



Weekly Publication

UK Market (2019)

Week: 43

United Kingdom

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OVERVIEW

Since the last report (2 weeks ago) front season power has risen 7.13 per cent but was down marginally last week.

Front season gas has dropped 4.81 per cent in the same time period.

Equities are largely up from 2 weeks ago with the biggest mover being the German DAX.

Coal continues to remain bearish, whilst carbon has been bullish – rising 8.85 per cent in the last two weeks. Although there was some reprieve last week.

The pound has strengthened against both the dollar and the euro, as a potential path out of deadlock has been realised. The pound was up 3.08 per cent over the euro for the last two weeks, whilst the pound was up 4 per cent against the dollar over the same period.

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UK Currency

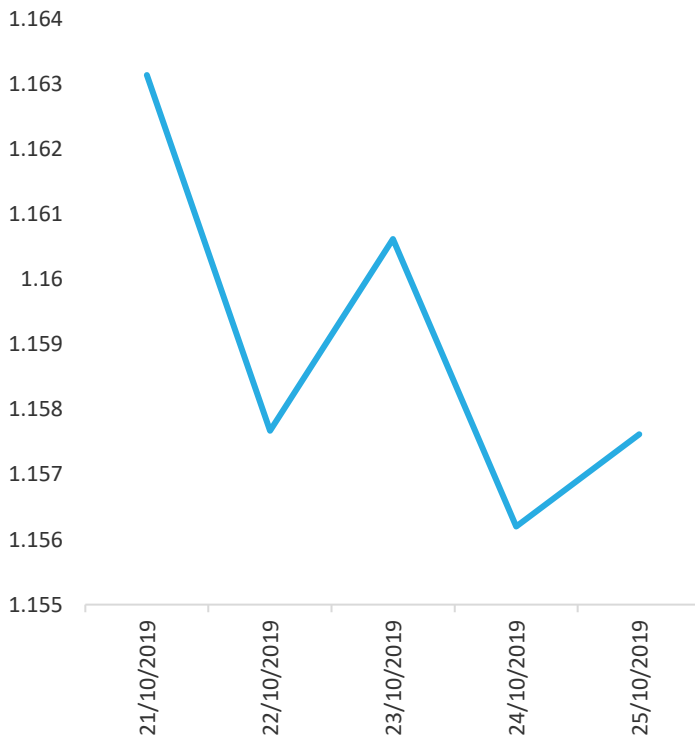
CURRENCY

As the pound is still intrinsically linked to the ongoing Brexit developments, we have recently seen a bounce against the euro and dollar. The acceptance of the EU to offer an extension to the current deadline of October 31st gave markets enough security for the pound to rally.

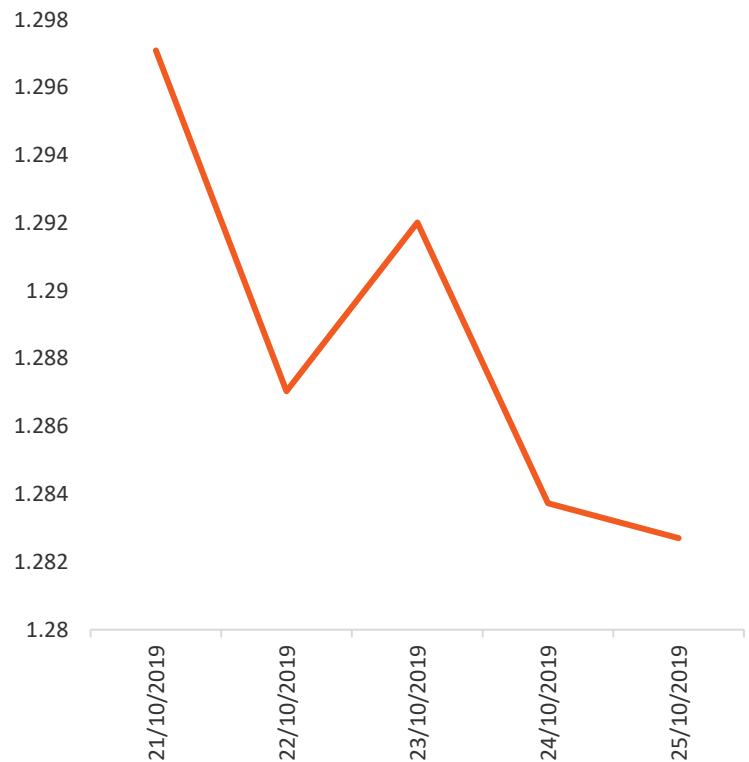
Whilst Boris Johnson managed to get overall approval in the House of Commons for his withdrawal agreement, the super-charged three-day programme motion to debate and approve the agreement was rejected. Johnson decided to the bill in favour of a general election.

