

# October 2014 - Market Summary

---

## Review of Market Trends

Report No. 08

Martin Rawlings

11/1/2014

### Contents

Macro Economics.....	2
Oil Market: Brent \$102.49/bbl, WTI \$94.55/bbl.....	3
European Gas Market NBP Price: 1.697 pence/kWh.....	4
UK Electricity Market Buy Price: £44.70/MW.....	5
Coal Buy Price: £35.72/tonne.....	6
Carbon Buy Price: €6.79/tonne.....	7
News.....	7

## Macro Economics

GBP	Closing Rate	% Change	
EUR	1.2591	0.88%	↑
USD	1.5685	2.10%	↓



### United States Dollar

Having dropped to an overnight low of 1.5970, following the end of Quantitative Easing in the US, Sterling spent the last week recovering some ground ahead of US GDP and Jobless claims numbers. Annualised US Q3 GDP came in at 3.5%, beating forecast by 0.5%, however Initial / Continuing jobless claims and Personal Consumption all disappointed. Initial Jobless claims printed 287K vs 283K exp, Continuing Jobless Claims posted 2.384M vs 2.350M exp and personal consumption expenditures prices fell to 1.2% vs 1.3% exp. The mix match of news saw GBP/USD fall initially to 1.5980 but quickly turnaround and rise to just below 1.6040. At month end the pair stage another turnaround hitting lows of 1.5967. With no UK data available movements will again be reliant on US news for direction. November sees the US post its Personal Income, Personal Spending, Chicago Purchasing Managers Index and Reuters/Michigan Consumer Sentiment Index. We open November with GBP/USD at 1.5985.

Blizzard anticipates a range of 1.5950 to 1.6030

### Euro

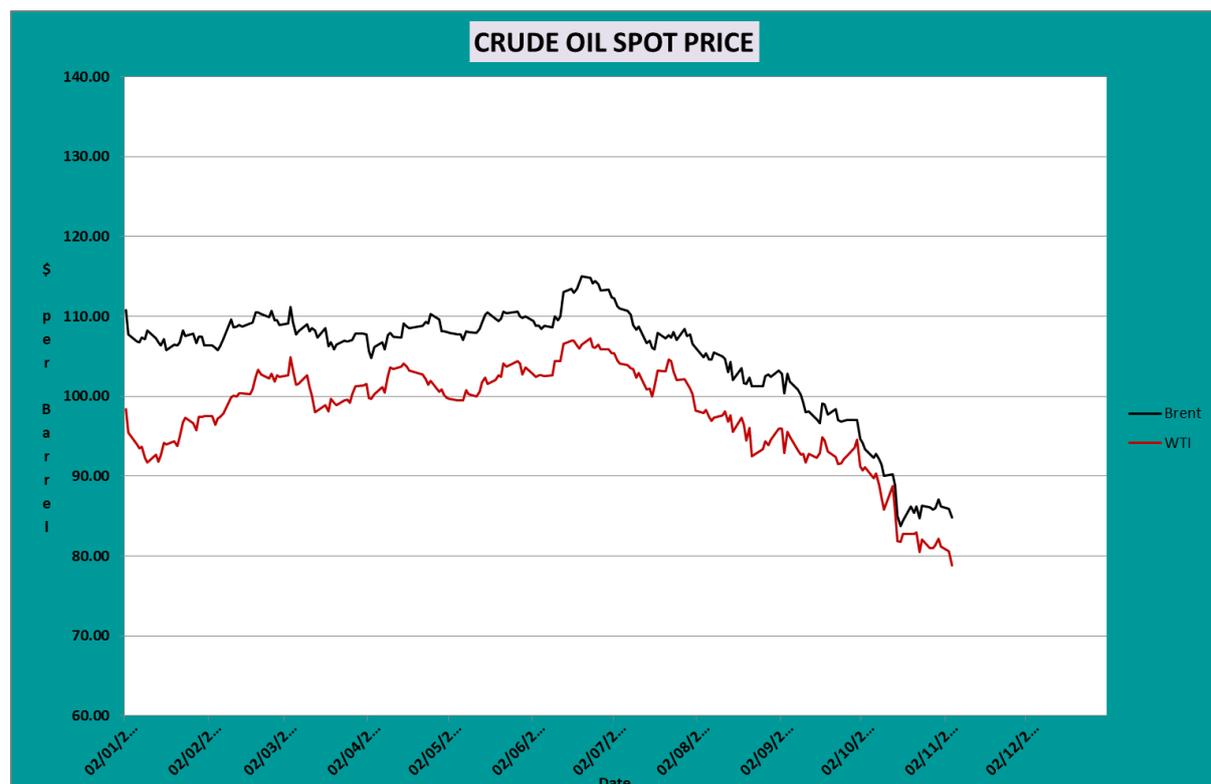
GBP/EUR experienced another relatively quiet month of trading. The German unemployment numbers showed their unemployment rate holding at 6.7% while the unemployment change fell by -22K. Europe's largest economy then posted their inflation figures for Oct. Year on Year CPI came in at 0.8% vs 0.9% exp, Month on Month CPI printed -0.3% vs -0.1% exp and the Year on Year Harmonised index posted 0.7% vs 0.9% exp. This did little for sterling however with the pair moving below 1.27 through the end of European trading. November markets opened to the news that Month on Month German retail sales fell by 4.7% from the previous month to -3.2%, sending

