

FIS Weekly EUA Report

info@freightinvestor.com | freightinvestorservices.com | (+44) 207 090 1120

EUA DEC-24 7.5%

EUAs post their highest five day increase in six months

28/10/2024



SUPPORT: 65.17 , 63.43, 61.29 | **RESISTANCE:** 67.35, 69.72, 71.58

52-Week Hi/Lo: 90.74/51.55

Monthly HI/LO: 67.57/59.95

Historical Vol: 10-day 35.56 ; 30-day 31.86 ; 50-day 28.59 ; 100-day 28.65

OUTLOOK: BULLISH

Overview: The benchmark Dec24 contract closed up EUR4.69 (7.5%), its biggest weekly price rise since the first week of May, tracking a 9% spike in TTF gas. The energy complex was bullish as the geopolitical situation in Ukraine and the Middle East continued to threaten supply as we head into the cooling season. The relationship between EUAs and TTF remained strong throughout the week, however on Friday EUAs posted a moderate 0.5% gain while TTF surged 3.2% to EUR43.51 (the highest settlement for the November contract since December). EU emissions failed to make a significant push above EUR67.35, in spite of uninterrupted hikes in TTF. As such, this has now been identified as a key a level of resistance. From an economic perspective, there are signs the slowdown may be easing with modest growth posted in Europe's industrial index, however the outlook remains tentative, following the ECBs interest rate cuts last week. Meanwhile, temperatures look set to remain above seasonal norms in the near term and last week's geopolitical concerns appear to have eased this morning following a somewhat muted Israeli retaliation. As such, we may see some roll back on last week's gains.

Technical: Technically bullish, the MA on the RSI is implying that momentum is supported. We have now closed above the 200-period MA (EUR 66.12) if we can hold above the longer-term average, it will warn that resistance levels could come under pressure. Upside moves that reject the EUR 69.72 resistance will warn that there could be a larger bearish Elliott & wave cycle in play; however, our Elliott & wave analysis suggests this resistance should in theory be tested and broken.

AUCTION LATEST

DATE	Auction Price	Auction Vol	Cover Ratio	Differential to Spot
21/10/2024	62.30	3,287,500	1.59	+0.01
22/10/2024	61.22	3,287,500	1.6	+0.04
24/10/2024	64.60	3,287,500	1.57	+0.02

NEXT AUCTION: 28/10/2024

Weekly Energy and Power: Bearish

Gas TTF Spot : **HI 43.61/LO 40.03 9%** | Cal-25 German baseload power: EUR 92.25/MWh **1.6%**

TTF gas posted gains last week, largely bolstered by declining renewable generation, with lower wind speeds and heavy fog forecasted for next week. The market remains in a precarious state as the situation in the middle east continues to evolve. Specifically, there were concerns over supply interruptions through the vital strait of Hormuz as the market anticipated Israeli retaliation to Iranian airstrikes. These events largely explain the TTF unchallenged climb throughout last week, with a close of EUR 43.61 (up 9% on the week). European LNG supply remains down from last year prompting a triggering of an early withdrawal phase of European gas stocks (currently sat at around 95.31%). Looking ahead, temperatures look set to remain above seasonal norms for the near term.

Economy

The Economic situation in Europe remains fairly bleak, as the ECB cut interest rates 25 basis points last week in an effort to address below target inflation and stagnating growth. Figures released in the EU's monthly economic report provided some ground for hope with a moderate rise of 1.8% in the industrial index. Germany's economic situation reflected the cautiously hopeful sentiment as industrial figures depicted a lesser than expected contraction of 0.1%, which raised hopes the continent's largest economy can stave off a full-blown recession.

Commitment of Traders Data (Week ending Oct. 18)

TOTAL HOLDINGS: Total fund holdings decreased 1.9% (2Mt) last week. Long removals were responsible for 1.1mt decline, and shorts 956,000 with total fund holdings standing at 40.5mt and 64.8mt respectively. On average funds have held 37.9mt and 40.5mt in long and short positions respectively, with this being the 63rd consecutive week where funds have held a net short position

Investment Firms: The minimal scale of Investment funds increase in net short positions, within the context of last weeks strong bear market, is the key metric here. To some degree this was what sparked Wednesdays price hike.

Credit Institutions: Bearish bets remain firmly in tact for credit institutions, which expanded their position.

Commercials: Commercials expanded upon their bullish outlook in the market and with a relatively sizeable rise in long open interest commercials are committing to this position.

