

# January 2015 - Market Summary

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## Review of Market Trends

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## Macro Economics

GBP	Closing Rate	% Change	
EUR	1.3270	3.84%	↑
USD	1.5193	0.37%	↓



### United States Dollar

The greenback strengthened and cable fell back under 1.51 to a low of 1.5034. Better than expected US Unemployment Claims supported the move. The data showed that claims decreased by 43,000 from the previous months revised level. The dust is also settling following the FOMC statement earlier and there's perhaps a realisation that the Fed's monetary policy and outlook seems to be ever diverging away from that of other major central banks – whether this continues is debatable but we're going on the Fed's latest statement here. Focus today will turn to US Advance GDP. Economists expect the data will show the US economy produced solid growth of 3% in the October-December quarter – another reason for investors to hit the dollar bids. There isn't much by way of top tier data from the UK. In the meantime, GBP/USD has recovered off of its 24 hour lows to open this morning at 1.5075.

Blizzard anticipates a range of 1.5030 to 1.5150

### *Euro*

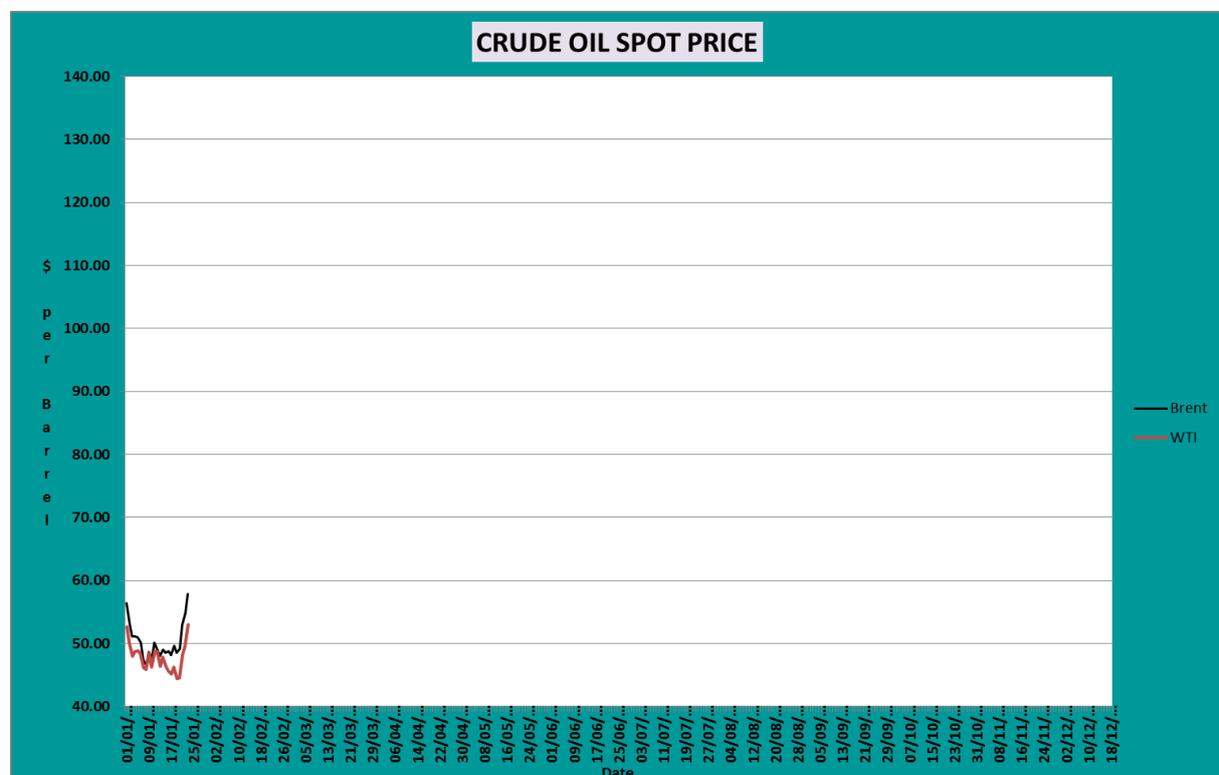
EUR/USD whipped around in the late session and after pushing to a high of 1.1367 it then promptly lost almost 100 points in the space of a few hours, dropping to a low of 1.1278. There wasn't anything majorly fundamental behind the move and it was more confined to intra-day traders keen to take profit after bidding the single currency higher throughout the day. Oddly, the weaker than

expected German inflation numbers were shrugged off; confirmation of deflation within the Eurozone really doesn't come as much of a surprise to markets at the moment. European wide CPI Flash Estimate may get a different reaction of course, but as we head in to February the usual headlines are likely to continue dominating; Grexit and ECB QE.

