Following two straight days of gains, the international oil markets returned to the bearish sentiment yesterday. The recent events on the oil market, with the collapse of the Russia-OPEC alliance and a sudden price war remain a bearish factor for the market, and the increasingly depressed global economy due to the coronavirus adds to the downside. The Brent front month contract dropped 1.05 USD/bbl to 26.34 USD/bbl. Volatility will remain high Friday and all directions are possible for the market from here on.

On an overall bearish day across the markets, the European gas markets extended the previous lows in yesterday’s trading. The day-ahead market reached the lowest level in more than half a year, and the NCG Cal-21 contract dropped as well due to continuous oversupply and decreasing demand. It settled at 12.92 EUR/MWh, down 0.16 EUR/MWh for the day and could very well edge further down today.

Thursday, the European coal market followed the oil and gas markets downwards. The market remains heavily oversupplied following two straight mild winters, but has managed to limit the losses over the last week. Coal demand is not expected to increase anything noticeable in the near future so any upside from here on looks limited.

After rebounding around 10 % during the previous few days, the European carbon market moved downwards once again Thursday. The lockdown of several nations across Europe continues and since there are no signs that the coronavirus is easing, the pressure on the carbon market continues. The benchmark contract closed at 17.35 EUR/MWh, down 0.16 EUR/MWh for the day. Another bearish session seems likely Friday.

Friday morning, we see a wetter weather outlook for the Nordic area than yesterday. Expected precipitation during the next ten days is almost twice as high as seasonal normal, as low pressures is set to dominate throughout the period. The forecasts remain a bearish signal for the Nordic power market early Friday.

With falling prices across the fuel markets and on the carbon market, the German power market edged down as well yesterday. Demand is set to decrease further due to the ongoing corona virus, and its effects on the country’s economy will likely be widespread and take several years to rebound from. Friday, we expect the losses to continue due to milder weather forecasts and bearish fuels, carbon.

The European stock markets climbed for a third straight day yesterday, with the Stoxx600 Index up another 2 %. The world has reacted positively to the new big stimulus plan in the US, but with no signs that the spread of the coronavirus is slowing, the optimism is fragile and could disappear very fast. The first signals Friday point towards a downwards adjustment.

Yesterday, the already record-low Nordic power prices fell further. The weather forecasts continue to suggest wetter weather than average during the coming weeks, and the bearish fuel and carbon markets added to the downside on the long end of the curve. The Q2-20 contract fell another 0.65 EUR/MWh to 7.10 EUR/MWh, while the YR-21 contract was down 0.25 EUR/MWh, settling at 20.55 EUR/MWh. All factors keep pointing downwards Friday where we expect the market to edge further down.