

Hot and Dry March troubles Sector EuroPower

Stockholm (HedgeNordic) – Sector EuroPower, the Norwegian derivatives trading fund focused on the Nordic power market, ended March down 4.76% for the EUR-class pulling the YTD performance down to -7.4%.

The Fund, whose objectives are to achieve attractive absolute returns with a standard deviation of 10-15% and low correlation to any financial markets or asset class, reported the split on the month's performance was -4.69% for its short-term strategy, -0.46% for its curve strategy, and +0.39% for its long-term strategies. The system price averaged at 21.91 EUR/MWh, up 1.97 EUR from February and 2.36 EUR above closing price of the March contract in the financial market.

Sector EuroPower reported drier weather forecasts, less precipitation than normal and high power production in March. This has given hydropower producers improved control over reservoirs and support to prices. The Fund also reported increasing German spot prices, due to increased demand for heating, and rising coal prices, due to positive sentiment about increased oil prices and a weaker dollar. The NBP day-ahead gas contract continued to trade in a tight range around 30p/th in March, with gas withdrawals reducing in coming weeks and a new gas filling season beginning. The Dec.16 EUA emissions contract finished at 5.22 EUR/t in March, compared to 5.01 EUR/t for its final trade in February.

Sector EuroPower forecasts that spot prices will be stable in April despite higher than normal temperatures across Scandinavia, with competition and hydro production high in the spring, but hydro producers struggling to keep night and weekend prices high enough. Seasonally diminishing demand across Europe and strong supply levels will ensure the coal market continues to track external drivers and will remain closely linked to oil prices and financial exchange markets. Weaker oil prices are expected to have a bearish impact on coal and for gas prices to trade around 30p/th in April, with CO2 expected to trade in a range of 5-5.50 EUR/t for the month. The Fund continues to hold a bearish view and low price expectations for Q2 and Q3.

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