March 2016 - Market Summary

Review of Market Trends

Report No. 03
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4/7/2016

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Macro Economics

<table>
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<tr>
<th>GBP</th>
<th>Closing Rate</th>
<th>% Change</th>
</tr>
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<tbody>
<tr>
<td>EUR</td>
<td>1.2381</td>
<td>4.09%</td>
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<tr>
<td>USD</td>
<td>1.409</td>
<td>0.89%</td>
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**United States Dollar**

Yesterday’s main release was the ADP non-farms, showing 200k new employees in March (vs a forecast of 195k), showing the strength of the jobs market in the States. Growing employment levels allow US consumers to spend more freely, in turn boosting economic activity. This helped the dollar to reverse some of its recent losses against the majors, moving from 1.4447 to current levels of 1.4344 against the pound. During the earlier trading sessions, Yellen’s comments still weighed heavily on the greenback, with the selling continuing across the board. The Crude Oil inventories release did little to change markets. The only other major release is the number of unemployment claims, forecast to slightly increase. Tomorrow is the key release that the majority of the markets are waiting on. The pound’s recent rally came to an abrupt end in March, easing back from a 9-day high against the USD and a week-high against the EUR. This was ahead of a busy day for sterling, with the Current Account and Final GDP releases coming at month end. GDP is forecast to stay level at 0.5%, with the major driving sectors in the economy being household consumption and the services sector. The current account balance is expected to show a widening deficit, up to 21billion from 17.5billion. This could be further hit by the uncertainty ahead of the Brexit vote, with the Bank of England warning it could lead to reduced foreign investment, making the deficit more difficult to manage and Chicago Purchasing Managers Index for Feb. The Market opens the new month at 1.3870.

Blizzard anticipates a range of 1.4250 to 1.4450

**Euro**

The key release from the single currency was German CPI, showed inflation accelerated in March, growing 0.8%, versus a forecast of 0.6% and a previous release in February of 0.4%. This was a boost for the ECB in its fight against inflation, and we saw the Euro gain against both the sterling and
dollar. Today sees inflation data from 3 of Europe’s big players (Spain, Italy and France), before the 
CPI Flash estimate at 10am GMT as well as German unemployment data at 9am.

Blizzard anticipates a range of 1.2590 to 1.2690

**Oil Market: Brent $38.86/bbl, WTI $38.32/bbl**

<table>
<thead>
<tr>
<th>Market</th>
<th>Price</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brent ICE (USD/b)</td>
<td>38.86</td>
<td>↓</td>
</tr>
<tr>
<td>Gasoil ICE (USD/t)</td>
<td>345.25</td>
<td>↓</td>
</tr>
<tr>
<td>Fuel 1% Fob cg (USD/t)</td>
<td>159.89</td>
<td>↓</td>
</tr>
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</table>

Close to close at $39.26bbl for Brent ICE (This morning at $38.86/bbl)

Why?

Brent futures touched a two week low early this month at $38.78/b after strong gains intraday during 
the session. Brent even reached $40.61/b just after the EIA report. The report was the main market 
mover: it was first seen as neutral by the markets with some bearish signals (rising crude stocks and 
record level) together with some bullish ones (rising refinery run rates, declining output). After a 
small lag, prices moved strongly downward, markets focusing on short term concerns about the oil 
glut rather than the possible rebalancing in the medium term due to shale decline.

**Main events:**
The EIA report was in line with expectations and showed a limited increase of commercial crude 
stocks (+2.3 Mb), products inventories on the decline (-0.8 Mb) and output slightly below last 
month’s level. Demand remains quite high in US and, despite another increase of refining run rate 
(+2% to 90.4 %), stocks dropped 800 kb wow, mostly driven by a -2.5 Mb drop of gasoline 
 inventories. Crude production fell 16 kbd, leading to an estimated output of 9.02 Mbd.
About Supply, two news articles fueled concerns about a persisting oil glut. First, according to REUTERS, output from the OPEC rose in March to 32.47 Mbd from 32.37 Mbd in February: while Saudi Arabia kept its production “frozen”, the Iranian production rise (since sanctions lifting, +230 kbd according to RUETERS and +900 kbd according to Iranian officials) offset Libya, Nigeria and UAE monthly decline (mostly due to outages and maintenance).

Then, talking about Iran, Fatih Birol, the head of the International Energy Agency, estimates Iran will add half a million barrels of oil supply a day within a year from its existing oilfields. He added that developing new fields would take time as well as finding transmission routes and having the necessary market conditions.

**Outlook:**
The economic agenda thickens with the US job report tomorrow and main market mover today will be the Euro zone CPI (11 am - see daily eco) but only limited impact on the crude markets is expected. May contracts for Brent will expire tonight and is trading 60 cents above at the moment. For Brent spot prices, we think the downward momentum could continue today but the June contract could remain above.