Whilst there is certainty for the next three months, the prospect of a general election will continue to weigh on the ambitions of the pound and currency will likely follow the numerous polls available to us over the next 6 weeks. Expect more volatility.

Pound/Euro



Pound/Dollar



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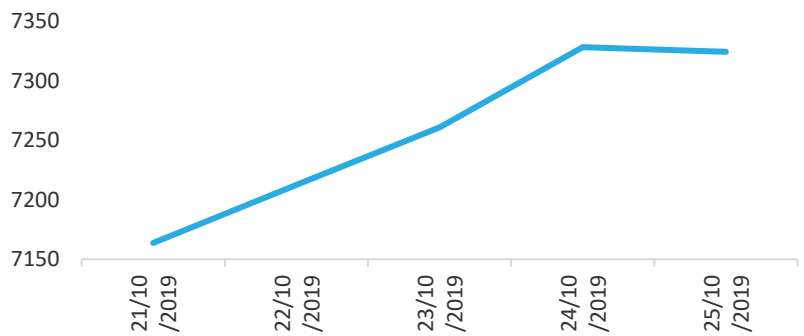


UK Equities

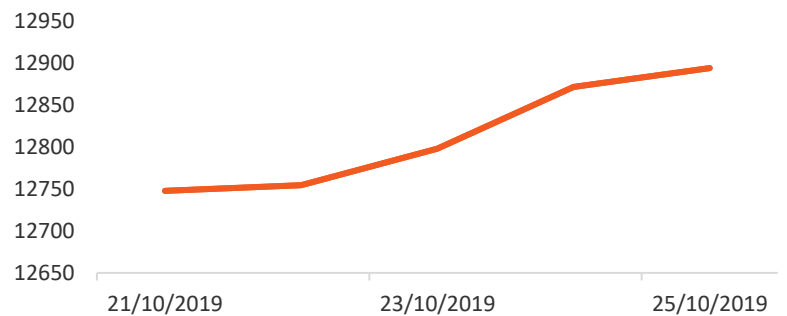
EQUITIES

Since the last report, the FTSE 100 has climbed 2.36 per cent, the DAX climbed 7.34 per cent, the S&P 500 climbed 2.39 per cent, and the Hang Seng climbed 3.28 per cent. There are real hopes that China and the US are moving towards a trade pact, which have boosted US stocks over the last few weeks. There is “little in the pipeline to alter risk sentiment from last week”, said Jingyi Pan, markets strategist at IG Group, with traders focused on any new potential developments on the US-China trade front. “Investors remain in anticipation of the US-China phase one deal signing in November,” Ms Pan added. All eyes are on a potential trade deal that could be signed off mid-November. Europe’s markets largely reacted to this news, as well as the ongoing Brexit deliberations.

