

# FIS Weekly EUA Report

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## EUA DEC-24 – 4.6%

### EUAs Pull Back on Last Weeks Jump

04/11/2024



**SUPPORT:** 63.49, 62.76, 61.29 | **RESISTANCE:** 66.11, 67.35, 69.72

**52-Week Hi/Lo:** 90.74/51.55

**Monthly Hi/Lo:** 67.57/59.95

**Historical Vol:** 10-day 33.843; 30-day 32.649; 50-day 29.642; 100-day 27.862

### OUTLOOK

**Overview:** EUAs closed 4.6% lower from the week prior as attempts to expand on last weeks bull market faced significant resistance, pulling back to a close of EUR63.87. A strong market early in the week attempted to push price higher however a lack of buying conviction hindered upside moves. Specifically, a key level was identified around the 100 period moving average with attempt to move beyond this point facing significant rejection on multiple occasions throughout the week. Downward pressure was compounded by substantial selling activity across the Energy complex. This came as bullish trepidation over events in the middle east appeared to unwind, as the geopolitical situation was judged to have lessened following contained Israeli strikes. Elsewhere, consistent North sea supply and waning demand, on account of strong renewable generation and above average temperatures, resulted in successive daily declines in TTF prices, with EUAs dropping off in accordance.

**Technical:** Technically bullish, we now have a neutral bias as price has breached the EUR 63.49 support, meaning the probability of the futures trading to a new high is starting to decrease. We have trend support at EUR 63.01, if we hold above the support line, it will warn we have the potential to see further upside within this phase of the Elliot Wave cycle; whilst a close below that holds below the trend line will leave support levels vulnerable. We maintain a note of caution on downside moves at this point due to the support line; however, there are conflicting signals, as price has rejected the Fibonacci resistance zone and failed to hold above the 200-period MA. If trend supports break, market bears will be in control.

## AUCTION LATEST

DATE	Auction Price	Auction Vol	Cover Ratio	Differential to Spot
28/10/2024	64.38	3,287,500	1.43	-0.20
29/10/2024	66.42	3,287,500	1.65	+0.09
31/10/2024	64.78	3,287,500	1.51	-0.06

NEXT AUCTION: 04/10/2024

## Energy Power and Price Drivers

Gas TTF Spot : **Hi 44.15/Lo 38.03** settle 39.94 **-9.54%** | Cal-25 German baseload power: EUR 84.740/MWh **-6.51%**

**Geopolitics:** The week opened on a subdued note, as Israel's long anticipated response to Iranian provocations was seen as measured, focusing exclusively on targeted strikes against Iranian military infrastructure. This approach signalled a restrained escalation. Should the situation evolve into a détente stage, the probability of a broader conflict jeopardizing LNG flows will decrease. However with the Iranian response currently unclear, the market remains cautious of this possibility.

**Supply:** EU gas stocks switched to net withdrawal on Oct. 29 with European Storage levels are down 3.79% on the last year, that said, they remain strong at 95%. Elsewhere, consistent supply from the North Sea and reports of a deal to supply Azerbaijani gas to Europe via Ukraine provided bearish sentiment in the latter end of last week. Whilst the latter is yet to be confirmed, the news resulted in substantial sell side price action on Thursday, with Analysts suggesting that this will hold a dramatic affect on the state of gas supplies to Europe throughout the winter months.

**Price action:** Any attempt to push price higher resulted in repeated profit-taking and sharp sell offs as bearish fundamentals appear to be the key driver of price in the TTF market. Conversely, technical levels were followed closely in the EUA Market which seemed to find resistance at the 200 day moving average (67.75). A failure to settle above this value on Tuesday was said to be a factor in subsequent daily losses throughout the rest of the week.

**Weather:** Above average temperatures are forecast to continue for the start of November in what is now a very delayed start to the cooling season. Windier conditions are also expected to bolster renewable generation, which may serve to further reduce demand for TTF gas.

INVESTMENT FIRMS	VOL.	CHANGE	OI
LONG	41,401.34	942.16	5.42%
SHORT	56,474.64	-8,314.37	7.39%
NET	-15,073.30	9,256.53	-
CREDIT INST.	VOL.	CHANGE	OI
LONG	300,969.51	1,368.46	39.37%
SHORT	644,912.76	8,932.58	84.36%
NET	-343,943.25	-7,564.13	-
COMMERCIAL	VOLUME	CHANGE	OI
LONG	338,857.74	-3,902.17	44.33%
SHORT	60,935.51	-1,783.66	7.97%
NET	277,922.25	-2,118.50	-

## Commitment of Traders Data (Week ending Oct. 25)

**Investment funds** cut their combined net short position to 15.1Mt last week, down 9.3Mt (38%) from 24.3 Mt from the previous week. This was largely Attributed to stop outs, triggered during last weeks significant price hike.