GBP/EUR higher. It now looks towards Eurozone Unemployment rate and CPI data due in a short while. November opened with GBP/EUR at 1.2730. EUR/USD as with the pound, the single currency spent much of October regaining some ground against its US counterpart following the disappointing Jobless claims and personal consumption data from America. Starting the month at 1.2575 the pair rose to just below 1.2630 by the end of the European sessions. Today's weaker than expected German Retail sales figures have sent it tumbling however. Today's docket is quite full for both sides as markets await the big news of Eurozone CPI and Eurozone unemployment rate plus this afternoons US personal Income / Spending, Chicago Purchasing Managers Index and Reuters/Michigan Consumer Sentiment Index.

Blizzard anticipates a range of 1.2680 to 1.2760

## Oil Market: Brent \$102.49/bbl, WTI \$94.55/bbl

<b>Brent ICE (USD/b)</b>	<b>85.15</b>	↓
<b>Gasoil ICE (USD/t)</b>	<b>739.25</b>	↓
<b>Fuel 1% Fob cg (USD/t)</b>	<b>455.60</b>	↓



**Close to close: UNCHANGED at \$ 87.12 /bbl for Brent ICE NOV14**

### **Why?**

Crude prices were on the decline amid usual bearish fundamentals and pushed down by a strengthening dollar. Brent is on course to end October with its steepest monthly decline since 2012 (-\$9/b, ~10% fall). Brent prices has briefly fallen below \$86/b but is trading around \$85.5/b at the end of the month while WTI nears \$80.5/b. Not much happened at month end on crude markets and

highlights came from economics with good US figures followed by USD rise and from gas markets with the deal found between Ukraine, Russia and EU.