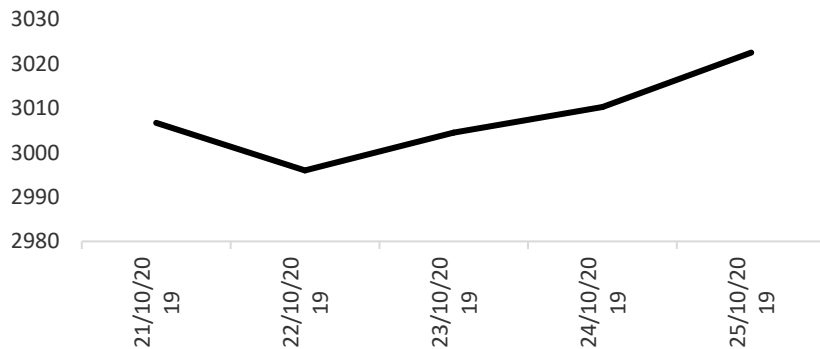
FTSE



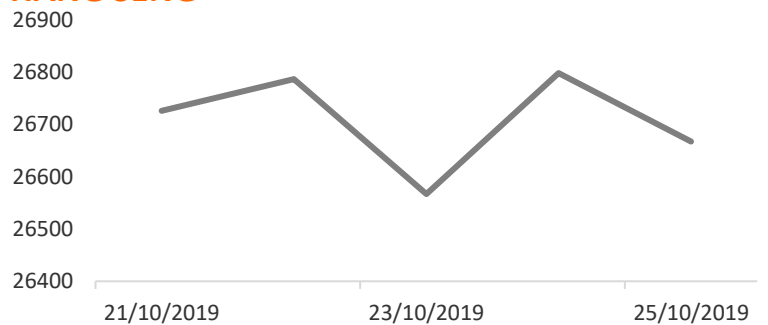
DAX



S&P 500



HANG SENG



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UK Carbon/Coal

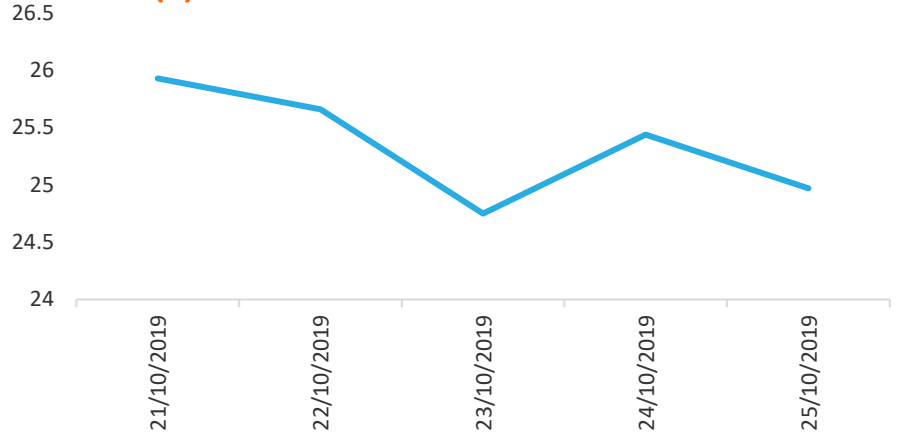
COAL/CARBON

Coal continued its slide last week, as markets have largely “bottomed out” following a steep drop in the first half of 2019, although supply contraction will likely need to continue over the rest of the year and into 2020 to achieve global rebalancing.

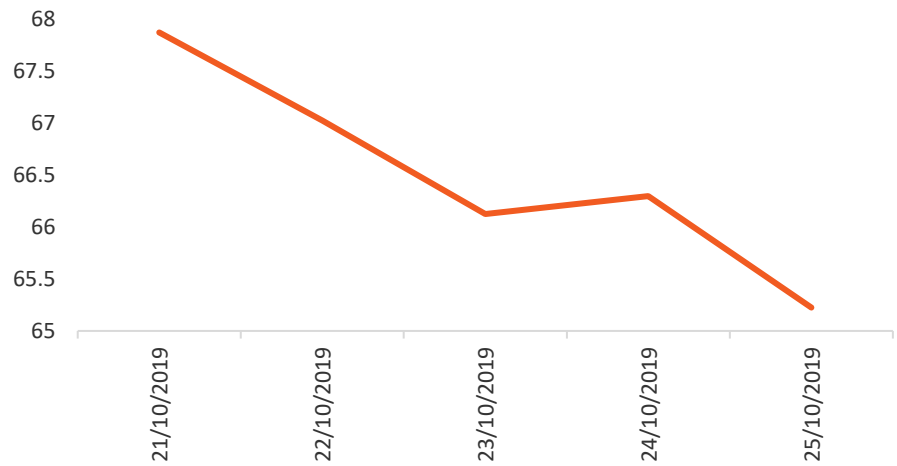
On the demand side, EU imports are expected to drop down to 72.3 million mt in 2019, down 25 per cent from the year ago total.

Carbon is currently linked to Brexit and has swung dramatically over the last few weeks. The bullish movement in carbon is as a result of the uncertainty over the UK’s inclusion in the emissions scheme. There is the potential for a lot more liquidity in carbon markets if the UK leaves the initiative, as many more credits are likely to be available on the market.

