

Expectation

Oil



Oil prices appear to continue upwards, as we see then Brent front month contract closing in on the 85 USD/bbl mark this morning. Lately, Saudi Arabia dismissed calls for increasing OPEC+ production despite demand being expected to rise. OPEC's intention is rather to stabilise the market and keep the previous agreement to increase output in place. Increasing demand is partly owed to possible switching from gas to oil amid the current energy crunch.

Gas



Low flows from Russia as well as lacking indications that Gazprom will increase flows soon, as Putin indicated earlier, remain a supportive factor to the market. In addition, currently cooler/cooling weather appears to spur heating demand, which in turn is slowing the pace of injections into storages. At the same time, the situation in Asia appears further tight. We expect this mix of factors to drive the market higher once more.

Coal



The coal market continues to be pressured by the situation in the far east, where production remains an issue. China is still experiencing flooded coal mines, pushing their market upwards. The European coal market initially opened with a jump upwards before falling back as well as turning around to gains at noon, nearly recovering the morning's losses. Eventually the API 2 Cal-22 closed at 156,37 USD/t (+4,80 USD/t on the day). We expect the tight supply situation will continue to give rising prices today.

Carbon



Carbon prices firmed yesterday, and we are above 60 EUR/t again. The Dec '21 contract gained 2,37 EUR/t to settle the session at 61,44 EUR/t. Recently, expectations of some kind of political intervention were high, but now this seems less likely because the ESMA (EU's financial watchdog) sees no evidence that speculation is a major driver. We assume this to support the market, while actors are focused on short-term movements in thermal markets. Demand for coal and gas and following gains may lift EUA prices to some extent.

Hydro



The wet and mild weather seems to continue with a dynamic situation in the Atlantic Sea. Low pressure activity has been high at the start of October, and it appears to continue. The high pressure system is situated more to the south over the continent, and is therefore an open road for a classic westerly flow. The ensemble ends up at 11 TWh in both the EC and GFS forecasts and regarding the operational solutions, they are even wetter and milder. Temperatures are slightly colder in the end, but with otherwise small differences in the overall pattern. The hydrological situation stands at a deficit of approximately 5 TWh including the wet forecasts for the coming 2 weeks.

Germany



The German power market saw prices heading higher throughout the day already, but another strong push in the afternoon warranted quite significant daily gains. The front month added 10,25 to a close at 203,75 EUR/MWh, the front year contract added 10,00 EUR/MWh to finish the day at 135,25 EUR/MWh. With gas, coal and CO2 prices advancing higher, this move did not come as a surprise. We'll probably see more upside today.

Equities



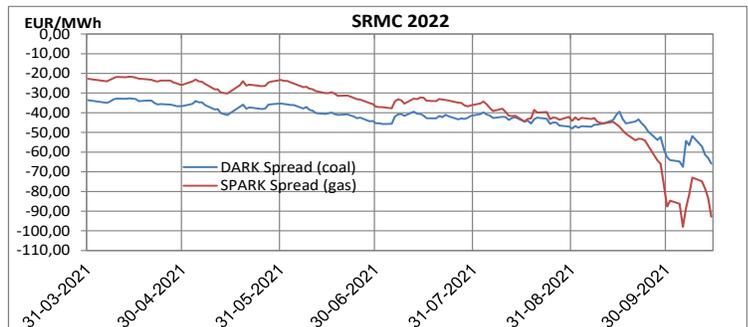
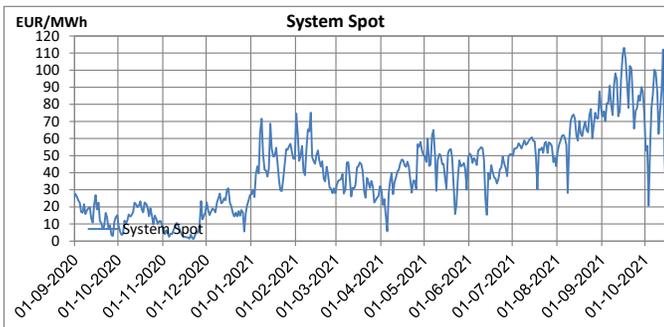
Yesterday, the global equities ended somehow stronger. In the U.S., the S&P500 ended with +1,7%, in Europe, the STOXX 600 ended at +1,2 %. This morning, in Asia, the Nikkei is +1,3% and Hang Seng +0,8%. We expect small increases today to continue. We base our estimate on futures price indications, earnings surprises and the Asian opening. However, nothing has really changed and the situation is fragile based on inflationary expectations.

Conclusion



Yesterday, we saw the front quarter contract for the Nordics dropping to 53,50 EUR/t initially, the lowest level in more than 2 months. Weather forecasts were carrying quite wet results, that improve the hydro situation and mount pressure for nearby contracts. Later in the session, prices turned around though as buying interest emerged. The front quarter at a closing of 53,85 EUR/MWh eventually added 0,05 EUR/MWh on its previous close. The front year added 0,55 EUR/MWh to a close at 37,15 EUR/MWh. We could see, that pressure from rising gas and continental power prices might outweigh weather impulses today.

Spot	DK1	DK2	SE3	SE4	HEL	OSL	SYS	Forwards	DK1	DK2	STO	MAL	HEL	OSL	SYS
13-okt	188,24	186,75	157,57	161,00	157,57	130,35	112,11	November	157,55	159,05	75,05	121,05	80,30	95,55	63,05
14-okt	119,77	109,19	78,36	104,36	73,04	100,46	50,65	Q1-22	146,85	151,85	66,35	138,85	80,35	86,85	55,85
15-okt	72,80	42,42	40,74	40,74	40,74	86,28	25,16	2022	102,40	108,40	41,58	103,85	55,25	52,90	37,15



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