

WCI Weekly Fundamentals

Week ending July 19, 2019

Contact: Info@ClearBlueMarkets.com / +1 (416) 690-6369



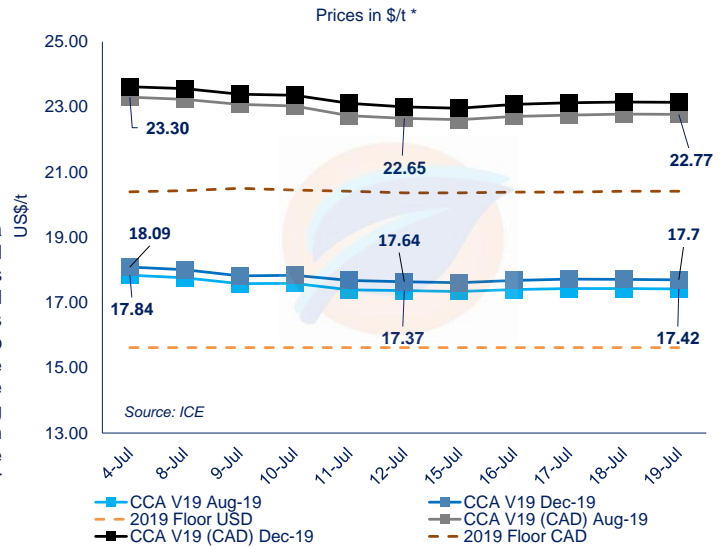
Best Advisory / Consultancy North American Carbon Markets (All & California)

● Prices increased

CCA* V19 Front Month prices increased by \$0.05 to \$17.42 (+0.29%), and Dec-19 increased by \$0.06 ending at \$17.70 (+0.34%). In CAD, CCA* V19 Front Month increased by \$0.12 closing at \$22.77 (+0.53%), and Dec-19 increased by \$0.14 closing at \$23.14 (+0.61%). The CCA volume traded increased from 13,523kt to 23,802kt, and the CCA total Open Interest including specific vintages increased by 1.7Mt to 215.3Mt.

● Financial participants' position drops again

Last week's Commodity Futures Trading Commission (CFTC) data showed that the "Managed Money" category, made up of financial participants, decreased their long position by 4.5Mt (including Futures and Options). Over the past 3 weeks, these participants have decreased their long position by 6Mt. This is the first time that these participants decreased their position for three consecutive weeks since beginning to take a position in August 2018. Prior to this, these participants were increasing their long position by 2.5Mt on average per week since the February auction. The decreased speculative length may be the driving factor for the lackluster market as there are currently few short-term drivers in the energy and fuel sectors. However, we believe that these participants are in the market for the long-run, and therefore expect their position to either remain constant or increase moving forward.



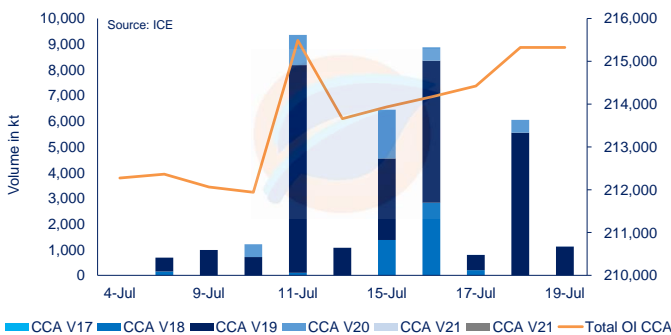
Our Forecast:

Last week, CCA prices stagnated around the same levels as the previous week, with V19 CCA Front Month closing at \$17.42, while Dec-19 closed at \$17.70. The volume increased with 23.8M allowances trading on ICE, and the Open Interest (OI) increased by 1.7Mt to 215.3Mt. Most of the volume traded were on spreads with 19.1Mt. The Dec 19/20 contract was especially active and could be pointing to financial participants rolling their long positions into longer dated contracts. The Front Month and December contracts are still trading below the expected 2021 floor price of ~\$17.88 (assuming a 2% inflation).

One of the main drivers for the market continues to be the activity from financial participants. As indicated above, the activity from financial participants has decreased in the past weeks. Their position last Tuesday was long 55.2Mt (Futures & Options excluding new positions reported for V22) last week, a decrease of 4.5Mt over the past week. The decreased activity from financial participants may be one of the underlying factors for the recent stagnation of CCA prices. However, we do not believe that they are fleeing the market, but that they are rather reassessing their position after the run-up in prices. We still believe that these new participants are in the market for the long-run, which will lead to their positions to either remain constant or increase moving forward.