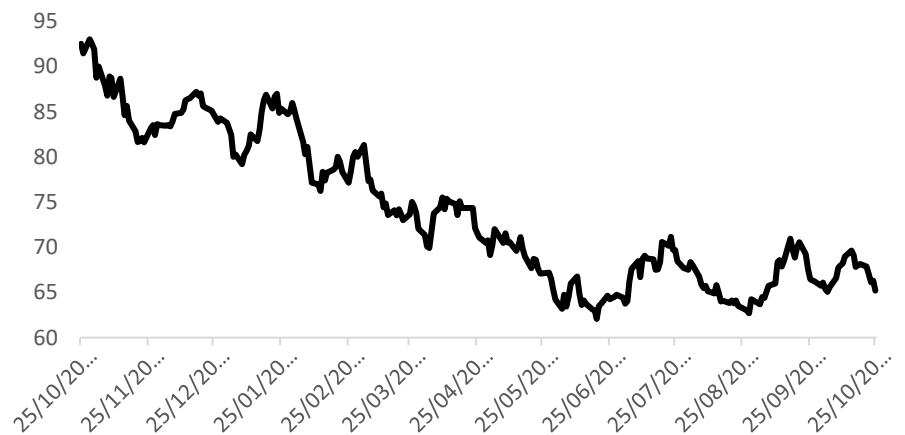
Carbon (€)



Coal Within Week



Coal (Annual)



United Kingdom

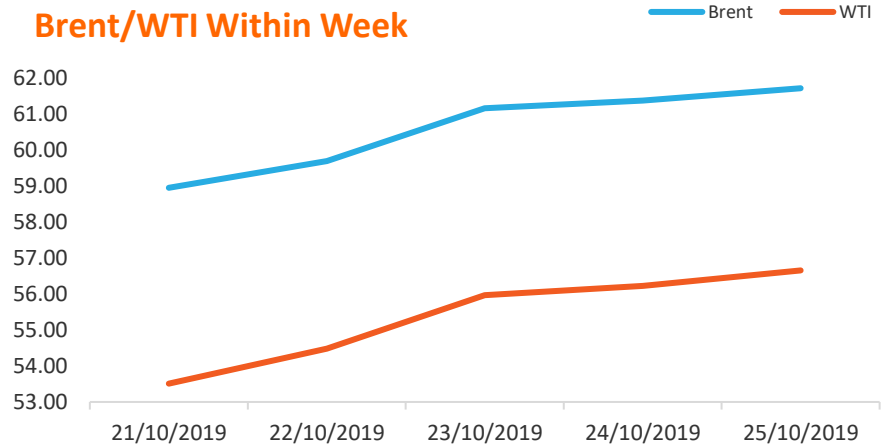
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UK oil

Brent/WTI Within Week



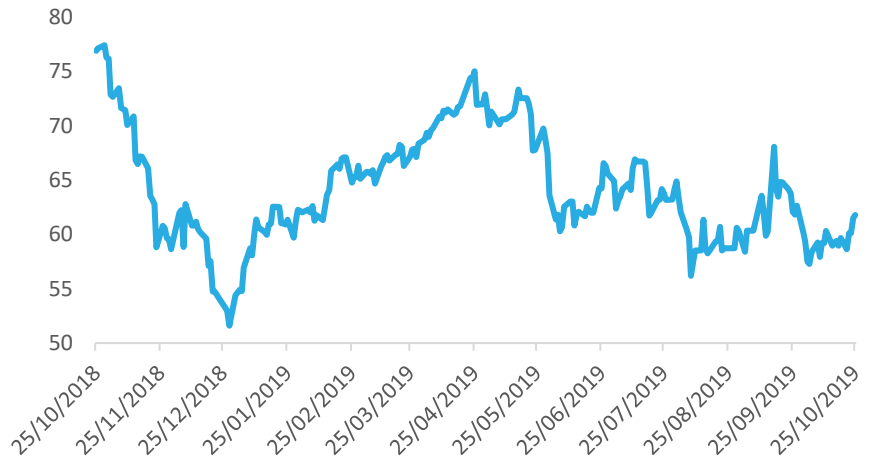
OIL

Brent crude has risen 5.76 per cent in the last 2 weeks, with the American WTI counterpart climbing 7.29 per cent. According to the Financial Times last week, it is no longer OPEC guiding the price of oil but the market.

The reason for this? There is no shortage of oil. With: disruption in Venezuela; attacks on Saudi facilities; and an overall production cut that extends outside OPEC and into countries such as Russia, Mexico and Kazakhstan – the overall bearish trend of the last quarter shows that OPEC no longer has full control over the price.

The gains in oil last week were mainly as a result of the prospect of tighter OPEC cuts and a surprise draw in US inventories.

