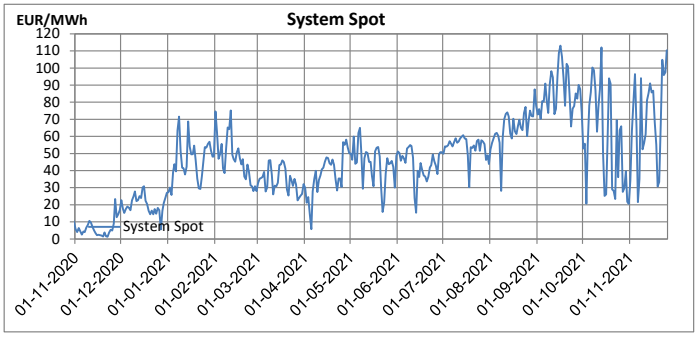
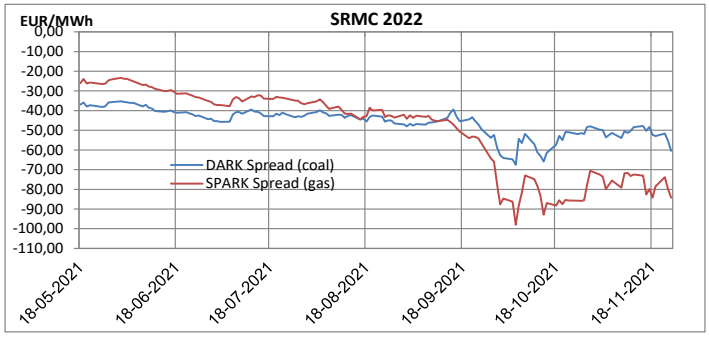
Morning Report November 25 2021

