

FIS Weekly EUA Report

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EUA DEC24 -3.6%

EUAs Retreat as Gas Finds Direction

21/10/2024



SUPPORT: 61.74 , 59.33, 57.26 | RESISTANCE: 66.97, 69.72, 71.58

52-Week Hi/Lo: 90.74/51.55

Monthly Hi/Lo: 66.18/59.95

Historical Vol: 10-day 42.92 ; 30-day 29.65 ; 50-day 26.258 ; 100-day 27.7

OUTLOOK: NEUTRAL-BEARISH

Overview: EUAs closed down €2.34 (3.6%) on the week as bearish fundamentals in the energy complex appear to have provided direction, where ample supply and easing geopolitical tensions suppressed prices. A renewed strengthening of the Carbon/gas TTF relationship saw 5- and 10-day correlations at 0.92 and 0.69 respectively, up from 0.58 and 0.12 from the week prior. Looking ahead, warmer than average weather and a decline in German manufacturing orders, raises the potential for limited demand to compound the situation further. With an evolving situation in the Middle East providing a tentative direction and the surrounding fundamentals remaining consistent, a cautiously bearish sentiment now defines the market as we head into the cooling season.

Technical: The EUA Dec 24 contracts are moving lower, with price below all key moving averages supported by the RSI below 50, warning support levels are still at risk. However, we remain above key support at \$61.74, should this hold, then the futures will be vulnerable to a move higher. If broken, then the probability of the futures trading to a new high will start to decrease. Our Elliott wave analysis does suggest that the corrective wave cycle looks to have completed, meaning we maintain a cautious view on downside moves, even if key support is broken.



AUCTION LATEST

DATE	Auction Price	Auction Vol	Cover Ratio	Differential to Spot
16/10/2024	61.18	1,061,000	3.03	0.26
17/10/2024	63.10	3,287,500	1.69	0.06
18/10/2024	61.9	1,886,500	2.02	0.07

NEXT AUCTION: 21/10/2024

Weekly Energy and Power: Bearish

Gas TTF Spot : **HI 40.55/LO 39.38 -2.89 %** | German Spot Power Weekly Settlement: **76.76/MWh -0.42%**

European Natural Gas Futures settled lower for the week amid easing geopolitical tensions, ample supply and milder weather. Concerns over strikes on Middle Eastern energy facilities appears to have abated following a statement by Israeli prime minister Benjamin Netanyahu on Tuesday which appeared to indicate that Israel will heed to US pressure in limiting strikes to military targets. Gas prices have been largely propped up by this geopolitical uncertainty and with prices reaching a 10-month high on 7 October. Supply was quick to respond, with several vessels diverting from Asia to capture the price rise. Elsewhere Supply-side fundamentals remain significantly bearish with storage levels for LNG at 95% and consistent output from Norway suppressing upside movements in the market. A decline in German manufacturing orders of 5.8% (against the previous calendar year), raises the potential for limited demand to compound losses in the EUA market.

Commitment of Traders Data

INVESTMENT FIRMS	VOL.	CHANGE	OI
LONG	41,620.98	1,953.47	5.5%
SHORT	65,720.19	-227.85	8.68%
NET	-24,099.21	2,181.32 ()	-
CREDIT INST.	VOL.	CHANGE	OI
LONG	296,394.09	10,077.02	39.16%
SHORT	624,045.02	-16,701	8.35%
NET	-327,650.91	26,779	-
COMMERCIAL	VOLUME	CHANGE	OI
LONG	336,416.26	-27,869.09	44.46%
SHORT	64,275.55	1337.26	8.94%
NET	272,140.69	-29,206.38	-

Investment Firms: Funds maintain a bearish stance, having now reported a net short position for 63 consecutive weeks. Funds are exceeding their average 2024 long/short holdings (at 37.8mt and 59.1mt respectively). However, with funds overall long/short ratio increasing to 0.63 and a nominal reduction it is possible this trend is slowing as investment firms wait for clear market direction.

Credit Institutions: Credit Institutions remain heavily net short yet mirror Investment firms in reducing the size of this position as reductions in short holdings and vice versa result in a sizeable change in position.

Commercials: Commercials overall holding were down for the second consecutive week as net long holdings saw a decline to 400mt. A high open interest in long position suggests a sharp uptick in market activity, however the reduction in net longs signals caution.

SENTIMENT: Neutral

Market participants largely mirrored one another with a view to scaling back existing positions. We can infer from this that uncertainty (as to the future of the EUA market) largely defines the current outlook as firms look to limit exposure in either direction.

Highlights from Last Week

Monday 14th - Buyers shrugged off early sell side pressure on Monday as Carbon prices picked up from where they left off the week before. A bullish day on the market saw a 14-cent auction premium as the DEC24 contract traded at a day high of 66.18 with prices settling 2.1% higher by close of play. EUA buying was attributed to a renewed return of emissions' correlation with natural gas, as the 5-day moving average clocked a 0.88 (last week's figure stood at -0.59).

Tuesday 15th - Upside momentum continued in the morning session before slowing in the afternoon and eventually settling 1.3% lower by close of play. The relationship between EUAs and front month TTF gas continued to converge as 5- and 10-day correlations stood at 0.99 and 0.45 respectively, a statement which came as bearish sentiment defined energy markets amid rising US pressure on Israel to alleviate attacks on key facilities.

Wednesday 16th - The DEC24 contract fell precipitously throughout Wednesday, anchored by weak demand, warmer temperatures and sluggish front-month TTF gas. A 3.2% decline represented the largest single day drop-off in six weeks as the market settled at €63.03. It was an apathetic response to an over-subscribed auction, with the highest cover ratio of any sale in 13 months (3.03), clearing at a 26 cent premium.

Thursday 17th - The DEC24 contract traded in a cautiously bearish market on Thursday with trading largely rangebound, ultimately closing five cents lower at €62.98. A sizeable six cent auction premium and an improving gas TTF market failed to galvanize buyers amid low volume and placid weather forecasts. Bearish price action from a technical perspective saw prices break below a significant key support level at the 14-day moving average as price tentatively approaches key supports levels set between 61.79 and 62.04.

Friday 18th - Selling pressure forced a retreat in EUA as prices moved in tandem with gas in a tightening correlation and weaker energy markets. The final sale of the week cleared at a seven cent discount to the spot market price which, once again, was met with indifference from participants in the market. EUAs remained rangebound throughout the day and upside moves beyond €63.70 were repeatedly sold into and a surge of selling action as the market approached close saw prices settle at €62.28. This was 1.1% lower on the day and 3.6% down from the weak earlier

In the News

The EU has clarified its rules regarding the monitoring, reporting and verification system of greenhouse gas for offshore vessels in a slight expansion, encompassing more ships to be considered as offshore: [Commission adopts rules on the inclusion of offshore ships in the emissions monitoring system - European Commission \(europa.eu\)](#)

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