

## Expectation

Oil



The price rally on the international crude oil markets continued yesterday. The market still has its eyes on the US-China trade talk, where there is still strong optimism that the countries will be able to reach a deal which will put an end to the long-lasting conflict. Furthermore, there are signals that global supply is decreasing. OPEC and Russia are cutting supply in accordance with their recent production deal, and the US rig count indicates less production in the US as well. The Brent front month contract closed the day at 61,44 USD/bbl. Thursday, we expect a slight downwards adjustment.

Gas



For a second straight day, the European gas markets edged up yesterday. There appears to be a consensus on the market that we will face cold winter weather at the end of January, as some forecasts suggest temperatures 4-5 degrees below average during this period. This has led to improved buying interest in gas. The continuous upturn on the related oil market added to the bullish sentiment.

Coal



After the European coal market reached a nine-month low earlier this week, it has now re-found some momentum due to the prospects of cool winter weather in Europe during the forthcoming weeks. The API 2 Cal-20 contract closed the day at 82,20 USD/t, up 0,21 USD/t from Tuesday. The market also has eyes on China, where demand remains low. This will likely continue at least until the Chinese New Year in February. We expect the market to return to the bearish sentiment today.

Carbon



On the European market for carbon emissions, we saw a movement yesterday opposite to the one on the fuel markets. The benchmark quota contract fell 0,81 EUR/t and closed the day at 22,03 EUR/t. The market faces a bit higher supply in early January compared to last month, where we saw sharply rising prices, despite the fact that the EU's MSR scheme has finally been launched from New Year.

Hydro



During the forthcoming weekend, temperatures in the Nordic area will fall from the current level slightly above normal to a level 2-3 degrees below average. From then on, the weather will only get colder, and at the end of week 3, we could see the level drop to 5 degrees below normal or more. This forecast is largely unchanged from what we saw yesterday. The hydro balance's deficit has increased to 17,4 TWh.

Germany



The bearish sentiment on the CO2 quota market overshadowed the fuel gains yesterday, at least on the German power market. Despite the upturn on the coal and gas markets, and cooler weather forecasts for the remainder of January, most contracts in Germany edged down. The Cal-20 contract fell 0,60 EUR/MWh and closed at 47,50 EUR/MWh. We expect the market to stabilize today, with either a neutral session or a slight downwards adjustment.

Equities



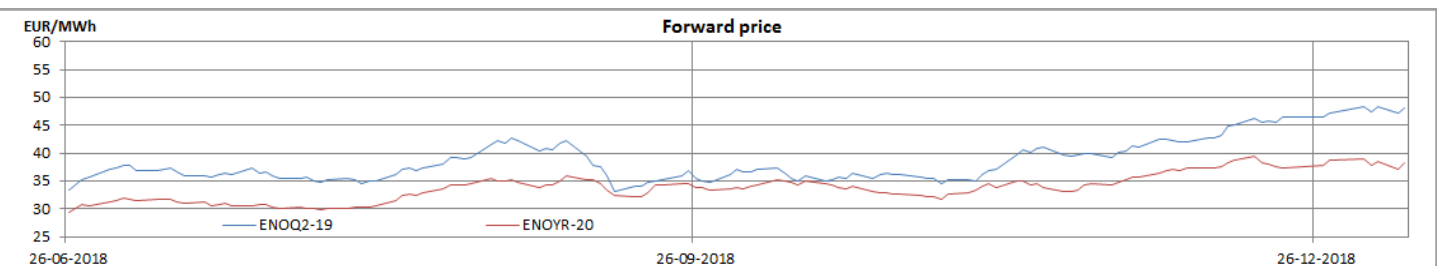
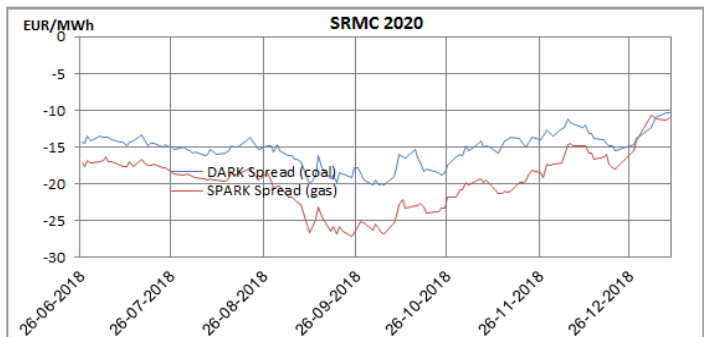
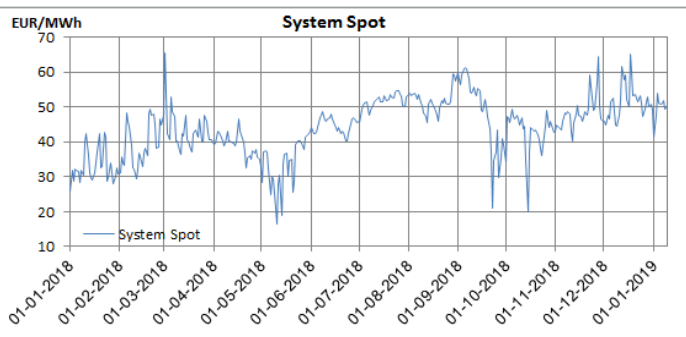
Yesterday, the bullish sentiment continued across the stock markets. The Stoxx600 Index was up 0,53 % after another day with optimism regarding a solution to the US-China trade war. Fluctuations were quite limited on the US market, and there appears to be a wait-and-see feeling on the Asian markets as well early Thursday, as everyone is awaiting further news from the talks in Beijing.

Conclusion



Following some days with quite big fluctuations, the Nordic power market saw a more calm session Wednesday. The market received mixed signals, as the cool forecasts and the rising fuel prices were offset by a bearish sentiment on the carbon market and in Germany. The Q2-19 contract ended up falling 0,50 EUR/MWh to 47,60 EUR/MWh, while the YR-20 contract fell 0,29 EUR/MWh to 37,86 EUR/MWh. Today, we could see a largely neutral session as the weather forecasts are largely unchanged and Germany seems set for sideways trading as well.

Spot	DK1	DK2	SE3	SE4	HEL	OSL	SYS	Forwards	DK1	DK2	STO	MAL	HEL	OSL	SYS	SRMC	Coal	Gas	Oil
08-jan	34,50	34,50	49,50	49,50	52,07	49,63	49,50	February	55,90	59,35	61,55	63,45	63,90	60,20	59,95	February	48,51	52,95	68,63
09-jan	40,18	40,18	50,07	50,07	58,12	50,47	50,31	Q2-19	49,55	50,85	49,00	50,85	52,10	47,55	47,60	Q2-19	48,25	47,76	72,06
10-jan	59,59	67,92	59,51	64,64	59,62	59,59	53,80	2019	43,29	44,66	40,11	41,36	42,61	37,81	37,86	2020	47,65	48,44	72,06



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