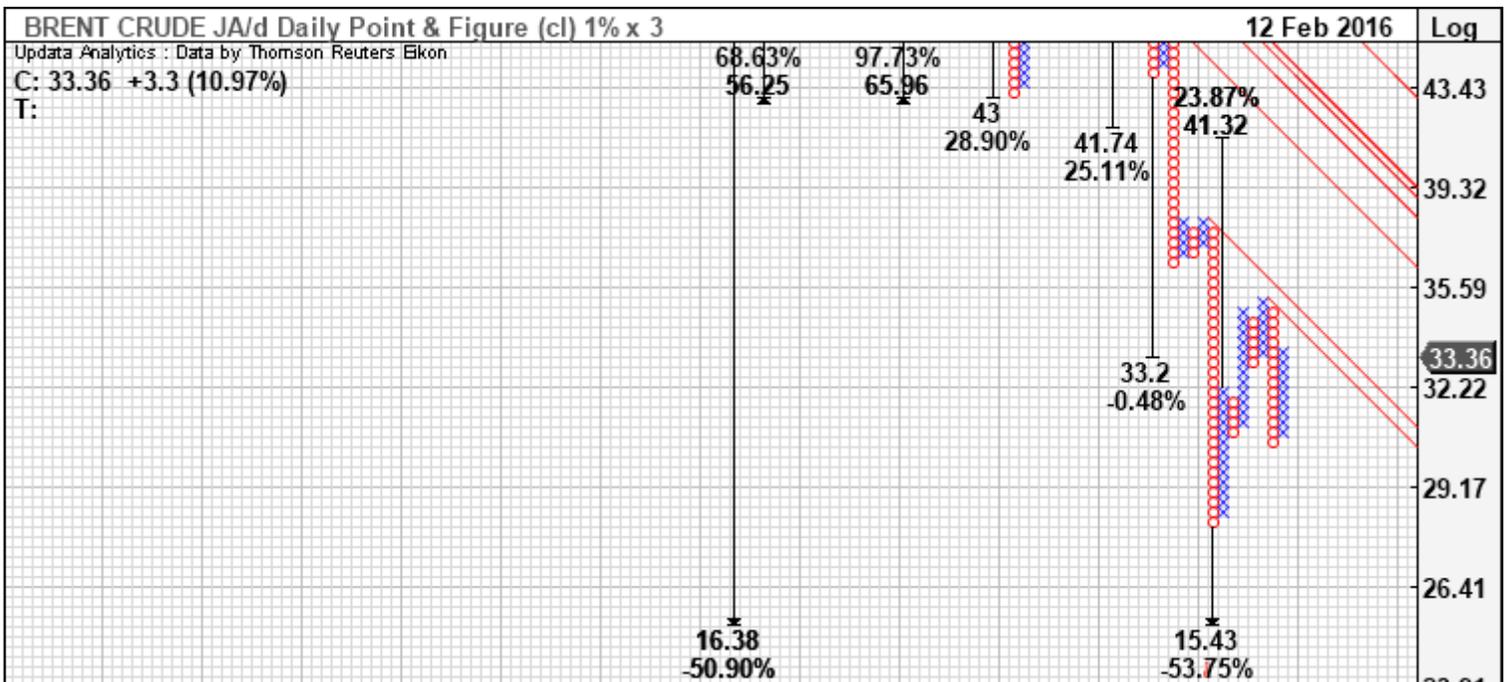


How low European Energy prices?



