April 2016 - Market Summary

Review of Market Trends

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United States Dollar
Cable pushed higher in April. The Dovish tone was set by the FED as interest rates were kept on hold and bets on future interest rates being sooner rather than later were pinned back from the expected June meeting. This tone continued into May’s session and growth figures supported this. GDP q/q posted 0.5 % versus an expected 0.7 % and against a previous 1.4 %. This showed that growth slowed to the fastest pace in 2 years and backed the bets interest rates will remain on hold for a period of time. The other noteworthy release came in the form of employment, unemployment claims to be precise and it came as a light relief to the US as it came in as expected. The growth news is what investors and markets have clung onto and cable has pushed back above 1.4600. GBP/USD 1.4640 – 8:45am. Middle impact data is due ahead, but nothing of real note. This does mean we are likely to see month end trading push volatility ahead of the UK bank holiday. There could be some profit taking on the recent Pound gains, so would be worth keeping an eye on.

Blizzard anticipates a range of 1.4540 to 1.4710

Euro
Data releases have been thin on the ground for the Eurozone and month end saw no change to this. Data elsewhere drove general movement, however a Greek deal edged closer. Greece and its lenders continued talks, almost reaching a conclusion on reforms thin the current bailout programme with further contingency measures being the sticky point. These must be committed to by Greece however in exchange for debt relief negotiations. The May 9th deadline looks like it will be met. GBP/EUR 1.2850 – 8:45am. As mentioned in the USD commentary above, end of month and the bank holiday in the UK cannot be ignored for movement today with volatility expected.

Blizzard anticipates a range of 1.2790 to 1.2940

<table>
<thead>
<tr>
<th>GBP</th>
<th>Closing Rate</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUR</td>
<td>1.2672</td>
<td>1.21%</td>
</tr>
<tr>
<td>USD</td>
<td>1.4692</td>
<td>3.01%</td>
</tr>
</tbody>
</table>
## Oil Market: Brent $48.14/bbl, WTI $46.03/bbl

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<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Brent ICE (USD/b)</td>
<td>48.35</td>
<td>↑</td>
</tr>
<tr>
<td>Gasoil ICE (USD/t)</td>
<td>420.00</td>
<td>↑</td>
</tr>
<tr>
<td>Fuel 1% Fob cg (USD/t)</td>
<td>205.62</td>
<td>↑</td>
</tr>
</tbody>
</table>

### Close to close at $48.14 bbl for Brent ICE (This morning at $48.35/bbl)

**Why:**
Both benchmarks again posted significant gains and crude prices are set to post the strongest month since April 2015. Both contracts remain near new 2016 highs of $48.19 and $46.14 per barrel respectively for Brent and WTI. The resistance zone around $45/b for Brent was broken in less than a week due to the very strong current momentum and the market now heads towards the $50/b levels: indeed, there is a strong resistance zone at this level as Brent prices remained stuck into it, in the $47-51/b zone, during two month last year (September/October). There was no specifically bullish news to push prices but a weakening dollar and falling US output were supportive since.

### Main events:
Prices are rising while global output is set to climb in the short term to historical highs: indeed, in addition to Iran, Russia and Saudi Arabia that recently claimed they want to boost output, some outages are over or about to be in Iraq, Nigeria and the United Arab Emirates… Markets are also focusing on Venezuela where situation has worsened since the beginning of the oil rout and the country is now on the verge of Revolution. Apart from unreal decrees taken by President Maduro recently (government offices will be closed weekly from Wednesday to Friday and power rationing), Venezuelan state-owned PdVAs main oil refining complex is operating at a fifth of its nameplate capacity: The 940 kbd CRP refining complex was processing only 205 kbd of crude as of 19 April, according to a report from the local authorities. Tensions are running high in populous states and sporadic rioting or looting were already reported in 18 of the country's 23 states…
Outlook:
Crude markets are still very pushy and should start May on a new positive note. We see Brent prices stable to bullish again ahead of the contract expiration. CFTC report released should confirm the new long position of the speculators that supported markets. The $50/b resistance zone is now clearly in sight and May will be decisive to assess if this rebound is sustainable or not.