Brent (Annual)



Brent (Long View)



United Kingdom

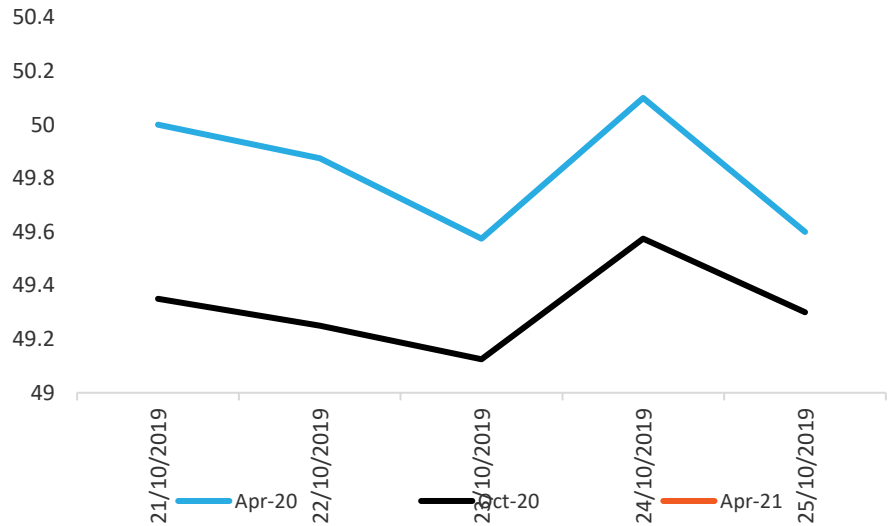
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UK Power + Gas

Power Within Week



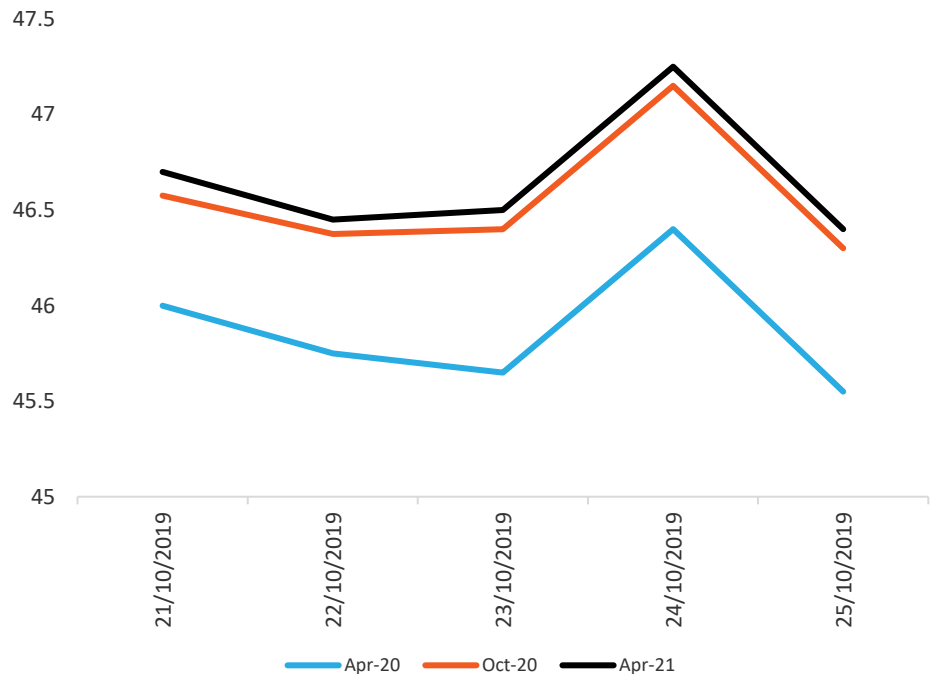
PROMPT

The system started the week oversupplied, as unplanned outages at Forties, Culzean and Elgin Franklin ended the day before.

There was also a flurry of expected LNG cargoes with six anticipated before the end of October. By mid-week there was an unplanned outage at Aasta Hansteen which impacted supply marginally.

By the end of the week sendout was marginally down with the decreases coming from Bacton and St Fergus terminals.

