Oil

Following a couple of bearish sessions, a surprise drop in US stockpile levels led to a rebound on the international oil markets yesterday. The market had expected an increase, so the decline of 0.7 million barrels in US stockpiles was rather surprising. As a result, the Brent front month contract climbed 1.94 USD/bbl, settling at 31.13 USD/bbl. The market continues upwards early Friday on signals that demand is increasing in China.

Gas

On the European gas markets, day-ahead prices increased in Thursday’s trading after reaching an all-time low during the previous day. On the long end of the curve, we moved largely sideways as high supply from Norway and high storage levels across the continent limited any potential upside. We expect a bullish session today.

Coal

The European coal markets edged upwards in Thursday’s trading, on a day with bullish support from the oil and carbon markets. Furthermore, there are signs that prices could increase as the lockdown measures are about to ease in both Europe and more importantly, India. The API 2 Cal-21 contract climbed 0.27 USD/t, settling at 52.85 USD/t.

Carbon

On the carbon market, we saw a rather eventless session yesterday, with technicals still driving the market close to 19 EUR/t. The benchmark contract settled at 18.84 EUR/t, 0.17 EUR/t higher than the previous day. The upside is limited due to the weak macroeconomic outlook but the market appears to continue upwards early Friday.

Hydro

Early Friday, there are no changes to the cool and dry weather outlook for the coming weeks. Precipitation levels will drop below average during the next couple of days, and look to remain there as long as the eye goes. Although temperatures are set to rise slightly during next week, the level will remain below normal and the outlook remains bullish for the Nordic power market.

Germany

With rising prices on both the coal, and carbon market, the German power market moved upwards as well in Thursday’s trading. The country’s Cal-21 contract climbed 0.22 EUR/MWh, settling at 35.57 EUR/MWh. Cool weather forecasts added to the upside on the short end of the curve, and the market continues to rise today.

Equities

Following several bullish weeks on the financial markets, it appears as if we have reached another bearish phase. Yesterday, the markets continued to fall due to concerns that the recent recovery has possibly been overdone and that a second wave of corona virus could strike. The US markets recovered late in the day but the first signs from Asia early Friday are rather mixed.

Conclusion

Dry and cool conditions continue to dominate the weather forecasts, and this led to rising prices on the Nordic power market yesterday, with the Q3-20 contract up 0.60 EUR/MWh, settling at 10.25 EUR/MWh. The long end also climbed slightly, closing at 21.80 EUR/MWh, 0.07 EUR/MWh higher than the previous close. Today, we expect the market to climb further as the weather forecasts continue to offer bullish support, while the German power market climbs as well.