Blizzard anticipates a range of 1.3320 to 1.3340

## Oil Market: Brent \$49.13/bbl, WTI \$44.53/bbl

<b>Brent ICE (USD/b)</b>	<b>49.13</b>	<b>↑</b>
<b>Gasoil ICE (USD/t)</b>	<b>477.00</b>	<b>↑</b>
<b>Fuel 1% Fob cg (USD/t)</b>	<b>250.69</b>	<b>↑</b>



**Close to close: Up at \$ 49.13 /bbl**

### Why?

Crude prices are still sluggish as outlook remained weak, with production high and producers reducing operating costs to adjust to lower revenues. Brent prices are almost stable since mid-January and WTI is still on a slightly downward trend, it touched a new minimum at \$43.58/b, the lowest since Mid-March 2009 following surging US stocks. New Chinese regulation expected to boost crude imports and investments cuts in the E&P business should be supportive but the overall market outlook remains weak.

### Main events:

In China, new commercial crude reserves regulations are likely to boost import demand in the short term: indeed, Chinese refineries will be expected to store enough crude for 15 days of average

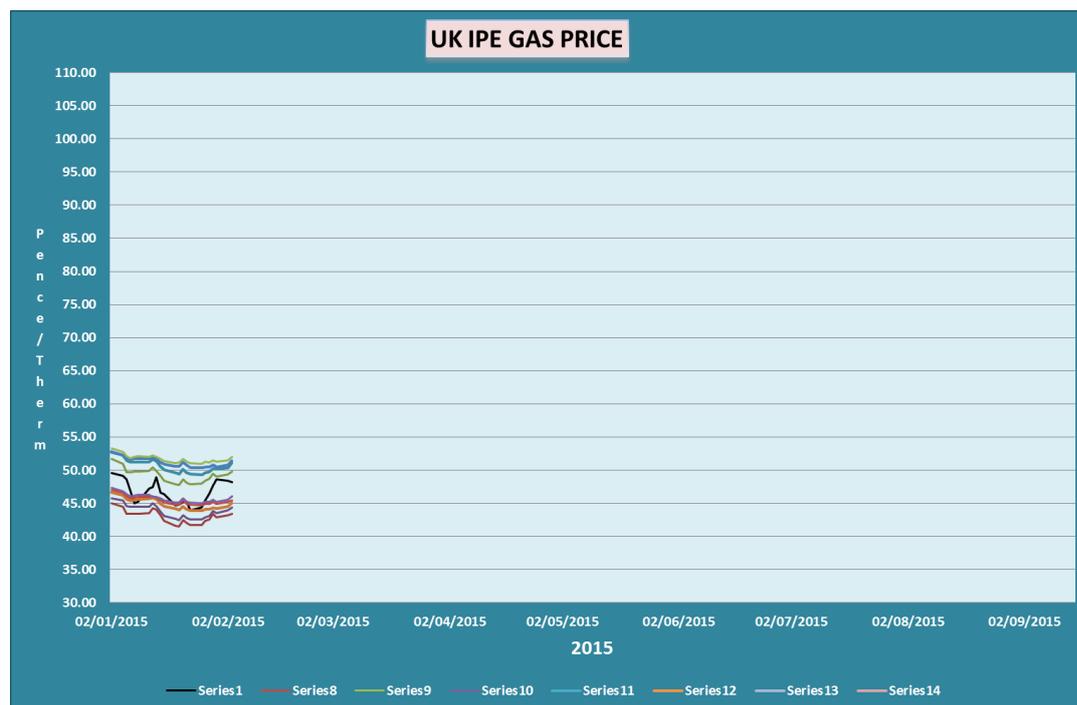
throughput according to the National Development and Reform Commission. This new rule should force many commercial oil traders to import crude in the short term to meet the requirements. Although it is supposed to be put in place gradually over a period of one to three years, many refiners could take the opportunity to cover their stocks soon, while prices are low. Investment cut announcements are following one after another for major companies following Shell, Total, Continental or Hess Corp. Conoco, Occidental and shell said yesterday they will slash exploration spending plans for this year. Iraq's southern oil exports have slipped in January from a record high (2.76 Mbd in December). Exports from Iraq's southern terminals have averaged 2.67 Mbd, according to shipping data for the first 28 days of January (REUTERS).