On average in 2024, funds have held 37.5Mt in long and 58.7Mt in short positions on a weekly basis; this being the 65th consecutive week that a net short position has been held.

## Highlights from Last Week

### **Monday 28th:**

OPEN: 66.25 CLOSE: 66.40 HIGH: 66.61 LOW: 64.61

The Monday morning session reflected bearish activity across the energy complex, as Israel refrained from striking energy infrastructure, opting instead to hit military targets. In the opening few hours EUAs traded rangebound between EUR65-66, before a 20 cent auction discount (the largest discount in over two weeks) spooked the market below the psychological EUR 65 level. EUAs rallied in the afternoon, ahead of TTF gas, as sustained healthy buying saw prices rise EUR1.50 in two hours, remaining above EUR66.30 until the settlement window. TTF gas, though slower to respond, mirrored this rally to a lesser extent closing 2.3% weaker on the day. EUAs comparatively stronger 0.9% drop off was interpreted as a signal of strength by analysts and a potential sign that the aggressive selling, which has come to define EUA trading recently, may be slowing.

### **Tuesday 29th**

OPEN 66.82 CLOSE: 67.28 HIGH: 67.75 LOW: 66.14

Trading picked up from where it left off on Tuesday morning as prices breached EUR67 prior to the daily auction. A 9-cent premium bolstered buying activity as prices reached a morning high of EUR67.50 breaching the 100 day moving average (EUR67.42). This position was used as a base for further price hikes with EUR67.75, representing the highest intraday price since Sep. 4th. Sellers re-engaged the market at this level forcing a drop off and a price settlement at EUR67.28, notably below the 100 day moving average, a result which was said to temper bullish momentum. This pattern of trading was also seen in the gas TTF market which saw heavy profit taking late on wipe out a bullish reversal. The benchmark November TTF contract fell from EUR43.750/MWh (the highest level since Aug.12) to EUR42.869, closing a modest 0.8% higher on the day.

### **Wednesday 30th**

OPEN 66.85 CLOSE: 65.47 HIGH: 67.19 LOW: 64.94

The benchmark DEC 24 contract hit its daily high within the first 2 two hours of trading before a bearish Gas TTF market provided sustained direction. It was a significant drop off in natural gas, as forecasts of temperatures above seasonal norms, steady supply and a continuation of heavy profit taking forced a collapse in price. The November contract settled 4.6% lower at EUR40.835/MWh. There was little reaction to the commitment of traders (CoT) report, which depicted an expected slashing of net short positions (38%) of investment firms, with stop outs associated with last weeks EUR6.07 hike the likely explanation. With the 5-and 10-day TTF EUA correlation both standing strong at 0.89, EUAs followed the TTF gas drop off, however a slight weakening of the correlation saw a slowing of EUA decline as the Dec 24 contract settled at EUR65.47 (2.4% lower on the day).

### **Thursday 24th**

OPEN 65.48 CLOSE: 64.58 HIGH: 65.95 LOW: 63.54

Early trading on Thursday set a bearish precedent for the day as price declined from the offset, breaking EUR65 prior to the days auction, which cleared at a 6 cent premium to the prevailing spot market. Price moved in tandem with a weaker TTF market which steadily declined throughout the day before news broke that the rumoured deal to ship Azerbaijani natural gas to Europe via Ukraine was nearing completion. This sent markets into a free fall with the Dec 24 contract dropping from EUR 64.54 to a six day low of EUR63.54, on the back of a 7% collapse in the front month TTF market.

### **Friday 25th**

OPEN 63.78 CLOSE: 63.87 HIGH: 64.96 LOW: 63.22

TTF gas and EUAs traded rangebound on Friday with Conflicting reports as to authenticity of the rumoured Azeri gas deal bringing indecision across the energy complex. An early attempt to unwind late losses from Thursday saw a brief EUR1.20 rally to EUR 64.96, before a 10 cent auction discount hindered upside momentum, as prices dropped back to stabilise between EUR 64.20-50 throughout midday. Sellers gradually eroded price throughout the afternoon as the DEC 24 contract settled just 10 cent higher than it opened at EUR63.87, Representing a 4.6% decline for the week.

**In the news:** European Carbon Emissions post 8% yearly decline [EU greenhouse gas emissions fall by over 8% in 2023 - The Brussels Morning Newspaper](#)

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