

FIS Weekly EUA Report

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EUA DEC-24 1.4%

EUAs Resist Pullback and Retain Strength

18/11/2024



SUPPORT: 65.42, 64.38, 62.96 | **RESISTANCE:** 68.80, 69.72, 71.58

52-Week Hi/Lo: 90.74/51.55

Monthly Hi/Lo: 68.80/62.37

Historical Vol: 10-day 35.24; 30-day 35.26; 50-day 31.97; 100-day 29.06

OUTLOOK

Overview: EUAs traded lower at the start of the week, however resisted a complete pull back on last weeks 6.5% price hike, as the benchmark DEC24 contract posted a 1.4% weekly gain to close at EUR68.01. Prices were largely buoyed by bullish fundamentals in the Gas TTF market with trading on Thursday seeing TTF gas post a year high at EUR46.49. This occurred amid renewed concerns over supply and storage levels, with news surrounding Gazprom's suspension of gas supply, a stagnating Azeri-Euro pipeline deal and reports of early LNG withdrawals continuing to spook the market. Demand remains strong, with a 4% year on year rise and forecasts of colder temperatures expected to provide strength throughout the winter months.

Technical: Technically bullish last week, the downside rejection candle meant that price is above the 200-period MA (EUR 66.19), if we held above this average, it would further support a bullish argument. Likewise, failure to hold above the average would suggest caution, as it would imply that sell side pressure was increasing. Lower timeframe momentum indicators warned that we were looking a likely overextended to the upside, warning that we could see an intraday pullback, making EUR 64.56 a key level to follow. If we held above this level, then resistance levels would remain vulnerable. As noted previously, our Elliot-wave analysis suggested 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.



DATE	Auction Price	Auction Vol	Cover Ratio	Differential to Spot
11/11/2024	65.92	3,287,500	1.60	- 0.04
13/11/2024	65.86	3,287,500	2.63	+ 0.04
14/11/2024	67.15	3,287,500	1.65	- 0.01

NEXT AUCTION: 18/11/2024

Energy Power and Price Drivers

Gas TTF Spot : Hi 46.34/Lo 43.45 settle: 45.67 5.12% | Cal-25 German baseload power EUR95.50/MWh

Russian LNG: Anticipation of Russian counter offensive in Kursk poses potential jeopardy for the Sudzha gas compressor station. Escalating Russian attacks within the region has seen traders avoid Ukrainian gas storage facilities, with storage down 88% year on year. Volatility hit the market when on Thursday after there were reports of a ban on Russian LNG discharging at Germanies ports and a court order stipulating that Gazprom must pay Austrias OMV compensation; raising speculation over a potential early cut off in Russian supplies. This was to become a reality the following day, spiking the TTF price on Friday.

Trump's Impact on European LNG: Whilst the impact of a Trump election victory on EUAs has been comparatively moot, there are some key variables to watch out for as he ascends to the Whitehouse.

- **Trump will lift a ban on LNG export approval permits**, as he looks to elevate the US into the leading LNG exporter
- It is probable that the **US will come to hold a larger share of European LNG imports**, as Europe looks to stave off the possibility of a wider EU/US trade war. This expectation was corroborated when comments made by Ursula Von De Leyen on Wednesday suggested that the EU would look to replace Russian gas flows with US imports in 2025.
- There is a **possibility that US sanctions against Russia will ease**, although the extent to which this occurs remains unclear. A fracture of western solidarity in imposing sanctions against Russia may bolster European states advocating for a more moderate stance on Ukraine related sanctions. The extent to which the EU replicates an alleviation of sanctions, or continues a hard-line approach, will be a key factor in the state of future LNG gas flows from Russia to Europe.

Supply: European gas storage has fallen to 93.04%, down from 100% last year as net withdrawals superseded seasonal norms. Inventories are now 7.5% below 2023 levels. Norwegian pipeline supplies to Europe are strong and continue to rise to 345mcm/d. TTF price remains sensitive to the news surrounding the European-Azerbaijani supply deal via Ukraine, exemplified with a brief price drop off on Wednesday when an Azeri-Slovak deal was announced, then followed by a price recovery after reports that Slovakia was considering alternative supply routes to Ukraine. Traders suspect that Hungary and Slovakia may be likely candidates to circumvent EU sanctions on Russia, on account of relatively good relations and a halting of 42mcm/d of Russian gas flows transiting via Ukraine in 2025.

Weather: Weather reports took a larger mantle over price action as forecasts of colder temperatures and lower wind generation raised prices throughout the week. A revised forecast depicts a recovery in wind generation but a persistence of cold weather. This comes as LNG demand is 4% higher year on year, raising the possibility of a weather related squeeze as we head into 2025.

Commitment of Traders (week ending Nov.8)

INVEST INST.	VOL.	CHANGE	OI
LONG	44,615.78	+5,375.05	5.89%
SHORT	47,140.21	-2,753.23	6.23%
NET	-2,524.43	+8,128.28	-
CREDIT INST.	VOL.	CHANGE	OI
LONG	290,107.02	+6,167.66	38.34%
SHORT	661,947.83	+15,957.12	87.47%
NET	-371,840.78	-9,789.47	-
COMMERCIAL	VOLUME	CHANGE	OI
LONG	337,442.58	+1722.90	44.58%
SHORT	44,862.24	-152.15	5.92%
NET	292,580.34	+1,875.03	-

Investment funds cut net short positions for a third consecutive week. This weeks reduction was particularly sharp and represents the smallest bearish bias since funds flipped their position from long to short in late July 2023.