SENTIMENT: NEUTRAL/BULLISH

INVESTMENT FIRMS	VOL.	CHANGE	OI
LONG	40,531.18	-1,089.80	5.29%
SHORT	64,764.01	-956.18	8.46%
NET	-24,232.83	-133.63	-
CREDIT INST.	VOL.	CHANGE	OI
LONG	299,601.05	3,206.96	39.13%
SHORT	635,980.18	11,935.16	83.05%
NET	336,379.13	-8728.22	-
COMMERCIAL	VOLUME	CHANGE	OI
LONG	342,759.91	6343.65	10.52%
SHORT	62,719.17	-1,556.38	0.26%
NET	280,040.75	7,900.06	-

Highlights from Last Week

Monday 21st - Carbon EUAs started the week on a bullish note, with prices fluctuating from an opening at EUR 62.45 to a day high of EUR 62.95, as the market contested direction in anticipation of the daily auction. Price began to drop off toward the end of the morning session, before an intense burst of selling dropped the market by 30 cents in three minutes. This reflected similar losses in the TTF gas market, as the benchmark EUA contract came to a close of EUR 61.76, down 0.8% on the day.

Tuesday 22nd - EUA prices hit key support levels early on Tuesday with bearish sentiment defining the morning session. However, price did not threaten to break support and was rejected at EUR 61.29 almost instantly. Any downside pressure was nullified when reports of an outage at a north North Sea Sleipner gas production platform triggered a wave of buying which brought prices higher 50 cents. By midday prices had reached a high of EUR 62.56, before price action steadied in the afternoon with trading largely rangebound between EUR 62—62.50. The contract eventually settled 0.8% higher on the day at 62.25.

Wednesday 23rd - A rapid mid morning buying spree served to erase recent declines in the EUA market as prices soared from an early low of 61.71 to 64.90 by midday. The spike began following the commitment of traders report in which investment funds showed a minimal increase in bearish bets; a surprising move following last weeks bear market. Bullish sentiment was bolstered further by a significant 19 cent auction premium as EUAs move in tandem with a firmer gas market through key technical levels. From a technical perspective its probable that shorts were stopped out at levels 62.50 and 63.47 and, as the situation evolved into the afternoon, it was clear that buyers had consolidated their authority in the market with prices settling 4.2% higher at EUR 64.89.

Thursday 24th - The benchmark Dec 24 EUAs continued to climb into Thursday as bulls shrugged off a relatively small 2 cent auction premium. Sustained buying activity elevated prices through key technical levels, with some suggestion that the days gains were once again attributed to stop outs. A seven week high was hit at 67.57 before a weaker gas market shaved 80 cents off the EUA price, which settled at EUR 66.63.

Friday 25th - After a positive start in the morning session EUAs hit a recent high of EUR 67.36, before selling activity quelled further hikes. This may have occurred as traders looked to take profit, or reposition their short holdings, following a bullish week for EUAs which posted a 7.5% gain to close at 66.97 (the biggest 5 day rise since may). Analysts suggested that this may explain the relatively small daily increase in comparison to TTF which posted a 3.2% rise on the day. It was a strong end from a technical perspective and, with EUAs trading above key moving averages, the market is positioned for a trend reversal.

Contact

Robert Jones (Head of Emissions Broking)
+44 7727 479982
RobertJ@freightinvestor.com

William Addisson (Emissions Junior Broker)
william@freightinvestor.com

The information provided in this communication is not intended for retail clients. It is general in nature only and does not constitute advice or an offer to sell, or the solicitation of an offer to purchase any swap or other financial instruments, nor constitute any recommendation on our part. The information has been prepared without considering your investment objectives, financial situation, or knowledge and experience. This material is not a research report and is not intended as such. FIS is not responsible for any trading decisions taken based on this communication. Trading swaps and over-the-counter derivatives, exchange-traded derivatives, and options involve substantial risk and are not suitable for all investors. You are advised to perform an independent investigation to determine whether a transaction is suitable for you. No part of this material may be copied or duplicated in any form by any means or redistributed without our prior written consent. Freight Investor Services Ltd (FIS) is authorised and regulated by the Financial Conduct Authority (FRN: 211452) and is a member of the National Futures Association ("NFA"). Freight Investor Services PTE Ltd ('FIS PTE') is a private limited company, incorporated and registered in Singapore with company number 200603922G, and has subsidiary offices in India and Shanghai. Freight Investor Solutions DMCC ('FIS DMCC') is a private limited company, incorporated and registered in Dubai with company number DMCC1225. Further information about FIS including the location of its offices can be found on our website at freightinvestorservices.com