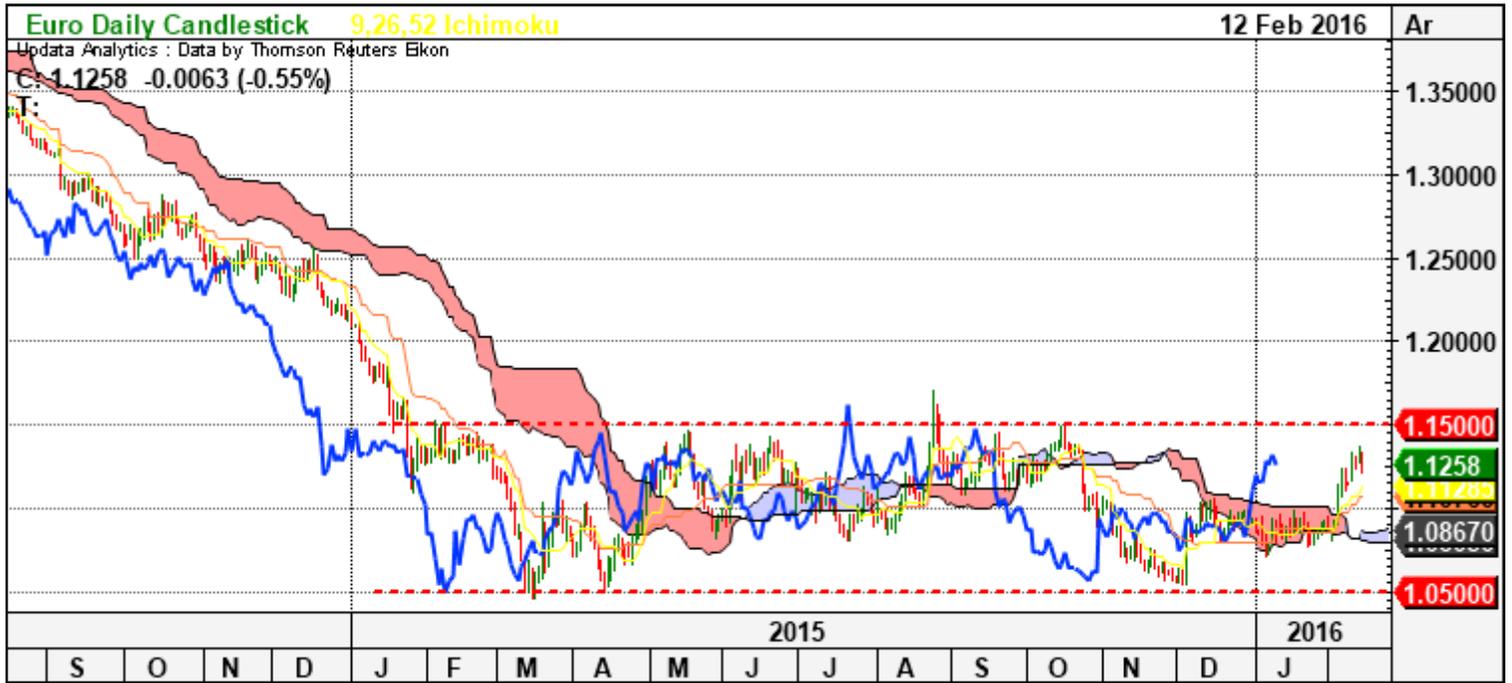
The major technical driver for lower energy prices is the falling price of crude oil. We have been bearish on crude for the last two years. The chart above of the Brent crude front month contract shows that oil prices normally go up in the first half of the year and fall in the second half. This rise is traditionally in the run up to the summer driving season in the USA, but as the bear trend takes hold the rise skews more to only the first few months. Oil prices look set to rise a little now for a few months (marked with the red line) in line with the 2016 seasonality projection. But we expect the January low in the mid 20s to be tested and broken in several months time.



The 1% log scale point and figure chart gives us downside projection targets to around \$15 or \$16 which is a level around half where oil prices are currently. These targets will be more feasible if oil starts making new lows some months out and the shorter term charts give downside targets to similar levels.

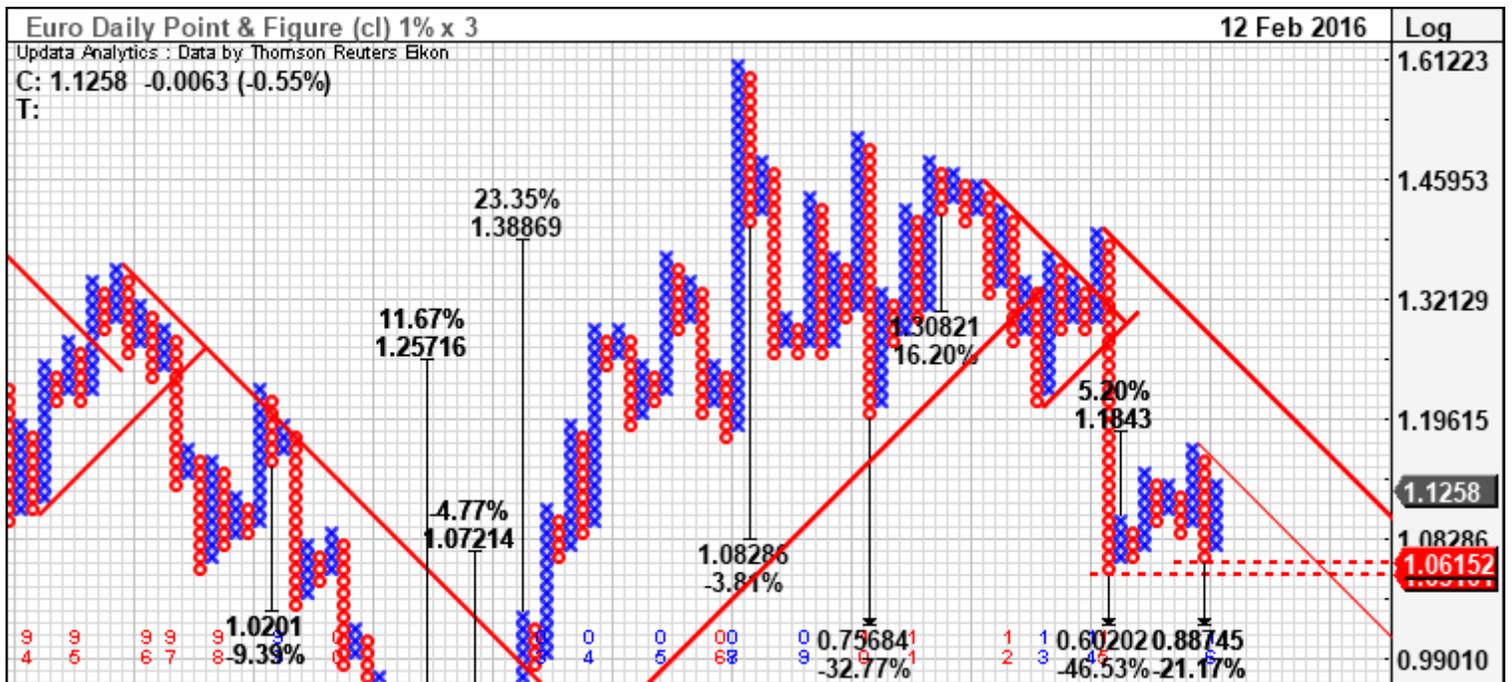
Our Call: Brent recovers to around \$40 in the next few months and then comes back to make new lows later this year below \$20 possibly as low as \$15 a barrel.