**Main events:**

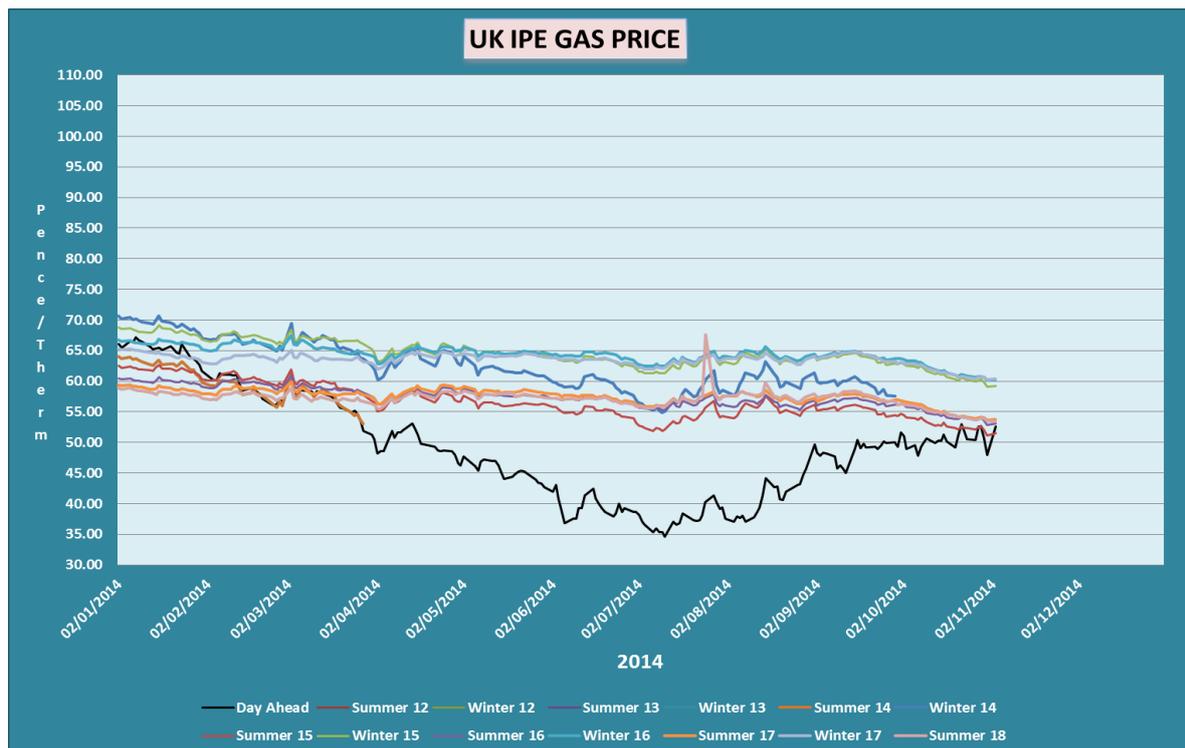
Indeed, Ukraine, Russia and the European Union finally signed a deal that will allow Kiev to receive vital supply of Russian gas for the winter after financial negotiations with EU. This could be the first step towards a normalization of relationships between Russia and the West 8 months after the first troubles in Crimea. This agreement is a bearish signal for markets as it could have positive consequences on situation in eastern Ukraine and on sanctions against Moscow later on. November will show if Putin really is in the de-escalation mood or if he keeps on playing poker with the West by, once again, taking one step forward before taking one (or two) backwards. Good US GDP figures (+3.5% - see daily eco) took USD higher with bearish impact on crude prices taking the EUR/USD pair close to 1.25. Iranian exports in September were 1.08 Mbd, back above the limit allowed under the deal that eased Western sanctions. World powers (P5+1 group) are negotiating to strike a permanent settlement with Iran on its disputed nuclear program by a Nov. 24 deadline.

**Outlook:**

Statements on Wednesday by OPEC saying the group will not cut output combined with the Russian gas deal are fuelling the bearish overall sentiment on crude markets. We have bearish outlook for today with a first support for Brent at \$85/b. We will be entering November, a month that will be a waiting period before the two deadlines on 24, Iranian negotiations, and 27, the OPEC meeting. Meanwhile, the trend will be driven by economics, refinery maintenance season and winter consumption with some always possible bullish events in Iraq or Libya.

## European Gas Market NBP Price: 1.697 pence/kWh

<b>Day Ahead (p/therm)</b>	<b>49.75</b>	<b>↓</b>
<b>November 2014 (p/therm)</b>	<b>52.05</b>	<b>↓</b>
<b>Summer 2015 (p/therm)</b>	<b>51.33</b>	<b>↓</b>



**Close to close: UNCHANGED at 23.50 EUR /MWh for TTF CAL 15**
**Why?**

Weak demand and comfortable supply pushed European spot and near curve prices significantly lower. Additional bearish pressure came from confidence that a deal between Ukraine and Russia was within reach. At the close and for their last day of trading, NBP ICE November 2014 prices dropped by 1.50 pence/therm (-2.75%), to 52.950 pence/th. TTF ICE November 2014 prices were also significantly lower at the close: -0.42 EUR/MWh (-1.83%), to 22.431 EUR/MWh. The drop was slightly weaker for TTF ICE cal 2015 prices: -0.23 EUR/MWh (-0.96%) at the close, to 23.275 EUR/MWh.

As expected, Ukraine and Russia reached an agreement to resume Russian deliveries. The deal guarantees Russian gas deliveries until March 2015. Ukraine would pay \$3.1 billion in two tranches by the end of the year to cover debts and will receive additional Russian gas at a cost of \$378 per 1,000 cubic meters until the end of the year, and at a cost of \$365 per 1,000 cubic meters from January to March next year.

This deal ending a long-lasting gas dispute should push European spot and near curve prices lower, particularly as mild weather should continue to limit demand.

On the far curve, we favor also a bearish outlook for cal 2015 prices as oil prices should not be supportive.