Gas Within Week



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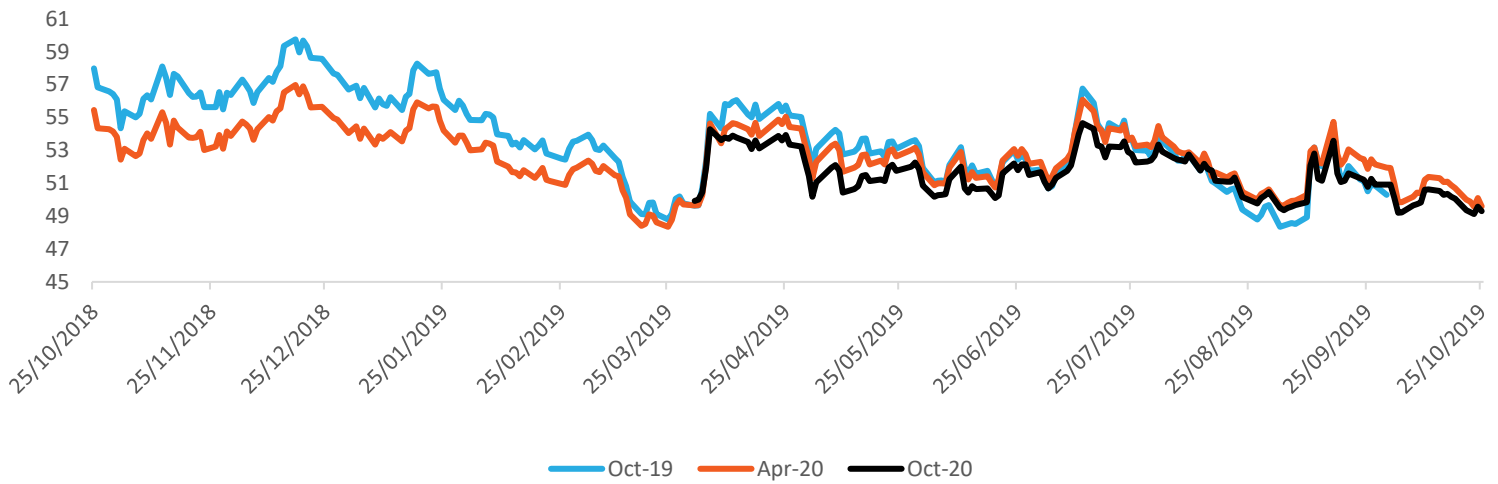


UK Power + Gas

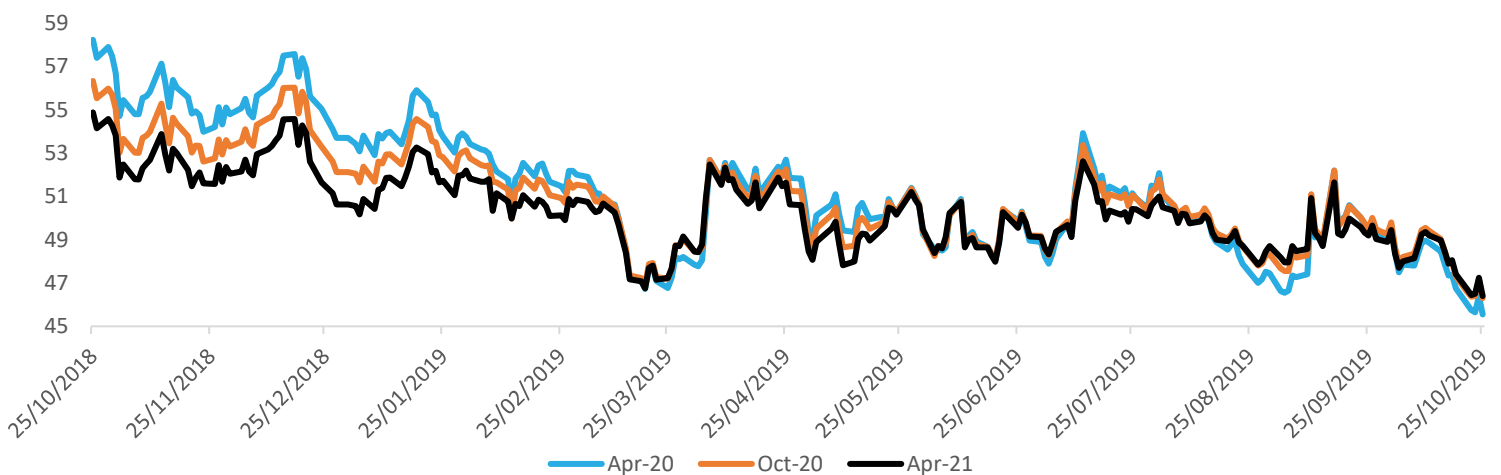
CURVE

Prices on the curve largely followed the direction of oil. The increases at close of play were mainly as a result of the prospect of tighter OPEC cuts and a surprise draw in US inventories.

Power (Annual)



Gas (Annual)



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