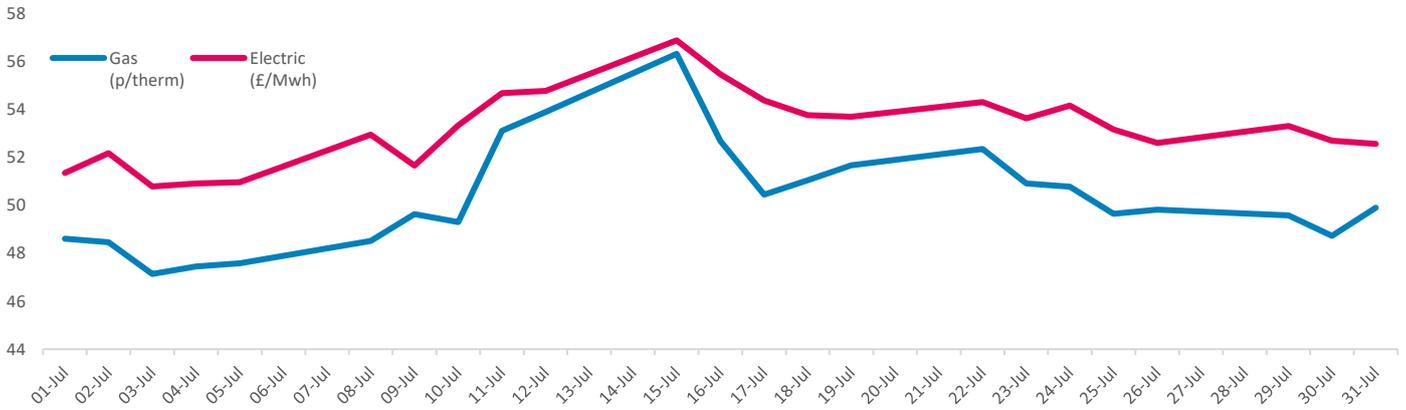




ENERGY MARKET UPDATE July 2019

Year Ahead Wholesale Gas and Electricity Price



July started with a short bearish run before turning bullish. A large amount of unplanned outages took a total of 68mcm (Million Cubic Meters) offline, this led to an undersupplied UK gas system and put upward pressure on prices.

The bulls remained in control as prices steadily increased before a spike on the 11th July. The seizing of a British flagged oil ship by Iran in the Strait of Hormuz, threatening future supply routes, led to sharp increases in the oil price, reaching highs of \$67/barrel and putting upward pressure on gas prices. The oil price remained an important driver of

gas and electric for the rest of July, however, as tensions eased prices began to soften.

Bearish sentiments returned to the market on the 15th July as an end to some of the unplanned outages brought more supply online and placed downward pressure on prices.

This bearish run, however, was short lived as the oil price affected markets once again. A continuation of tensions between Iran and the U.S put some bullish sentiments into the market, as well as

announcements of reduced US inventories.

From the 22nd July, prices remained steadily bearish, albeit with some fluctuations in price. The end of July saw a slight upturn as Boris Johnsons’ strong Brexit rhetoric made a no deal more likely, leading to the pound weakening significantly to a 28-month low.

July saw some volatile movements, with both gas and electric pricing being affected. However, fundamentals remain strong with a healthy supply picture and good European storage levels.

Foreign Exchange

Foreign exchange markets can play an important role in the gas and electric markets. Foreign exchange prices affect the cost of imports and exports and can be used to signal economic stability.

One of the big drivers behind foreign exchange markets recently has been the conservative party leadership race. When Boris Johnson was announced as the next Prime Minister (PM) markets saw some strengthening of the pound as stability was expected to return to UK leadership.

However, at the end of July the PM set a hard deadline for Brexit and promised to leave the EU on the 31st October with or without a deal. This brought a great deal of uncertainty into the market and saw the GBP weaken against all currencies, most notable the Euro.

Foreign exchange markets are likely to remain volatile for the near future as we edge closer to the Brexit deadline. The effect this will have on gas and electric prices is unknown, however it will certainly be a contributing factor to any uncertainty in the market.