**Outlook:**

With current very low volatility and with no direction yet, we expect the market to remain calm today with maybe a support from US GDP.

## European Gas Market NBP Price: 1.7265 pence/kWh

Day Ahead (p/therm)	50.60	↓
January 2015 (p/therm)	47.50	↓
Summer 2015 (p/therm)	46.50	↓



**Close to close: Up at 20.57 EUR /MWh**

**Why?**

Rising demand and reduced supply from Norway tightened European systems this month, pushing European prices higher for the fourth consecutive session. In the UK, consumption rose to 325 mm cm, up from 295 mm cm, while imports from Norway were curtailed again by 18 mm cm/day due to an unplanned outage at the Nyhamna and Heimdal facilities. Demand also increased on the continent, pushing TTF day-ahead prices to a new 2015 high. Near-curve contracts followed the

bullish trend at the front as cold weather is expected to persist over the weekend and into next week.

For their last day of trading, NBP ICE February 2015 prices gained 1.52 p/therm at the close (+3.28%), to 47.88 p/therm. TTF ICE February 2015 prices surged 49 cents higher at the close (+2.4%), to €20.7/MWh. TTF ICE Cal 2016 prices closed to a three-week high with firmer oil prices offering some support: +27 euro cents (+1.31%), to €20.571/MWh.

**Outlook:**

The latest release of the EC 30-day weather forecast confirms that below-average temperatures could continue to support gas demand in the first half of February, but temperatures are expected to move closer to seasonal norms from mid-February, which could erode previous gains on the near curve. On the supply side, Norwegian supply remains constrained by two unplanned outages with a total impact of 40 mm cm/day, but production should be back to full capacity in February according to Gassco's website. Only one LNG delivery is scheduled for February so far in the UK, but we believe that European LNG supply should remain comfortable in the coming weeks as JKM and NBP prices are now at parity for the first time since the Fukushima crisis, which could also weigh on near-curve contracts. We favour a bearish outlook for the far curve as oil prices should not be supportive.

## UK Electricity Market Buy Price: £39.66/MW

Day Ahead (p/kWh)	4.270	↑
February 15 (p/kWh)	4.065	↓
Q1 2015 (p/kWh)	4.175	↓
Summer 2015 (p/kWh)	4.185	↓
Winter 2015 (p/kWh)	4.590	↓
Summer 2016 (p/kWh)	4.230	↓
Winter 2016 (p/kWh)	4.660	↓
Summer 2017 (p/kWh)	4.310	↓