**UK Electricity Market Buy Price: £44.70/MW**

Day Ahead (p/kWh)	4.500	↓
Week-ahead (p/kWh)	4.630	↓
November 14 (p/kWh)	4.680	↓
December14 (p/kWh)	4.835	↓
Q1 2015 (p/kWh)	4.930	↓
Summer 2015 (p/kWh)	4.780	↓
Winter 2015 (p/kWh)	5.269	↓
Summer 2016 (p/kWh)	4.850	↓
Winter 2016 (p/kWh)	5.335	↓
Summer 2017 (p/kWh)	4.850	↓

**Close to close: DOWN at EUR 34.50/MWh for German power CAL 15**
**Why?**

The fundamental picture and the recent dynamic in markets were unchanged yesterday. Week- and month-ahead contracts remained supported by prospects of weak renewable generation in Germany next week amid cooler weather and higher consumption. Some outages at nuclear facilities in France also added some support probably: nuclear availability was revised down yesterday by French grid operator RTE.

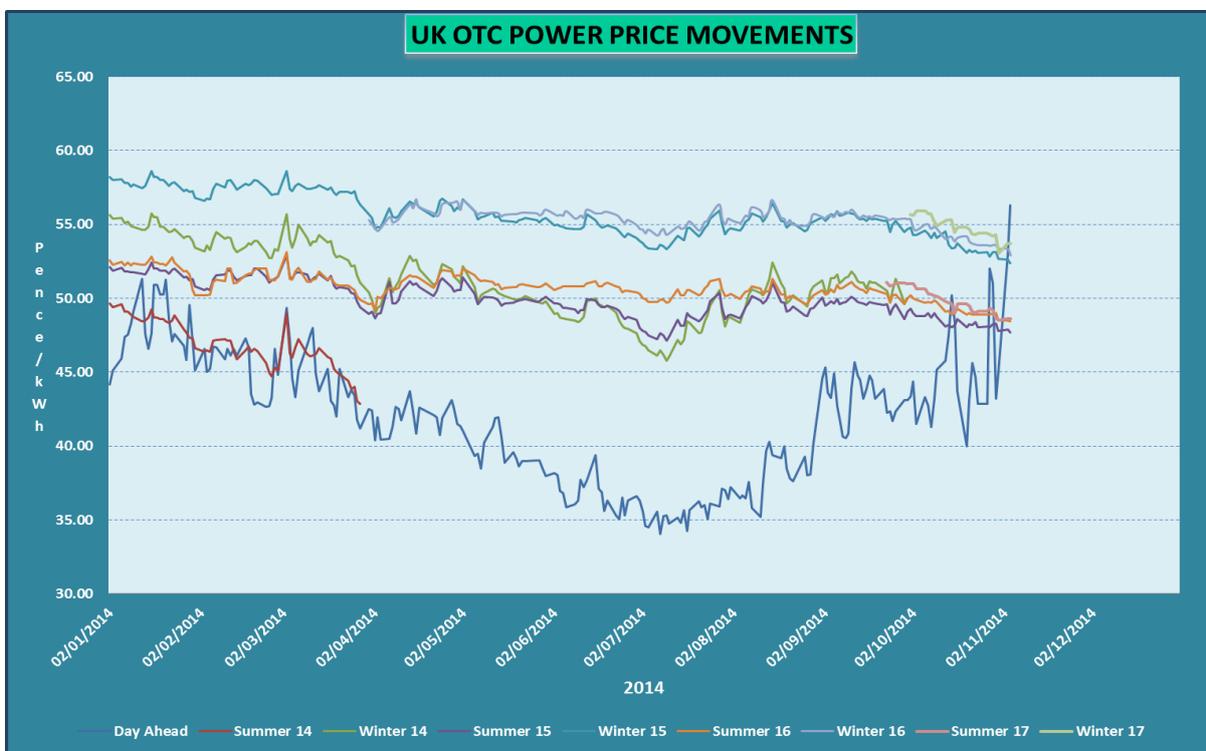
December baseload (the new front-month) prices in France were traded at €50.53/MWh at the close, German equivalents at €34.31/MWh. In Belgium, prices for December delivery were traded at €57.50/MWh at the close yesterday on ICE, Dutch equivalents at €45.85/MWh.