Watch out for the Euro breakout or breakdown



The Euro spent most of last year range bound between \$1.05 and \$1.15. These have become critical levels of support and resistance respectively. One of these levels will certainly break in 2016. The more likely scenario is the continuation of the downtrend after the long period of consolidation. The trend is your friend, but all trends come to end eventually and a sustained move above \$1.15 would signal the start of a new uptrend in the Euro.

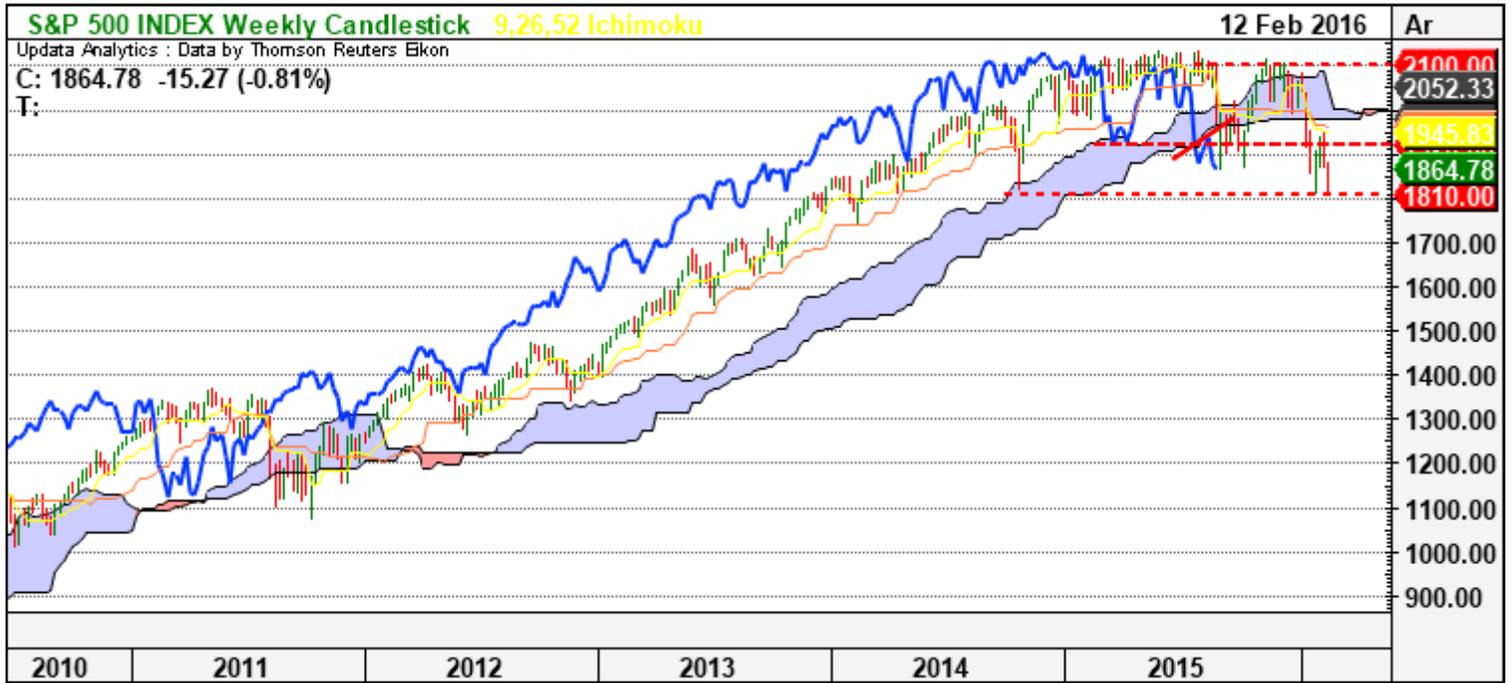
Want to understand the clouds? Watch the [Cloud Charts Training Video](http://www.updata.co.uk) at www.updata.co.uk