Overall, our view on prices is unchanged and bullish. Though the current fundamentals of the market, such as the fact that high hydroelectricity production is expected this summer and fuel consumption has been dipping, we believe that the fundamentals of the market in the coming years will be much tighter. After the strong bullish movement that saw spot allowance prices increase by 16%, the market was due for some consolidation but we believe that the downside to prices continues to be limited. The key level to watch on the downside for the December contract will be \$17.44, the close from June 18th. With the reduced activity from financial players, we could see the coming auction clearing at a lower price than in May.

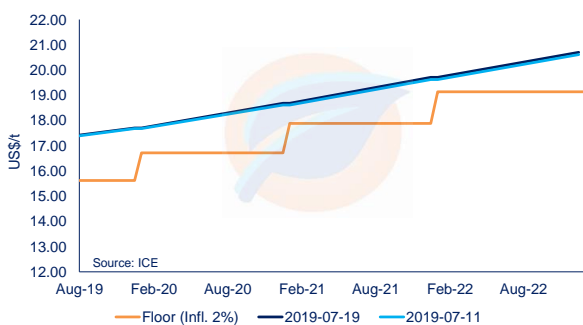
Total Open Interest and Volume:



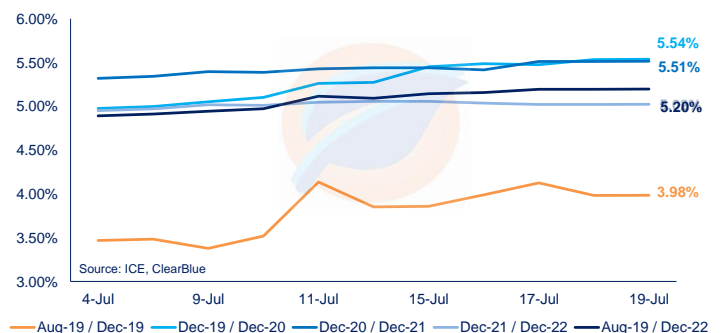
Important Dates:

July 22, 2019	WCI Auction #20 Application Due
August 8, 2019	Bid Guarantees Due (WCI Auction #20)
August 20, 2019	WCI Auction #20

Forward Curve Weekly Change:



V19 Annualized Implied Funding Rate:



EUA Weekly Fundamentals

Week ending July 26, 2019

Contact: Info@ClearBlueMarkets.com / +44 7552 928028



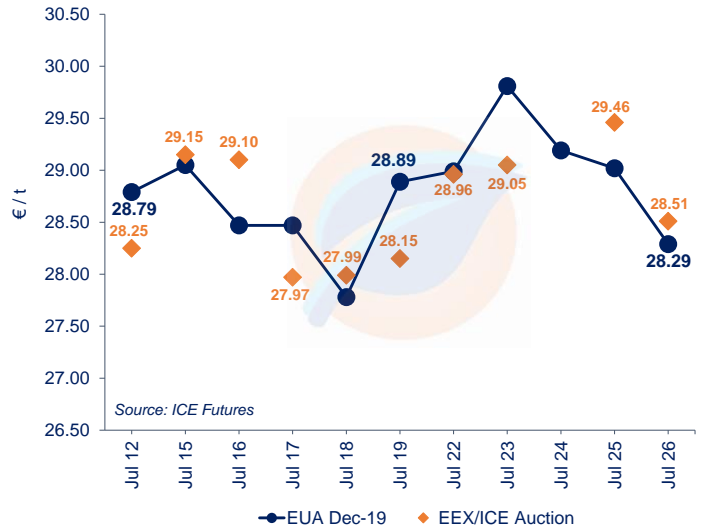
Best Advisory / Consultancy North American Carbon Markets (All & California)

● Prices decreased

EUA Dec-19 decreased €0.60 last week and closed at €28.29. Traded volumes decreased compared to the previous week with 80.8Mt versus 106.2Mt exchanging hands on ICE across contracts. The total Open Interest increased by 12.5Mt for a total of 956.1Mt.

● August auction volumes at a two-year monthly low

August has historically been a relatively bullish month in most years because of lower auction volumes to account for less demand during the holidays. Due to the Market Stability Reserve and no sales of UK allowances, this year's August auction volumes will be the lowest monthly supply of allowances in the ETS in over two years at 29.2Mt. Last year, EUA prices increased by nearly 20% in August with 46.6Mt EUAs available for auction. The upcoming low volume is expected to be bullish for the market, although it is possible that the market may be maturing to recognize the historical trend of low August volumes and not react as severely compared to previous years, which could soften some of the bullishness.



