 per cent of homes in Scotland, new...
**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. FT
6. Energymarketprice

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