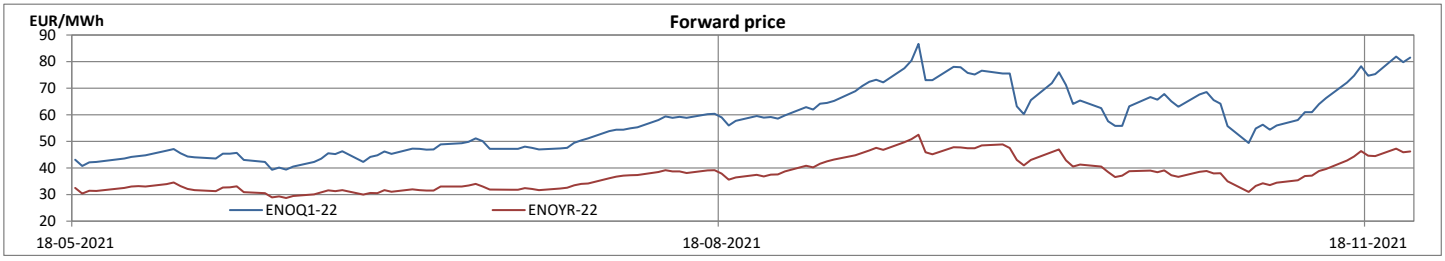
Energi Danmark SECURITIES

	Expectation	
Oil	→	After OPEC said a planned coordinated release of reserves may swell a crude surplus expected early next year, oil has been quite steady during trading hours around the world. The OPEC including producer's alliance meets to decide production policy during their next meeting December, 1-2. The Brent front contract ended up yesterday pretty much unchanged at 82,25 USD/bbl and continues trading at this level early Thursday morning.
Gas	↘	It has been a bearish start to the gas market yesterday, which was attributed to steady inflows into Europe as well as to the pronounced gains seen Tuesday. However, during the day, the bulls returned with signals of continuous low storage levels and lower than inflows from Norway and Russia than the day before. Improved Norwegian flows are weighing a bit on the market this morning. But as the weather trend remains cold in the short rund and with a weary eye on emissions, one needs to be alert of the risk of anothre turn-around.
Coal	→	Contract prices in the European coal market were pushed higher yesterday once more, extending their highest level in around 4 weeks. Cold weather across Europe, that is expected to last throughout the end of the month, is seen as supportive. At the same time, spot availability of cargoes is reported to be at rather low levels at the moment. Bullish gas and emissions prices add to the mix as well. The API2 Cal-2022 contract settled the day at 132,08 USD/t, up 5,95 USD/t. We expect today's market to be steady with chances of some more gains.
Carbon	↘	After Monday's new all-time high, emissions prices were seen falling back a little. That situation changed once more yesterday, where a strong market reaction sent the Dec '21 contract soaring to a new high of 73,18 EUR/t in the afternoon. This move was triggered by news that Germany's incoming government is planning to impose a price floor of 60 EUR/t, while the decarbonisation of the power generation should be brought forward from 2038 to 2030. The Dec '21 contract settled the day close to the high at 72,91 EUR/t. This morning the market seems to have overcome the intial reaction, but the risk of a reversal later in the day remains high.
Hydro	↗	Weather forecast show a cold midsection and thereafter a rise to more normal temperatures in the end according to EC12. In total, still almost 4 degrees below normal for the coming ten days. Precipitation is slightly below 2 TWh under normal levels and coming in at close to 5 TWh. High pressure in the north and low pressure activity hitting the southern part of Scandinavia and Northern Europe seem to be the main solution. The hydrological balance lands at 4,5 TWh below normal and deteriorates slightly day by day. The updated forecast from GFS this morning shows the same development but is drier and colder than before in the end. EC00 operational is also coming in drier and colder than before, so the situation is slightly bullish from yesterday
Germany	↘	The German power market initially moved on high level in a more sideways fashion yesterday, supported by firm gas and coal prices. Eventually, also here, the rallying emissions market delivered a bullish impulse, lifting contract prices markedly. The front quarter added 9,00 EUR/MWh to Tuesday's close and was last seen at 208,50 EUR/MWh yesterday. The front year at 138,24 EUR/MWh added 6,45 EUR/MWh on the day. With gas and emission starting softer this morning, the German power market follows suit, but with high uncertainty whether this holds throughout the day.
Equities	↗	It has been some days with losing momentum in Europe and fears of a new lockdown situation regarding the Covid-19 situation, mostly in Germany. After a long streak and trend upwards, it seems that a pause and some profit taking is forcing indices to a slightly lower level. Still, the markets are not that nervous, but if more restrictions are put on EU-countries, some selling could easily even affect the fuels markets and emissions market in the end, but far from the extent that we saw when the pandemic situation first occurred. Futures are today signaling a rebound from the last trading day's fall. 0.5 per cent lies in the cards at opening.
Conclusion	↗	Nearby contracts on the Nordic power market saw some marked gains yesterday, making up for losses that occurred Tuesday. The front month added 4 EUR/MWh to settle the day at 88,50 EUR/MWh, while cold conditions continue to be supportive in the short run until month end, while the hydro balance is expected to depreciate a bit further. Further out on the price curve, price changes were more muted with the Q1-22 contract adding 1,75 EUR/MWh to close at 81,50 EUR/MWh, while YR-22 gained 0,29 EUR/MWh only to end the day at 46,19 EUR/MWh. The market opened up this morning, but cannot completely ignore at least temporarily lower gas , emissions and German power, so the upside ssems a bit limited for now.

Spot	DK1	DK2	SE3	SE4	HEL	OSL	SYS	Forwards	DK1	DK2	STO	MAL	HEL	OSL	SYS
23-nov	137,77	155,91	122,10	122,10	129,12	110,17	95,85	November	151,25	149,50	100,25	163,50	100,75	126,75	88,50
24-nov	198,56	191,19	84,69	84,69	104,58	108,52	97,63	Q1-22	175,25	173,50	96,00	154,00	101,00	114,25	81,50
25-nov	124,94	103,72	103,72	103,72	108,65	112,09	110,37	2022	120,19	119,69	54,69	106,69	61,94	61,69	46,19







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