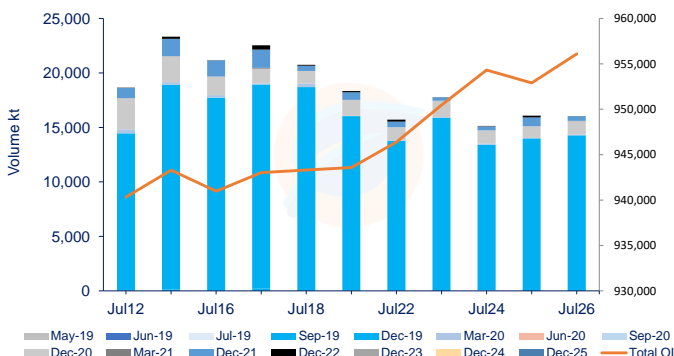
Our Forecast:

EUA Dec-19 initially rose to an 13-year nominal high of €29.81 towards the beginning of the week, but dipped later in the week and closed at €28.29, down €0.60 week on week. Last week, the fundamentals of the market were expected to become much tighter due to the 2nd summer heatwave of the summer and the fact that some Nuclear plants have shut down in France, but it appears that some profit-taking took place. Brexit still remains a main bear flag in the coming months as a no-deal scenario could retrace most of the recent gains.

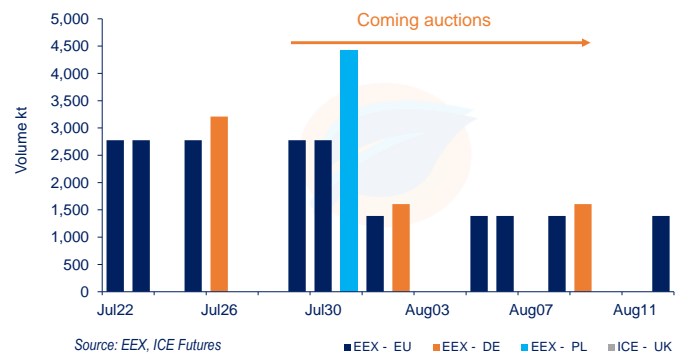
Last week, on July 24, as anticipated, Boris Johnson was announced to be the newest UK Prime Minister. Although the Brexit path remains uncertain, the exit date has been postponed, meaning that UK entities are still required to comply to the system for the moment. Because of the recent development, we believe, however, that the Brexit risk has increased. We still assume that the UK is unlikely to auction allowances before Q4, which will tighten the market in the coming months. A no-deal Brexit remains on the cards, which could see prices plummet by between €3 and €5.

Fundamentally, we remain bullish moving forward, mainly due to the MSR impact on the supply in the long-run. In the shorter term, power fundamentals and the low auctioning in August will limit the downside. The latest Brexit news is not positive, making it key to follow in the coming weeks. The market is still expected to react nervously to any Brexit news and with most participants bullish on EUA prospects, this means prices could fall sharply on any indication of a no-deal.

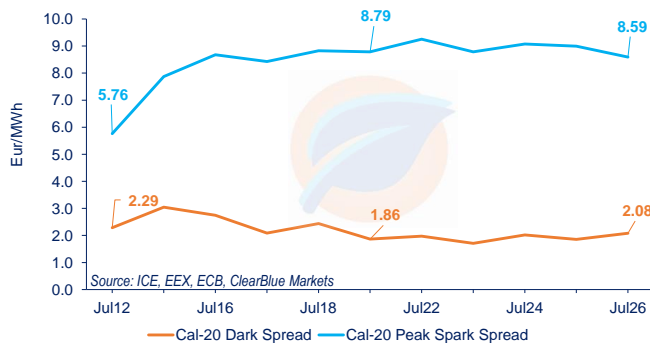
Total Open Interest and Volume:



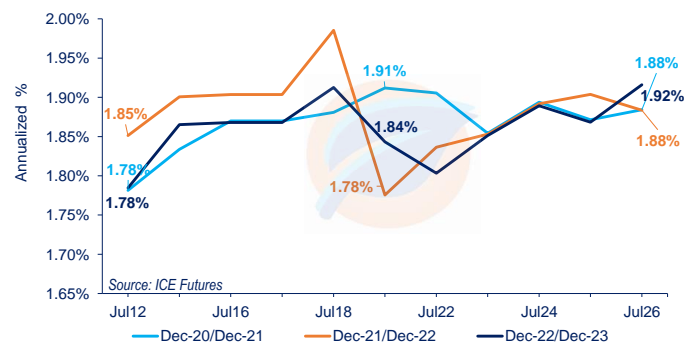
Auction Calendar:



Clean Dark / Peak Spark Spread*:



Forward Curve Implied Funding Rate:



*Dark 40% efficiency - Emission intensity 0.851 / Peak Spark 50.4% efficiency - Emissions intensity 0.401

