

Expectation

Oil



As Saudi Arabia cut official selling prices to Asia, demand worries related to impacts by the coronavirus and its delta variant are put into the spotlight again. The Brent front month slipped 0,39 USD/bbl on the day to 72,22 USD/bbl. U.S. supply on the other hand remains limited, as around 80% of production capacity in the Gulf of Mexico remains shut in the aftermath of hurricane Ida. While the market is slightly up this morning, we expect trading to be range-bound during the day.

Gas



European gas markets saw another session yesterday, where new all-time highs were set. Partly attributed to support from surging carbon prices, the move was also driven by the observation of heavily reduced flows of Russian gas at the Polish-German border crossing at Mallnow at times where demand is already high. With flows via Mallnow showing indications of a new increase, the market opens to the downside this morning, but one needs to be aware of possible volatility and a rebound.

Coal



Setting new multi-year highs for the European coal market, the API2 Cal-22 contract settled the day at 121,90 USD/t, up 2,96 USD/t from Friday. The overall strength is seen to find support from surging gas and power prices, that contribute to the improvement of coal-fired generation margins. In addition, the Asian-Pacific market sets a bullish tone as Indonesian exports are reduced due to weather related disruptions and export bans while India is in need to restock depleted storage. Also, the coal market appears to possibly take a step back today.

Carbon



After setting a new all-time high at 63,19 EUR/t, the Dec '21 benchmark contract retraced some of the gains to settle at 62,31 EUR/t. Still, a daily gain of 0,99 EUR/t has to be recorded. On the one hand, gas and carbon continued to spiral higher together, but rather muted wind forecasts for this and next week have been identified as drivers as well. A follow-through to the temporary slight downside this morning could occur, but losses could turn out limited due to buying interest forming.

Hydro



There are just small differences regarding the ECMWF today, with the precipitation level at roughly 7,5 TWh or slightly above normal. Most precipitation will be delivered the first five days before a new high pressure comes in over Scandinavia. Today, it is placed a little further to the south, which could give a possibility of showers to enter the north at some point. Temperatures are dropping to normal from a surplus of 2-3 degrees in the front. The GFS forecast is slightly drier with 6,5 TWh although with a tendency of being wetter in the end. The monthly outlook gives two dry weeks coming in. If we look at a seasonal forecast that was updated yesterday, it says dry September but a rainy October and November, which will be interesting to follow up later on. The hydrological deficit is now up to approximately 16,5 TWh.

Germany



With gas, carbon and coal prices heading higher in lockstep, the German power market had to follow suit. The Q4-21 contract at 113,50 EUR/MWh gained 2,40 EUR/MWh on the day. After setting a new all-time record at 91,45 EUR/MWh for the rolling front year, the Cal-22 finished at 90,90 EUR/MWh (+1,50 EUR/MWh on the day). At the same time, spot prices are continuously set at very high levels, which lends further support to the forward price curve. With gas and carbon indicating some weakness, the German power market also starts to the downside.

Equities



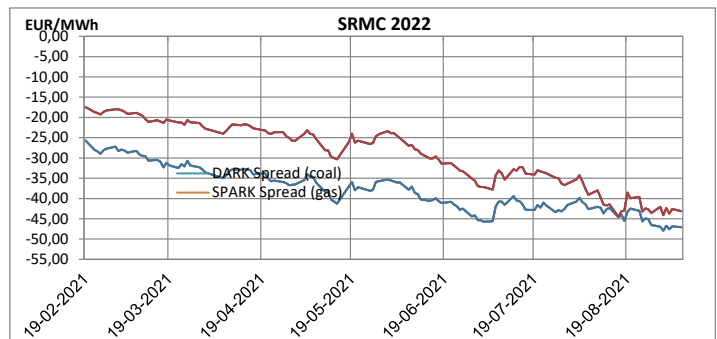
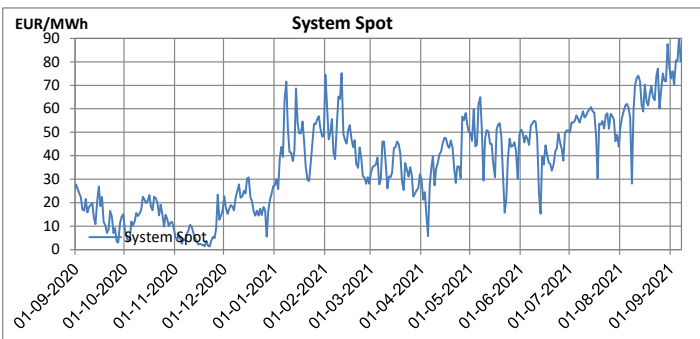
The Asian equity indices are in green, indices in the U.S. ended red yesterday and European peers were slightly green. Today and in the days to come, investors keep focusing about talks how the ECB is going to continue or not to support economies through monetary support. The tapering debate is to continue in their Thursday meeting. It is somehow expected that a reduction in PEPP purchases is about to begin as the macro situation looks improved. We expect small increase in equity indices today.

Conclusion



The Nordics power sector saw significant gains during yesterday's session. The Oct-21 contract at 72,25 EUR/MWh gained a massive 4,37 EUR/MWh on the day as still rather strong spot prices amid dry forecasts and low wind generation set the tone. Q4-21 gained 3,70 EUR/MWh to finish the day at 70,05. The YR-22 contract added 1,58 EUR/MWh to a closing at 44,78 EUR/MWh. Despite some wetter days nearby, the overall weather conditions still appear rather dry in the current forecast period, which could lend support. Possibly slightly weaker fuels and German power on the other hand could provide some counterweight.

Spot	DK1	DK2	SE3	SE4	HEL	OSL	SYS	Forwards	DK1	DK2	STO	MAL	HEL	OSL	SYS
05-sep	97,63	97,77	70,86	96,14	70,51	95,66	80,38	October	99,75	102,00	75,00	92,25	79,75	81,75	72,25
06-sep	127,82	127,36	98,37	126,45	98,37	115,23	90,91	Q4-21	97,55	100,98	73,25	94,05	79,05	84,55	70,05
07-sep	127,98	127,98	77,86	124,25	73,22	108,63	80,22	2022	75,78	79,78	47,41	69,78	56,51	55,78	44,78



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