

# Weekly Market Update

Monday 7<sup>th</sup> November 2011



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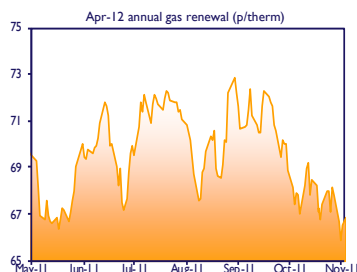
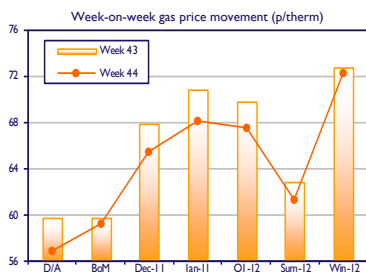
## Natural Gas

**Prompt:** Mild weather conditions ensured that natural gas requirements were markedly below seasonal norms, which put sellers firmly in charge of the NBP prompt last week. Import nominations were initially subdued, on occasions leaving physical supplies lagging, but traders largely took their cue from lacklustre demand. After a lull in the pace of incoming cargoes recently, the emergence of several fresh LNG deliveries also played into the hands of the bears. Having shot up midweek, piped Norwegian and Dutch flows duly fell-off, leaving the network struggling for length Thursday and Friday, helping to reintroduce more of a bullish dimension latterly.

**Near-curve:** The near months gleaned direction from the prompt, ultimately coming under pressure from weak demand as well as shipping and port authority data indicating that numerous LNG vessels were destined for UK shores.

**Far-curve:** Softening at the front end and depreciating oil values saw longer-dated contracts recede initially. With Greece backing away from a proposed referendum on the Eurozone rescue package and Brent crude turning positive however, the UK gas seasons bounced back slightly.

Settlement Prices (p/therm)			
Contract	Price	Weekly Change	
Day-ahead	56.800	-2.850	-4.8%
BoM	59.200	-0.500	-0.8%
Dec-11	65.440	-2.470	-3.6%
Jan-12	68.130	-2.730	-3.9%
Feb-12	68.190	-2.370	-3.4%
Q1-12	67.510	-2.313	-3.3%
Q2-12	61.277	-1.526	-2.4%
Q3-12	61.240	-1.500	-2.4%
Sum-12	61.258	-1.514	-2.4%
Win-12	72.175	-0.618	-0.8%
Sum-13	63.713	-0.747	-1.2%
Win-13	71.695	-0.490	-0.7%
Sum-14	63.803	-0.709	-1.1%
Apr-12 Renewal	66.717	-1.066	-1.6%



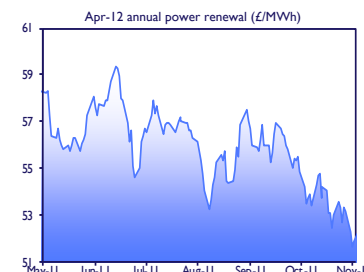
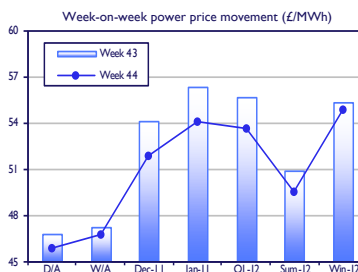
## Electricity

**Prompt:** With temperatures across the UK above seasonal averages, electricity demand was relatively subdued, making for a bearish start to the week on the prompt. Having fallen below expectations during the opening session, power requirements were however more in line with National Grid's forecast on Tuesday, giving spot values a boost. Norwegian and Dutch gas imports nevertheless shot up midweek, leading to a sharp sell-off at the NBP, which in turn caused Day-ahead baseload to crash. The benchmark short-term product reclaimed some of its lost ground on Thursday, gaining further momentum on Friday.

**Near-curve:** Front month power contracts followed in the footsteps of their NBP gas counterparts, leaving Dec-11 and Jan-11 down by around four per cent. Incoming LNG shipments and underlying supply confidence proved to be the salient factors.

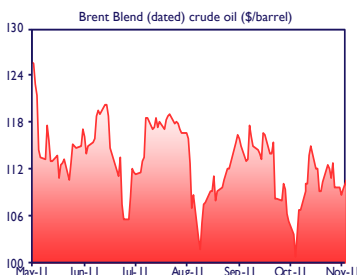
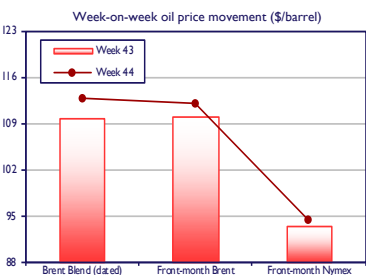
**Far-curve:** Macro-economic sentiment took a turn for the worse, owing to weak manufacturing data and Greece's intentions to hold a referendum on the bailout plan, but turned more positive thanks to that decision being reconsidered and upbeat US jobs data. Early losses among the power seasons were therefore quelled.