**European Gas Market NBP Price:** 1.035 pence/kWh

<table>
<thead>
<tr>
<th>Day Ahead (p/therm)</th>
<th>29.00</th>
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<tbody>
<tr>
<td>April 2016 (p/therm)</td>
<td>29.00</td>
</tr>
<tr>
<td>Summer 2016 (p/therm)</td>
<td>27.50</td>
</tr>
</tbody>
</table>

Close to close at 13.48EUR/MWh for TTF CAL 17 (This morning at 13.43EUR/MWh)

**Why?**
Prompt gas contracts continued to be moderately up as wind output in the UK and reduced storage withdrawals were supportive.
Rough storage withdrawals are indeed around 10mcm/day for the time being, against 20 mcm/day ten days ago and levels of 30 mcm/day over February. In terms of renewable power, and after a rise, current forecasts suggest wind generation to be quite limited for next month.

**Main Event**

On the continent, gas consumption for power generation is not foreseen to come off soon as prospects for wind power are very weak in the coming days. Consequently, the NBP front-month contract was traded yesterday at p29.20/therm, 0.5% higher day-on-day. The TTF equivalent product was flat at Eur12.05/MWh.

**Outlook**

On the far curve, the TTF year-ahead product inched up to €13.48/MWh, on some limited movement in near-term gas contracts. The impact of oil still seems pretty limited. For the moment, tensions on the prompt could dampen slightly but this may have limited impact on the far curve. We would therefore be rather neutral on the TTF year-ahead contract in the coming hours.

**UK Electricity Market Average Buy Price: £34.59/MW**

<table>
<thead>
<tr>
<th></th>
<th>May 16 (p/kWh)</th>
<th>Q3 2016 (p/kWh)</th>
<th>Summer 2016 (p/kWh)</th>
<th>Winter 2016 (p/kWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Day Ahead (p/kWh)</td>
<td>3.250</td>
<td>3.265</td>
<td>3.195</td>
<td>3.724</td>
</tr>
</tbody>
</table>

Close to close at EUR 21.60MWh for German power CAL 17 (This morning at EUR 21.55/MWh)

**Why?**

The Day-Ahead contract has lost over £1.50/MWh from its last assessment, due to higher wind generation forecast along with warmer temperatures. This should ease the level of weather driven demand and reduce the level of gas-fired generation required to meet peak consumption hours.

**Main Event**

The West Burton B-3 and Cottam-2 coal units will come offline until 19/07/2016, but this outages has failed to relieve much bearish pressure.
Contracts at the front of the curve have also tracked downwards, under weak pressure from equivalent gas products. The announcement that the Fiddler’s Ferry coal plant will remain open until 2017, despite originally being set to come off the grid by April has also undermined near curve prices. Bearish sentiment from the Brent Crude and coal benchmarks has ensured that the majority of later-dated contracts are in negative day-on-day territory as well.

**Outlook**

News that increases in Iranian and Iraqi oil output have ramped up OPEC’s overall production in March has suppressed Brent, as this has rebuffed hopes that global oversupply is beginning to ease. Soft signals from crude have pushed into the coal benchmark to weigh it down below its close point.

**Coal Buy Price:** £30.87/tonne

![Graph of Thermal Coal CAPP Price](InfoMine.com)

**Carbon Buy Price:** €4.93/tonne
News

**TRIAD NOTIFICATIONS 2015/16**

National Grid has published the dates and times for the Winter 2015/16 Triads which will be used to calculate TNUOs costs for 2016/17.

**WHEN WERE THE TRIADS?**

- **Wednesday, November 25th 2015, Period 35 (17:00-17:30)**
- **Tuesday, January 19th 2016, Period 35 (17:00-17:30)**
- **Monday, February 15th 2016, Period 37 (16:00 – 16:30)**

**BUCKING THE TRENDS**

Over the past eight years, the earliest Triad occurred on November 25th and the latest on February 2nd.

The 2015/16 Triad was

**TWO WEEKS LATER**

22 of the previous 24 triads occurred between 17:00 and 17:30 and 2 occurred between 17:30 and 18:00. This means the February 19th (2016) triad is statistically late in the day having occurred between 18:00 and 18:30.

The winter of 2015/16 started unusually mild and most of us did not see temperatures approach zero until mid January and then again in the second half of February.

Wind speed also affects triads – all three 2015/16 triads occurred when speeds were below average.

**3GW ON JANUARY 19TH, DEMAND WAS 3GW HIGHER THAN THE OTHER TWO TRIAD PERIODS**

Demand-Side Management may also be impacting Triads. More and more businesses are switching off loads or starting stand-by generators during Triad warnings in an attempt to reduce the triad charges.

The more businesses that participate in demand-side management and shift load outside of peak periods, the less predictable Triads could be in future.
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. ICIS
7. BBC
8. Guardian

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