

FIS Weekly EUA Report

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EUA DEC-24 6.5%

EUAs Track Bullish Gas to Break Key Technical Levels

11/11/2024



SUPPORT: 66.34, 65.58, 64.56 | **RESISTANCE:** 69.72, 71.58, 74.75

52-Week Hi/Lo: 90.74/51.55

Monthly Hi/Lo: 68.28/62.37

Historical Vol: 10-day 35.49; 30-day 33.89; 50-day 31.06; 100-day 28.567

OUTLOOK

Overview: After a tepid start to the week across the energy complex, trading picked up on Wednesday following confirmation of the results of the US election. EUA prices tracked gains in TTF gas, bullish on colder than average temperatures and renewed concerns over a wider conflict in the Middle east. Technical buying became a significant price driver later in the week as prices settled above key areas of resistance at the 100 and 200 day moving averages, with traders looking to cover short positions. News broke on Friday that the rumoured Azerbaijani-Ukraine gas deal to supply Europe will not go ahead, meaning we can expect a 5bcm tightening of Gas supplies into Europe throughout the cooling season. In the longer term, the impact of the presidential election may see the US hold a greater share of LNG imports into Europe, as Trump has made clear his intention to lift a previous moratorium on LNG export projects. This came alongside discussions within Europe to trade greater volume with the US.

Technical: Technically bullish, the downside rejection candle means that price is above the 200-period MA (EUR 66.19), if we hold above this average, it will further support a bullish argument. Likewise, failure to hold above the average would suggest caution, as it will imply that sell side pressure is increasing. Lower timeframe momentum indicators are warning that we are looking a little overextended to the upside, warning that we could see an intraday pullback, making EUR 64.56 a key level to follow. If we hold above this level, then resistance levels will remain vulnerable. As noted previously, our Elliot wave analysis suggests that the bearish wave cycle looks like it may have completed, meaning we maintain a note of caution on downside moves at this point. We are vulnerable to an intraday pullback; however, our wave analysis is implying caution on moves lower as they could struggle to hold.



AUCTION LATEST

DATE	Auction Price	Auction Vol	Cover Ratio	Differential to Spot
04/11/2024	64.38	3,287,500	1.68	+0.06
05/11/2024	65.06	3,287,500	1.42	-0.06
07/11/2024	64.78	3,287,500	1.64	-0.15

NEXT AUCTION: 11/11/2024

Energy Power and Price Drivers

Gas TTF Spot : **Hi 43.08/Lo 39.35** settle: 42.68 **5.91%** | Cal-25 German baseload power **EUR90.75/MWh**

Geopolitics: The collapse of the German government on Thursday represented a sizeable blow to the fragile outlook of Europe's largest economy. Elsewhere tensions were renewed in the Middle East as Iran has promised a heavy retaliation against Israel, raising fears that a wider conflict in the region may impact LNG supply. The Cop-26 conference begins today in Baku, with initial optimism surrounding discussions over international carbon credit trading (article 6), with amendments to current carbon trading schemes high on the agenda. (more on this on page 3).

Supply: Uncertainty as to the contingency of the Russian contract to supply TTF gas to Europe via Ukraine (set to expire on the 1st of January 2025) has been attributed to Significant price fluctuations in the past few weeks. Comments made by SNAM's CEO on Thursday, stating that European LNG supply will be comfortable in any eventuality, resulted in a price drop. The market remains reactionary to reports of Azerbaijani influence as a third party to facilitate the deal a situation, however the authenticity of these reports was called into question on Friday and with it the prospect of a deal diminished. Should a no deal be the case we can expect a 5bcm tightening of supply throughout the heating season.

US election: it was a quiet few days at the start of the week as the market awaited the election results. Analysts suggested that a Trump victory will likely be reflected in weaker energy markets. This is true to the extent that Trump can successfully implement an expansion of fossil fuel generation and de-escalate tensions afflicting major supply routes in the Ukraine and Middle East. Trump will likely seek to unwind a partial moratorium on new LNG export, a motion of particular significance as initial talks within the EU seem to point toward a policy of buying more US LNG in an effort to prevent a tariff war. From the early indications we can infer that that the US will represent a larger share of European LNG imports. Less green regulations in the United States poses wider implications for the EU's approach to climate policy in the long term. A potential slowing of more aggressive climate action is possible should the EU attempt to maintain competitiveness, however this is contrary to the EU's claims that Trumps election will not affect climate policy.

Weather: Historically low wind reports resulted in a spree of buying activity for power as traders looked to cover their short position. Forecasts predict the arrival of colder weather to the continent, which may drive a sudden increase in demand for gas and power.