Settlement Prices (£/MWh)			
Contract	Price	Weekly Change	
Day-ahead	45.84	-0.98	-2.1%
Week-ahead	46.70	-0.50	-1.1%
Dec-11	51.79	-2.27	-4.2%
Jan-12	54.04	-2.33	-4.1%
Feb-12	54.00	-2.19	-3.9%
Q1-12	53.58	-2.10	-3.8%
Q2-12	49.73	-1.52	-3.0%
Q3-12	49.19	-1.36	-2.7%
Sum-12	49.46	-1.44	-2.8%
Win-12	54.78	-0.57	-1.0%
Sum-13	53.03	-0.43	-0.8%
Win-13	56.96	-0.36	-0.6%
Sum-14	56.87	-0.86	-1.5%
Apr-12 Renewal	52.12	-1.01	-1.9%



## Crude Oil

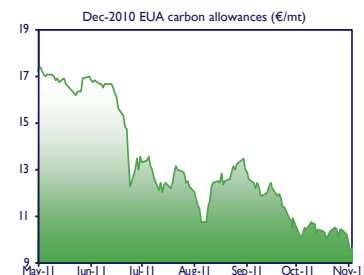
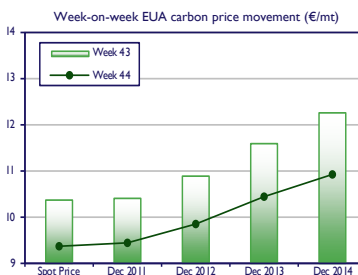
With the details behind the Eurozone rescue package still sketchy, oil prices drifted lower during the opening few exchanges, with downward impetus also fuelled by the dollar's strength following Japan's intervention to stem the rise of its own currency. Global stocks and the euro then took a beating after Greek Prime Minister, George Papandreou, threw a spanner in the works by announcing his intention to call a referendum on the new bailout measures, rekindling fears that the country could face an imminent default. Front month Brent shed more than \$3/barrel intra-day, but recovered late on to close out Tuesday's session little changed. Crude futures were fairly rangebound again midweek despite the release of data indicating a slowdown in manufacturing activity spanning Europe, the US and China. With the Greek government backing away from a proposed referendum however, the market rallied strongly on Thursday, receiving additional support from a surprise decision by the European Central Bank to trim interest rates. Advancing further, Brent edged towards \$112/barrel prior to the weekend on signs of a tentative improvement in the US labour market and Italy's agreement to allow the EU and IMF to monitor its reform progress.



## Carbon

EU carbon permits opened in bearish fashion, following weaker energy prices, as faith in the Eurozone bailout package began to wane with the lack of detail. Further losses were encountered Tuesday and Wednesday, taking benchmark Dec-2011 allowances below the psychological €10/mt marker, as the Greek Prime Minister announced his intention to hold a referendum on the rescue plan, placing his country's economic future in jeopardy. Emissions showed signs of recovery on Thursday after the European Central Bank unexpectedly cut interest rates, but were soon on a downward slope again, falling again in the final session. CO<sub>2</sub> credits posted losses in the region of 10 per cent.

Settlement Prices (€/mt)			
Contract	Price	Weekly Change	
Spot Price	9.36	-1.00	-9.7%
Dec 2011	9.42	-1.00	-9.6%
Dec 2012	9.84	-1.06	-9.7%
Dec 2013	10.41	-1.17	-10.1%
Dec 2014	10.91	-1.34	-10.9%



Settlement Prices (\$/barrel)

Contract	Price	Weekly Change	
UK Brent Blend (dated) spot price	112.74	2.95	2.7%
UK Brent front-month futures	111.97	2.06	1.9%
US Nymex front-month futures	94.26	0.94	1.0%

## Latest Trades

Physical gas flows have fallen short of projected demand levels today and as such the Day-ahead contract has jumped in value to around 59p/therm, supporting near-curve gains. Greece recently agreed to form a new coalition government, helping Brent oil to advance. Upward direction has also been spurred on by speculation that Italian Prime Minister, Silvio Berlusconi, may soon step down, paving the way for the country to get its deficit reduction reforms on track. Energy futures have thus stepped up slightly this afternoon.

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Settlement prices sourced from the Inter-Continental Exchange [ICE]

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