European Gas Market NBP Price: 1.063 pence/kWh

<table>
<thead>
<tr>
<th>Day Ahead (p/therm)</th>
<th>31.15</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 2016 (p/therm)</td>
<td>28.61</td>
</tr>
<tr>
<td>Winter 2016 (p/therm)</td>
<td>35.76</td>
</tr>
</tbody>
</table>

Close to close at 14.75 EUR/MWh for TTF CAL 17 (This morning at 14.95 EUR/MWh)

The NBP market started the month being short, but reduced its shortness gradually as LNG send-outs increased and other supply sources appeared. Norwegian gas deliveries moved up; BBL flows from the Netherlands increased moderately. The outlook on warmer weather weighed more swiftly on the NBP and TTF prompt market. In the UK, temperatures should be back above average levels as from Monday, on the continent as from Wednesday.

Also, the market is looking well-supplied. Langeled flows will increase by around 15mcm/day and LNG flows should be comfortable.

The NBP front-month contract moved down by p2.73/th to be traded at p29.55/th at the close. The TTF equivalent contract was down by €1.3/MWh to €12.63/MWh. Considering calendar contracts on the TTF, they also moved down, in line with weaker prompt and probably another downturn in power contracts. Indeed, most power-related markets were overbought and buying activity was likely coming off after a rally which started beginning of April.
The TTF year-ahead product was finally traded at €14.78/MWh at the close on ICE, €1.05/MWh down day-on-day. As from now, let us not be too bearish. Oil prices are holding tight (for whatever reason) and managed to rise again by $2/bbl overnight to be now above $48/bbl. In our view, gas prices could come off moderately in the morning, but later moves could pare part of these losses.

UK Electricity Market Average Buy Price: £34.59/MW

<table>
<thead>
<tr>
<th>Day</th>
<th>p/kWh</th>
</tr>
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<tbody>
<tr>
<td>Day Ahead</td>
<td>3.150</td>
</tr>
<tr>
<td>June 16</td>
<td>3.196</td>
</tr>
<tr>
<td>Q3 2016</td>
<td>3.275</td>
</tr>
<tr>
<td>Winter 16</td>
<td>3.990</td>
</tr>
<tr>
<td>Summer 17</td>
<td>3.410</td>
</tr>
</tbody>
</table>

Close to close at EUR 24.65/MWh for German power CAL 17 (This morning at EUR 24.99/MWh)

Why:
The prompt weakened significantly. Prospects of milder weather, healthier generation from lignite in Germany and nuclear power in France is cooling down the bulls a bit more. Earlier, the system had to face a couple of outages and a strike in France potentially lifting capacities. At the end of the day, the strike barely had any impact. On top of that, clean fuels costs are also down. All in all, buying pressure comes off and markets corrected lower.

The May baseload contract was traded down in France to €23.2 from 25.0/MWh. In Germany, the equivalent contract is off to €22.65 from 23.75/MWh. More interestingly, the Q117 contract baseload in France - which had been skyrocketing earlier this week as a carbon tax has a stronger impact on this maturity than any other in France - lost almost €3 from earlier levels to be traded at €34.66/MWh.
Main Event:
On the far curve, overbought market conditions with stronger selling and weaker buying interest once margins had increased spurred a downward correction on calendar products yesterday. If you look at clean dark spreads, they had risen in Germany on the Cal17 baseload product from around €3.3 to 4.2/MWh, which prompted more selling activity. Now, this CDS is at €3.7/MWh at the close on EEX. In France, the same CDS improved by almost €3/MWh within a week, from €7.3 to 10.15/MWh. However, selling pressure could dampen a bit while short positions could be largely covered.

Outlook:
Therefore, we would be cautious about the coming evolution, forecast still volatile market conditions but a neutral outlook. Indeed, we do not think that the French market is likely to correct even stronger down considering the now very-likely carbon tax: €30/MWh could be an interesting support level (from €30.4/MWh at the time of writing). The German baseload contract is now being traded at €24.9/MWh and remain around these levels as for now.

Coal Buy Price: £29.84/tonne

Carbon Buy Price: €4.93/tonne
**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

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*Countries coloured in more than one colour have two or more schemes in place*

*Source: ICIS, RES-Link Europe, 2016*

*Spain suspended its feed-in tariff scheme in 2012. In 2016 it is held in first tender, with the first auction resulting in no subsidies.*

*In Romania, government decisions weakened demand for green certificates, falling into producers’ revenues.*

*The existing feed-in tariff in Latvia is set to end for new installations from 2012 until 2020 due to concerns about corruption and a lack of transparency.*
Information & Data Sources

1. Total Gas & Power
2. GdF Suez
3. Haven Power
4. Coal spot.com
5. FT
6. ICIS
7. BBC
8. Guardian

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