**Close to close: Up at EUR 39.66 /MWh**

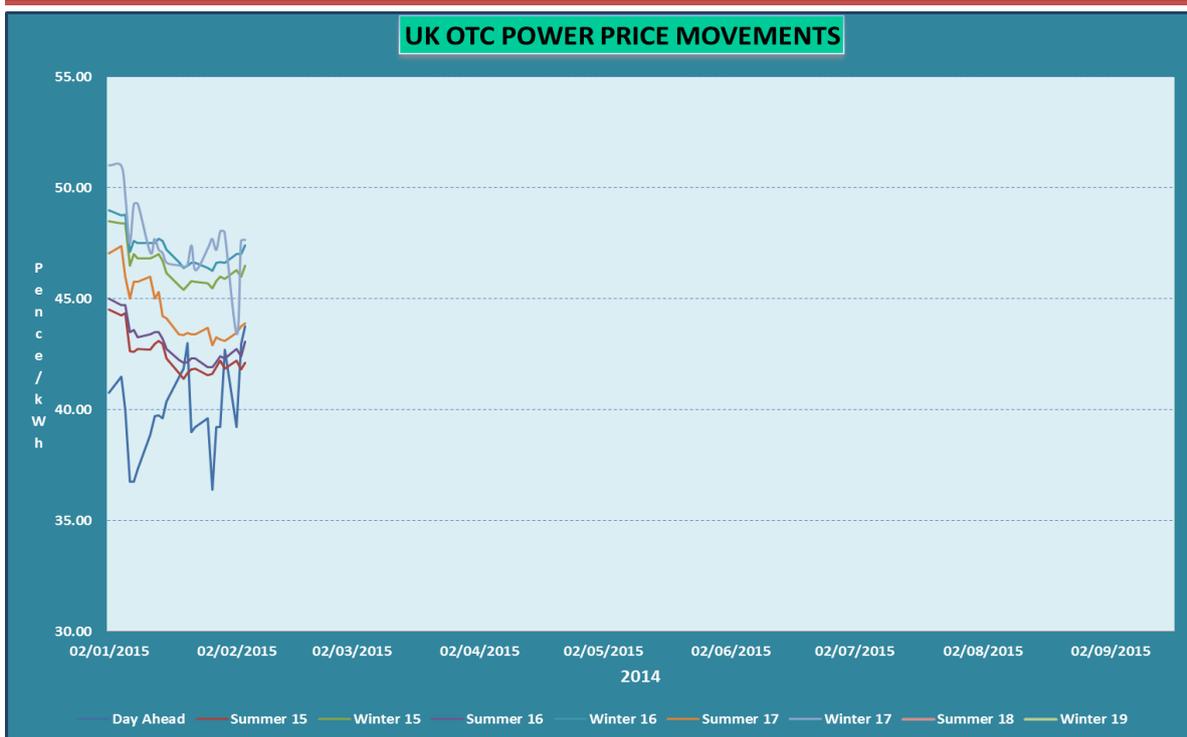
**Why?**

The general sentiment on power markets was rather supportive. On the spot and on the prompt, the biggest driver remains cold weather. For the coming two weeks, current weather models indicated temperatures clearly below average. This weighed upon week-ahead contracts clearly with France being offered at €54.0/MWh and Germany at €39.2/MWh at the time of writing. January baseload prices were also significantly higher (all the most as delivery is very close

**Outlook:**

We believe that prompt prices could remain rather stable: the latest medium-term weather forecast run overnight shows that in the short term, temperatures will be down, but from the middle of February, they could be back in line with seasonal averages.

All in all, we keep a rather bearish bias for the coming sessions...but in the very short term considering the current cold snap and the willingness of markets to grasp any bullish argument to push markets higher and to bring volatility, some support is not excluded over the next hours.



**Coal Buy Price: £33.55/tonne**



## Carbon Buy Price: €6.98/tonne



## News

### European spot power prices jump reflecting stronger heating demand amid cold spell.

Crude oil prices dropped on Monday, dropping more than \$1 a barrel, dragged down by market's fears about supply glut and dipping to their lowest level since May 2009. Global benchmark Brent crude decreased \$1.57 to close at \$57.88. U.S. crude tumbled \$1.12 to end at \$53.61 a barrel, following Brent downward.

### Gazprom decided to purchase European partners out of South Stream pipeline

Gazprom has decided to purchase its European associates Wintershall, EDF and Eni out of the fragmented South Stream gas pipeline project, as stated by the companies on Monday.

**Brent drops towards \$57 since supply glut worries prevail**

Brent crude futures dropped towards \$57 a barrel on Friday since an excess of oil erased earlier support drawn from a larger-than-anticipated decline in U.S. crude stocks.

**Crude oil prices fell after a volatile trading**

Brent crude oil declined by a dollar on Friday following a day of nervous trading despite expectations of fresh investments in 2015, as strong mid-day hikes in crude oil vanished. Brent dropped 91 cents to close at \$56.42 a barrel. Previously, it hit a post-2009 low of \$55.48, having averaged around \$110 a barrel between 2011 and 2013. U.S. crude for February delivery eased 58 cents a barrel to close at \$52.69, before a constant 50-cent drop post-settlement.