COP 29: Ambitious amendments to the UNs article 6 (the pivotal legislation setting standards over Carbon markets) are currently being discussed in Baku, Azerbaijan. An agreement setting key standards for the voluntary market was reached early in the week, however the expansion upon existing bilateral carbon trading to a global system holds the greatest implications for compliance markets and remains the largest ambition of the environmental body. For more info: [Article 6 can make or break carbon markets at COP29. Here's all you need to know. – Clean Air Task Force](#)

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Highlights from Last Week

Monday 11th:

OPEN:67.27 CLOSE: 67.57 HIGH: 68.80 LOW: 66.92

Early trading saw bull markets across the energy complex as the Dec-24 EUA contract traded higher as gas TTF and German power rose as much as 3.2% and 1.7% respectively in the morning session. The Dec-24 contract jumped to a high of EUR68.80, breaching a key technical level at the 100 day moving average (EUR67.10) within the first two hours of trading. Resistance was met at this level as prices declined prior to the daily auction, which cleared at a 37 cent discount to the prevailing market (the highest discount since Aug.30). There was little appetite for further losses however as the market fluctuated in a tight 20 cent range around Fridays close of EUR 67.90 throughout the afternoon before a short burst of selling activity into the close saw a price decline into the close with EUAs settling at EUR67.57. EUAs were reluctant to follow respective 3.1% and 2.1% gains in TTF gas and German power, moves driven largely from colder forecasts amid reports of a 4% decline in TTF supply year on year and further withdrawals on European storage.

Tuesday 12th

OPEN 67.50 CLOSE: 67.53 HIGH: 67.77 LOW:65.76

It was a fast start to trading once again on Tuesday, however this time it was sellers driving prices lower, forcing a 2.7% drop from EUR67.50 to EUR65.76 in the space of two hours. A rebound in prices was bolstered by the first auction premium in a week (4 cents). Sustained buying continued to gradually erode early losses throughout the remainder of the session as the DEC24 contract settled 0.1% higher at EUR67.53. Robust support for EUAs was attributed to strength in the TTF market which settled 1.2% higher at EUR44.255/MWh amid increasing demand for gas-fired power generation. In spite of a gas led recovery in EUA prices, Tuesday represented the second consecutive day EUAs failed to proportionately match TTF price hikes implying a reluctance for EUAs to push through the 200 day rolling average in accordance with rising energy markets.

Wednesday 13th

OPEN 67.12 CLOSE: 66.31 HIGH: 67.24 LOW:65.39

Wednesdays morning session saw an immediate sell off decline prices from the offset testing successive lows at EUR66.12 and EUR65.91. The days auction was observed with large volume either side of the bidding deadline (1m in total) as a 6 cent auction discount to spot market further galvanised sellers, dropping price to EUR65.79. This mirrored moves in the TTF market which experienced an initial decline in response to an Azeri-Slovak supply route and a partial recovery in price when the route was shown to be outside of Ukraine. General weakness in both markets persisted until midday, where EUAs reached a low of EUR65.39. A rebound in Gas TTF moved ahead of EUA price action, as both markets eroded early losses throughout the afternoon. The benchmark DEC-24 contract recovered from a 3.2% low to settle at EUR66.31, a 1.8% loss on the day and a third day of consecutive daily losses.

Thursday 14th

OPEN 66.72 CLOSE: 68.27 HIGH: 68.46 LOW:66.61

Trading in the run up to the Auction saw EUA prices consolidate early gains after a steep rally in price took the benchmark DEC 24 contract to EUR67.70. Bullish price action was attributed to similar gains in TTF gas which traded 5.4% higher to a year high of EUR46.00/MWh. EUA buying turned technical in the afternoon session as prices traded ahead of upside moves in TTF gas, with EUAs breaching key resistance levels at EUR68. Buying activity was sustained into the close with prices reaching EUR68.46, the highest in over two months, before eventually settling at EUR 68.27, a 3% hike on the day.

Friday 15th

OPEN 68.25 CLOSE: 68.01 HIGH: 68.80 LOW: 66.75

Friday was a volatile day of trading across the energy complex as EUAs strong relationship with TTF was exemplified with rapid upticks in price followed by sustained selling, which ultimately saw EUAs settle down 0.4% on the day. EUAs began the day trading to EUR68.80 (their highest intraday price in more than 10 weeks), before tapering off on a gas pull back, which seemed to find resistance at their one year high posted the day earlier at EUR46.490. The slump was compounded as the German auction traded at a 29 cent discount which was followed by selling activity in size as prices declined to a day low of EUR66.75 by midday. TTF prices spiked EUR1.5 following news that Gazprom are suspending delivery to Austrian buyer OMV following a court order awarding compensation to OMV. The gas TTF spike served to erode daily losses to a minimal 0.4% lower on the day at EUR68.01, just one cent lower than the weekly settle from the previous week.

In the News: The expectation is that the Trump administration will reinstate the US. As the world leader in LNG exports [US LNG developers see Trump win lifting pall over expansions | Reuters](#)

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