

Morning Report September 30 2022

Expectation

Oil



It was a volatile day for the Brent front month contract where it settled at 88,49 USD/bbl, 50 cent below the opening. Recently the bullish news have overshadowed with the falling crude and gas stockpiles in the US, next week's OPEC+ announcement of an expected decline in production as well as manufacturing numbers from China showing growth. Although the global economic outlook continues to push downward which will keep prices slightly elevated today.

Gas



European gas prices coupled with the previous session's move and weakened further yesterday. The Dutch TTF contract for November as the new front month settled at 203,748 EUR/MWh, down 19,304 EUR/MWh on the day. Solid storage levels and sufficient flows outweighed the situation around Nord Stream leaks. While Germany announced a price cap on retail prices, they stopped short of giving details on how this would be implemented. Today, the market is waiting for news around the meeting of EU energy ministers, who discuss EC proposals to save electricity. This morning trading starts cautious, but with some further downside.

Coal



Coal prices in the Asian-Pacific basin were lately reported to drop as import demand from China, India and southeast Asia is weakening on improved hydro generation and domestic production. This couldn't be mirrored in the European market though, where the API2 front year contract at its settlement of 286,48 USD/t gained 7,69 USD/t on the day. It remains to be seen, if the coal market can ignore further losses in the gas sector in case they persist.

Carbon



The market tried to break through the heavy support yesterday, but as guessed, it was a move that was not supposed to succeed. We are still standing around the 65 EUR/t mark and are awaiting the outcome of the negotiations from the EU. Probably we are not going to see any large movements today without more information and with regards to that we are heading into a weekend, no heavy positions will be opened up due to that. If anything we should hold the level with some smaller profit takings from the recent fall.

Hydro



Today we see a continuation of the trend from yesterday with a higher degree of precipitation in the midsection of the forecast. EC12 ensemble adds more intensity to the lows from the west because the high is placed more down on the continent, which gives a good path for the lows to ride in on. In numbers, we end up at 10 TWh which is 3 TWh above normal too. The EC12 operational is even wetter with 11,5 TWh in outcome. Temperatures are slightly above normal and wind power production is coming up as a trend in the end, as we saw yesterday. The inconsistency yesterday was that the GFS model was not that wet, but today it moves in the same direction as the EC model, although not really the same.

Germany



Dropping gas prices injected bearish momentum into the German power market yesterday, that could not really be outweighed by steady carbon prices and higher coal notations. The new front contract for delivery in November set its last trade at 451,00 EUR/MWh, 51,00 EUR/MWh below Wednesday's close. The front year was seen 43,00 EUR/MWh lower, ending the session at 467,00 EUR/MWh. The market seems rather illiquid this morning, but follows gas a bit lower.

Equities



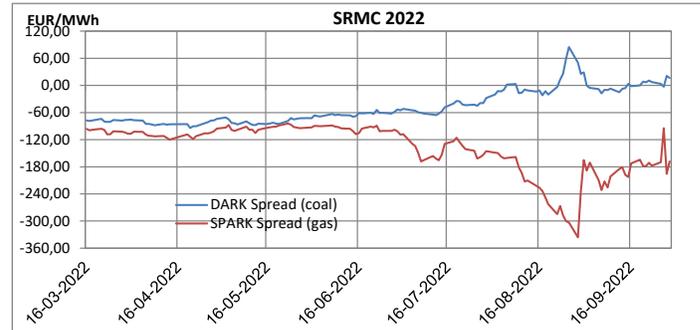
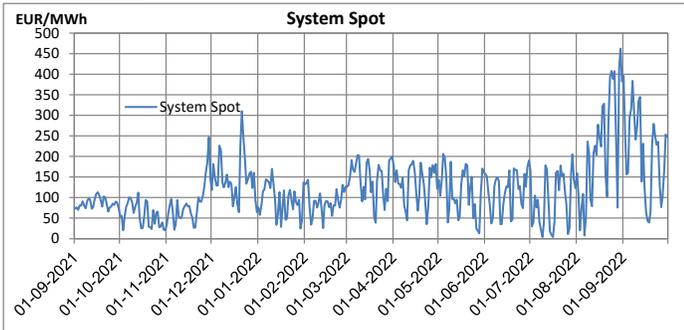
Temporary numbers of German inflation indicated a level just shy of 11 % surprising markets where Stoxx 600 and the DAX closed down 1,7%. The Fed and other central banks continue to hold their hawkish stance on the stubborn inflation levels. Today the temporary inflation for the EU will be revealed leaving markets in disarray over what to expect. As US and Asian stock markets has also fallen and financial data indicating a global slowdown it seems likely we will follow suit.

Conclusion



Another slow day on the Nordic power market as the participants awaits geopolitical news that will unfold today. Nevertheless the prices dropped with Q4-22 settling at 292,37 EUR/MWh and Cal-23 at 182 EUR/MWh, down 7,63 EUR and 3 EUR on the day respectively. On the last day of trading for Q4-22 we see an even wetter and milder weather outlook ahead. Additionally, the wind production looks set to rise, easing us into the start of an uncertain fourth quarter.

| Spot | DK1 | DK2 | SE3 | SE4 | HEL | OSL | SYS | Forwards | DK1 | DK2 | STO | MAL | HEL | OSL | SYS |
|--------|--------|--------|--------|--------|--------|--------|--------|----------|--------|--------|--------|--------|--------|--------|--------|
| 28-sep | 386,20 | 386,20 | 66,48 | 66,48 | 249,61 | 297,94 | 164,01 | October | 333,00 | 326,50 | 209,00 | 237,00 | 225,00 | 312,00 | 197,00 |
| 29-sep | 405,64 | 417,14 | 164,10 | 164,10 | 224,94 | 330,61 | 253,42 | Q4-22 | 426,37 | 415,37 | 314,62 | 377,37 | 345,37 | 417,37 | 292,37 |
| 30-sep | 314,10 | 315,49 | 192,92 | 192,92 | 376,44 | 276,70 | 247,54 | 2023 | 389,75 | 397,13 | 197,35 | 320,00 | 204,50 | 263,00 | 182,00 |



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