**UK wind power breaks a new record high**

Wind powered more than a quarter of British homes in 2014, according to advocacy group Renewable UK, citing statistics from National Grid.

**Bigger gas outages than perceived earlier after storm**

Two separate Norwegian gas outages will be larger than earlier anticipated, diminishing export capacity by over a tenth, as stated by gas system operator Gassco on Sunday.

**E.ON to slash by 3.5% household gas prices in UK**

German utility E.ON unveiled is cutting British household standard gas prices by 3.5 percent, being the first from the British "Big Six" to pass on consumers savings as wholesale prices are tumbling.

**European power prices boost on wind power decline**

Crude oil declined 5 percent to its weakest level in nearly six years on Monday after Goldman Sachs prevented that prices would plummet further and Gulf oil producers showed no sign of slashing output. Brent slipped \$2.68, or more than 5 percent, to settle at \$47.43 a barrel, it's third-highest one-day decline since 2011 and its lowest close since March 2009. U.S. crude decreased \$2.29 to close at \$46.07.

**UK natural gas prices remain flat as outages end**

Crude oil decreased 5 percent to near six-year lows before rebounding on Tuesday as some traders moved to take benefits of large storage space in the United States. Brent dropped by 84 cents to settle at \$46.59 a barrel, after slipping to \$45.19, its weakest level since March 2009. U.S. crude declined by 18 cents at \$45.89, after striking an April 2009 low of \$44.20.

**European coal import prices prolong their downturn trend**

Global oil prices posted their largest hike in two-and-half years this month, recovering from a nearly six-year low as traders alienated from the bearish pressures of a worldwide oversupply to cover them on expiring options. Brent crude boosted \$2.10, or 4.5 percent, to close at \$48.69 a barrel, in its strongest daily percentage gain since June 2012. The benchmark reached a low of \$45.19 on Tuesday, the weakest level since March 2009, amid U.S. stocks build-up and a persistent global supply glut. WTI crude oil settled at \$48.48, boosting \$2.59, or 5.6 percent, the biggest gain since August 2012.

Meanwhile, European coal import prices plunged this week, prolonging a recent rout that has dragged the benchmark rate down about 25 percent to a premium versus Asian coal. Prices of coal for in February delivery at Europe's main import terminals in Amsterdam, Rotterdam and Antwerp (ARA) closed at \$57.70 a tonne on Tuesday, against around \$76 in mid-November. Coal prices have been crippled by ample supplies, while a mild European winter and fuel competition have sapped

coal demand. European spot power prices were curbed by forecasts for strong wind power on Wednesday. Germany's contract for Thursday delivery decreased by 6.25 euros to reach 25.25 euros/MWh, while the equivalent French contract declined 3.25 euros to hit 35.50 euros/MWh.

**Environment Agency gives Cuadrilla the green light to explore in northwest England**

Shale gas firm Cuadrilla Resources received permits from Britain's Environment Agency to perform exploration at a four-well site at Preston New Road, Lancashire, in northwest England, which could lead to hydraulic fracturing in the area.

**British Gas to cut gas prices by 5% on continuing volatility of wholesale prices**

Britain's biggest energy supplier British Gas announced it will cut by 5% annual gas bills for 7 million of households, blaming falling wholesale costs.

**EDF Energy to expand lifetime of UK Dungeness B nuclear plant to 2028**

EDF Energy declared it will expand the lifetime of its Dungeness B nuclear electricity plant in Britain to 2028, subsequent to the authorization of the UK nuclear regulator.

**Independent UK energy provider Ecotricity to reduce gas prices**

Independent British energy provider Ecotricity, specialized in supplying renewable electricity and gas to households, will reduce gas tariffs by 6.1 percent from May 1, passing on a cut in wholesale prices.

*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. *APX UK*
2. *Total Gas & Power*
3. *GdF Suez*
4. *European Energy Exchange (EEX)*
5. *Coal spot.com*
6. *European Carbon Futures*
7. *FT*
8. *Energymarketprice*

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