Overnight, Russia and Ukraine came to an agreement on the gas deal: Russia will resume gas supplies to Ukraine after several rounds of failed talks and the European Union and IMF reassured Russia about the financial aspects. The impact of this news will likely have an impact on winter maturities particularly. This morning already, December prices for example in France dropped by

€4/MWh almost. In the Netherlands and Belgium, this gas deal in Eastern Europe should also have a bearish impact across the curve.

In Germany, the impact might be more limited as clean gas costs are less relevant in terms of marginal costs of production. Also to mention was yesterday morning a brief and strong uptick in offer prices in France for cal17 and cal18 to €47.0 and 48.0/MWh respectively. A decree validated on Wednesday the methodology used by the energy regulator CRE to calculate regulated tariffs in France. This brought temporarily the sentiment that announced ARENH prices would also be validated. But this is not concretely the case still, so no deals were done at these levels and offered prices moved down. Another case of strong uncertainty regarding the wholesale power market in France...

For today, the outlook on clean coal costs is rather neutral: carbon contracts could be tempted to keep these levels in view of a European commission meeting organized by the ENVI committee in charge of the market stability reserve. German forward prices could therefore be stable until then.



## Coal Buy Price: £35.72/tonne



	Bid	Ask	Trend	Last Day
Month Ahead	71.90	72.25	↓	72.45
Cal 2015	73.90	74.05	↓	74.10

CIF ARA USD/tonne

## Carbon Buy Price: €6.79/tonne



## News

### GDF Suez opens first phase of gas storage project

GDF Suez on Friday opened the first phase of a new gas storage project which on completion will be the UK's largest onshore...

### Suppliers holding onto £280m of consumer cash, says Uswitch.com

The energy companies are holding on to more than £280 million of their customers' cash due to billing errors, according to...

### Carbon price hits eight month high

Carbon emissions allowances reached a fresh eight month high of €6.85 per metric tonne earlier this week as political...

### 'Ugly' politics destroying renewable jobs, says Davey

The "ugly" politics surrounding renewable energy is "destroying jobs", according to the energy secretary.

### Hancock: Shale is 'an opportunity we can't afford to miss'

Developing the shale gas industry in the UK is "an opportunity we can't afford to miss" according to the energy minister.

**Barker to advise Boris on a sustainable London**

London mayor Boris Johnson has appointed former energy and climate change minister Greg Barker as the chairman of the London...

**Collective switching sees 60,000 consumers change suppliers in 10 days**

A collective switching scheme has seen 60,000 consumers change their energy supplier in ten days, according to...

**Extraenergy to gain 30,000 new customers following collective switch**

Independent energy supplier Extraenergy is set to gain 30,000 new customers after submitting the winning tariff to a...

**Welsh Water launches new social tariff**

Welsh Water has launched a new social tariff that will help more than 100,000 customers to pay their water bills, the...

*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

**Disclaimer**

*This material is intended for information purposes only. It does not constitute an independent investment research, a personal recommendation or other general recommendation relating to transactions in financial instruments or an investment advice.*

*This material is intended for general distribution, it does not take into account any specific investment objectives, financial situation or particular needs of any recipient. It cannot be transmitted to any other person without the prior written consent of Blizzard Utilities Limited.*

*The information contained herein, including any expression of opinion, is not intended to constitute an offer or a solicitation to buy or sell any financial instruments, products or services, an investment research or an investment recommendation or other financial, investment, legal, tax or accounting advice or any other advice.*

*Further, all information contained herein has been obtained from and/or is based upon sources believed to be reliable is deemed to be clear, fair and not misleading but cannot be guaranteed as to accuracy or completeness. The views and opinions, forecasts, assumptions, estimates and target prices reflected in this material are as of the date indicated and are subject to change at any time without prior notice. The figures that may refer to past performance herein are in no instance an indication of future valuations or future performance. Blizzard Utilities Limited is under no obligation to disclose or to take account of this document when advising or dealing with or for its customers. Blizzard Utilities Limited nor any of its affiliates, directors, employees, agents or advisers nor any other person accept any liability to anyone for any direct, indirect, special, incidental, consequential, punitive or exemplary damages (including, but not limited to, lost profits) arising from the use and dissemination of this material or the information contained herein.*

**Blizzard Utilities Limited  
Exchange House,  
1 Selden Hill,  
Hemel Hempstead.  
HP2 4TN**

**Tel. 0845 873 7950**

**Email. [info@blizzardutilities.com](mailto:info@blizzardutilities.com)**

**URL. [www.blizzardutilities.com](http://www.blizzardutilities.com)**