INVESTMENT			
FIRMS	VOL.	CHANGE	OI
LONG	39,312.73	-2,088.61	5.29%
SHORT	49,868.44	-6,606.20	6.71%
NET	-10,555.71	+4,517	-
CREDIT INST.			
VOL.	CHANGE	OI	
LONG	283,936.36	-17,030.15	38.2%
SHORT	645,988.29	+1,075.53	86.92%
NET	-362,048.94	-18,105.69	-
COMMERCIAL			
VOLUME	CHANGE	OI	
LONG	335,719.68	-3,138.06	45.16%
SHORT	45,014.39	-15,921.12	6.06%
NET	290,705.31	+12,783.06	-

Commitment of Traders Data (Week ending Nov. 1st)

This weeks report shows a dramatic reduction in the size of net shorts held by investment firms, a move which represented a one third reduction from the week prior. Some analysts expressed surprise at this move, given EUAs dropped off 4.6% last week.

Credit Institutions remain heavily short with a sizeable increase in net short holding and high open interest suggesting they are committed to this view.

Highlights from Last Week

Monday 4th:

OPEN: 64.09 CLOSE: 65.22 HIGH: 65.89 LOW: 64.00

EUAs began the week trading strong as a EUR1.1 price rise to EUR65.10 in the early hours set a bullish precedent for the day. A 6 cent auction premium resulted in a spree of buying activity with prices rising to a morning high of EUR 65.89 in just 20 minutes. Morning price action reflected movements across the energy complex with TTF gas, said to be in a corrective phase following last weeks significant drop off, rising EUR2 in the morning session. A EUA/TTF Divergence began to form in the afternoon with EUAs trading flat amid a further EUR1 price hike in TTF (bullish on declining wind forecasts). Ultimately it was indecision which defined the EUA market which developed no significant direction into the close, settling at EUR 65.22. A subdued afternoon of trading reflects wider trepidation over potential Iranian retaliatory strikes and the uncertainty surrounding the US presidential results on Wednesday.

Tuesday 5th

OPEN 64.09 CLOSE: 65.22 HIGH: 65.89 LOW:64

Optimism defined early trading as EUAs retained strength from the previous day, suffering only a brief dip after a 6 cent auction discount to spot, before regaining to EUR65.25. However, It was a slow and steady decline in the afternoon sessions, tracking a similar reversal in TTF gas. With trading largely rangebound throughout the afternoon on Tuesday, it would appear that uncertainty as to the outcome of the US presidential election was a key driver of price action; with most participants awaiting clarity before placing bets. A quiet day on the market the saw election uncertainty breed caution as EUAs traded 1.4% lower on the day with TTF posting just a 0.5% increase (a modest close considering a sizeable 2.4% bull market in the morning session).

Wednesday 6th

OPEN 64.00 CLOSE: 63.76 HIGH: 64.19 LOW: 62.37

Speculation dominated trading in the early hours of the morning session as preliminary election results began to indicate a Trump victory. A brief spike to the day high at EUR64.19 was met with significant selling volume and a subsequent drop off in price to EUR62.76. A 29 cent auction discount stymied hopes of a sustained recovery, reflecting wider anticipation of weaker energy markets following on from a Trump victory. The Commitment of traders report depicted a dramatic reduction in net shorts for investment firms which stood at 10.6Mt, a one third reduction of the figure posted the previous week. EUAs staged a brief rally into close but it failed to hold as the benchmark DEC24 contract closed 0.8% lower on the day.

Thursday 7th

OPEN 63.78 CLOSE: 66.04 HIGH: 66.29 LOW: 63.65

EUA prices jumped higher in the morning session, rising as high as EUR65.83 just prior to the daily Auction. A 15 cent discount served to temper momentum for a brief period, until prices continued their upward trajectory reaching a morning high of EUR65.95. Volatility in the gas market was exemplified in the afternoon session, as prices dropped 50 cents on the back of Russian supply uncertainty. This was entirely unwound as a late rally set day highs across the energy complex. This was said to be triggered by short covering in power (and subsequent hedging in gas TTF and Carbon markets) following reports of historically low wind generation. Carbon EUAs rose to a six day high of EUR66.29 with front month TTF and the German cal-25 both posting weekly highs.

Friday 25th

OPEN 63.78 CLOSE: 66.04 HIGH: 66.29 LOW: 63.65

A steady start to trading saw prices fluctuate in a narrow range of EUR62.50-66.75 before buyers engaged the market in a significant way, with EUA prices rising in accordance. The benchmark EUA contract settled 3.4% higher on the day emulating similar moves in gas and power which were bullish amid colder than average forecasts. Gas TTF and German Cal 25 baseload power underwent an uninterrupted price hike the morning session, before dropping off to settle at daily gains of 2.7% and 1.4% respectively. EUA prices breached several key technical levels at the 200 (EUR66.15) and 100 (EUR67.08) moving averages, a bullish move in light of last weeks rejections at this level, with some analysts suggesting that a close above Oct.29 EUR 67.75 will be the key "higher-high" needed to confirm a bullish trend reversal, with moves beyond EUR 68 clearing a pathway to EUR70.

COP 29 Summit: The world leaders are meeting in Baku to discuss global climate policy, with carbon trading schemes high on the agenda: [Explainer-COP29: What is a carbon credit? What is Article 6? | The Straits Times](#)

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