EUA Weekly Technicals

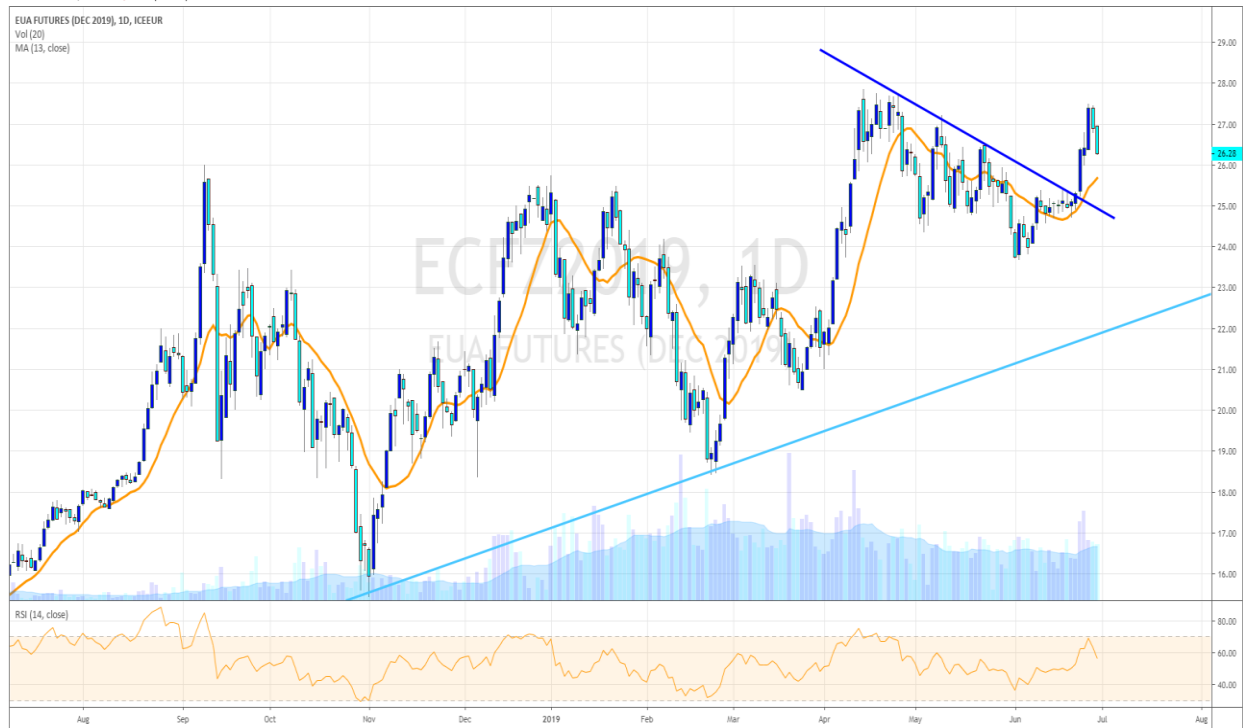
Week ending June 28, 2019

Contact: Info@ClearBlueMarkets.com / +44 7552 928028



Best Advisory / Consultancy North American Carbon Markets
(All & California)

ClearBlue_Markets published on TradingView.com, July 01, 2019 00:27:53 UTC
ICEEUR:ECFZ2019, 1D 26.28 ▼ -0.61 (-2.27%) O:26.95 H:26.95 L:26.23 C:26.28



Our Forecast: ➔

After several weeks of rangebound action, the EUA market woke up last week and against our expectation traded as high as €27.48 before closing at €26.28.

As indicated previously the important level to watch was €25.50 and as we broke this level, the bulls were able to push the market at its highest level since April. Despite the bullishness seen last week, the market closed on a weaker note and for this reason, we will stay neutral for this week, awaiting too see if the market can continue to trade higher.

Key Levels to watch:

Supports:

- ▶ €25.50
- ▶ €23.70
- ▶ €22.50

Resistances

- ▶ €27.50
- ▶ €27.85
- ▶ €28.50

Economic Calendar (GMT+0 - Forecast when available):

Monday, July 1, 2019

07:55 - EUR German Unemployment Change (000's) JUN (0.0k)
07:55 - EUR German Unemployment Claims Rate s.a. JUN (5.0%)
14:00 - USD ISM Manufacturing JUN (51.0)

Friday, July 5, 2019

12:30 - USD Change in Non-farm Payrolls JUN (163k)
12:30 - USD Unemployment Rate JUN (3.6%)

Wednesday, July 3, 2019

14:00 - USD ISM Non-Manufacturing/Services Composite JUN (56.0)