

FIS Weekly EUA Report

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EUA DEC-24 4.1%

EUAs Trade Higher Amid Energy Uncertainty

14/10/2024



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: 65.23/59.95

Historical Vol: 10-day 42.677 ; 30-day 29.948 ; 50-day 27.722 ; 100-day 27.645

OUTLOOK: NEUTRAL

Fundamentals: The benchmark DEC-24 contract settled 4.1% higher last week. The Carbon-TTF gas correlation, albeit delayed, made a return as EUAs tracked last week's price hike in the power and energy complex following concerns over supply from the Middle East. A significant week of trading saw heavy buy side pressure drive a price increase, supported by large volume early in the week. The discussion as to whether this represents a drawback or a full blown reversal hinges on the fragile balance of the Energy complex, which remains mired in geopolitical instability (more below).

Technicals: Technically bearish last week, the new low meant we had a positive divergence in play (not a buy signal, but it warned that we could see a momentum slowdown). We also highlighted we had intraday divergences in play on multiple timeframes. Upside moves above EUR 65.08 would mean the probability of the futures trading to a new low had started to decrease. A cautious bear, the futures were not considered a technical sell at those levels, as they could struggle to hold. Our analysis has identified downside moves that hold at or above EUR 61.74 will support a near term bull argument. Likewise, upside moves which are rejected at 69.72 will warn of a potentially larger bearish Elliot wave cycle in place.

AUCTION LATEST

DATE	Auction Price	Auction Vol	Cover Ratio	Differential to Spot
08/10/2024	59.85	3,287,500	1.56	-0.05
09/10/2024	61.18	2,833,500	1.39	-0.28
10/10/2024	63.30	3,287,500	1.69	0.09

NEXT AUCTION: 14/10/2024

Weekly Energy and PowerGas DEC24 TTF Spot : **HI 41.535/LO 38.640 -1.19%** | German Spot Power Weekly Settlement: **75.03/MWh -3.49%**

The price of TTF gas currently hangs in the balance, as a delicate trade-off between weak macro economic fundamentals and tensions in the Middle East leaves a volatile market without set direction. Last week's price hike, driven by geopolitically driven supply concerns appear to have been tempered by healthy and consistent supply from Norway and reports of diverted LNG cargoes from Asia to Europe. Elsewhere in the energy complex, fundamentals and price reflected a moderately bearish stance as German power traded down for the week amid bearish Chinese macroeconomic signals. With EU gas stocks sitting well above 90% the macroeconomic situation remains largely unchanged from last week. However, the events of the Middle East will likely define the future direction of the market and so caution is advised in extrapolating price movements until a clearer geopolitical picture emerges.

Commitment of Traders Data

Investment Firms: A comparatively bearish stance with increased net short exposure. Both long and short open interest remains fairly stable, but a slightly larger OI in short positions would imply that investment firms are sticking to their short.

INVESTMENT FIRMS	VOL.	CHANGE	OI
LONG	40,281.48	-3,657.65	5.06%
SHORT	66,465.01	3,244.09	8.35%
NET	-26,183.53	-6,901.73 (35%)	-
CREDIT INST.	VOL.	CHANGE	OI
LONG	308,820.66	11,784.91	38.79%
SHORT	663,250.57	14,029.02	83.36%
NET	-354,429.91	-2,244.09 (0.63%)	-
COMMERCIAL	VOLUME	CHANGE	OI
LONG	364,530.36	11,192.49	45.79%
SHORT	63,183.30	-408.09	7.94%
NET	301,347.06	11,600.56 (3.8%)	-

Credit Institutions: Despite increasing their long positions significantly, credit institutions remain heavily net short. Successive and significant increases in OI would imply a focus on hedging activities.

Commercials: Commercials represent the most bullish of the three taking an opposite stance to investment firms in reducing their short holdings and simultaneously increasing their long position. The significant long open interest relative to short is a strong indication of confidence in an EUA bull market.

SENTIMENT: MIXED

This week's main movement was a **35% increase in investment funds' net short position**. Overall, the CoT report suggests a mixed outlook with contrasting stances, specifically between commercials and investment firms. OI would imply investment firms are engaged in heavy hedging activity which may be a result of long positions on natural gas. For this reason commercials may reflect a more true assessment of sentiment in the mar-

Highlights from Last Week

Monday 7th - The week opened to a rapid slide in EUA prices, losing €1.20 in the first five minutes of trading to reach €60.35. Selling continued in the midday session as a 15 cent auction discount from spot and disappointing economic data from Germany factories (showing a 5.8% decline in factory orders) compounded bearish sentiment. However, in a remarkable late recovery, EUA prices erased early losses and prices settled just 0.5% lower in spite of a daily low at 3.2%. Massive volume at 61 Mt and the dramatic fluctuation of prices left the week poised for a reversal in what was a significant day of trading on the market.

Tuesday 8th - A selling frenzy defined the early session once again, as traders looked to test Monday's last gasp squeeze as prices fell from 61.92 to 60.31 just prior to the auction deadline. The auction itself cleared at a comparatively small discount of 5 cents, which triggered a short rally in the market. Those anticipating a rebound after Monday's trading were largely disappointed as the price settled at 60.29 in what was an anti-climactic day in the market.

Wednesday 9th - Wednesday marked the first significant move towards a reversal, with prices breaking through multiple key resistance levels. The market climbed to a daily high of €62.67, a 4% gain. Analysts attributed the surge to a technically bullish Relative Strength Index (RSI) and the psychological impact of holding the €60 level. The benchmark Dec24 contract closed 2.9% higher for the day, reinforcing the view that a rebound may be underway after recent losses.

Thursday 10th - Thursday saw a solidification of the market rebound, with EUAs surging 5% on the day. Bullish TTF gas futures, driven by concerns over escalating tensions in the Middle East, moved in tandem with carbon prices, signalling a renewed strong correlation between the two markets. Key resistance levels were broken, and an unusual auction premium of €0.09 above the spot price further fuelled bullish sentiment. With natural gas supplies in jeopardy, optimism took hold, pushing EUA prices to settle at €65, marking a significant recovery and reinforcing the market's upward momentum.

Friday 4th - A slight recourse on Friday saw a 0.6% loss on the day in what analysts have attributed to a corrective market drawback following on from significant price hikes. Analysts also pointed toward retracted TTF gas figures as the market awaits events in the Middle East for direction. The price largely remained rangebound and settled at a predictable 64.64 marking a 4% rise for the week

In the News

UK considers an extension of ETS free allocation period: initially scheduled to run until 2025 free allocation may extend in to 2026 to align with the UK Carbon adjustment mechanism [Britain considers extension of first UK ETS free allocation period | Reuters](#)

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