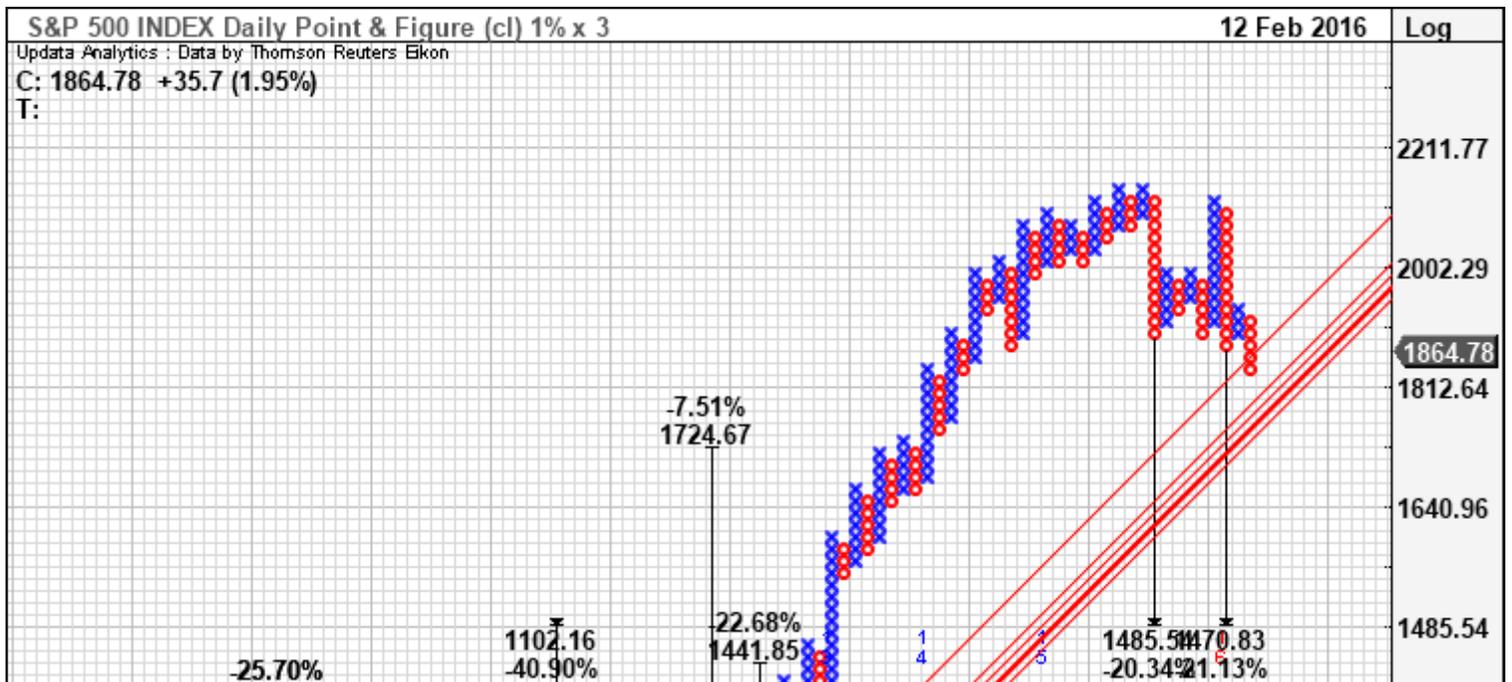
The 1% log scale point and figure chart gives us downside projection targets to 60c, 75c and 88c. This is a long term chart and these targets could take years to play out, but the longer term moves are likely to the downside.

Our Call: Euro breaks back below \$1.05 sometime in 2016 and then falls below parity with the US dollar gradually working it's way lower in 2017. A few days above \$1.15 kills this scenario.

Turmoil in global stock markets will dampen sentiment



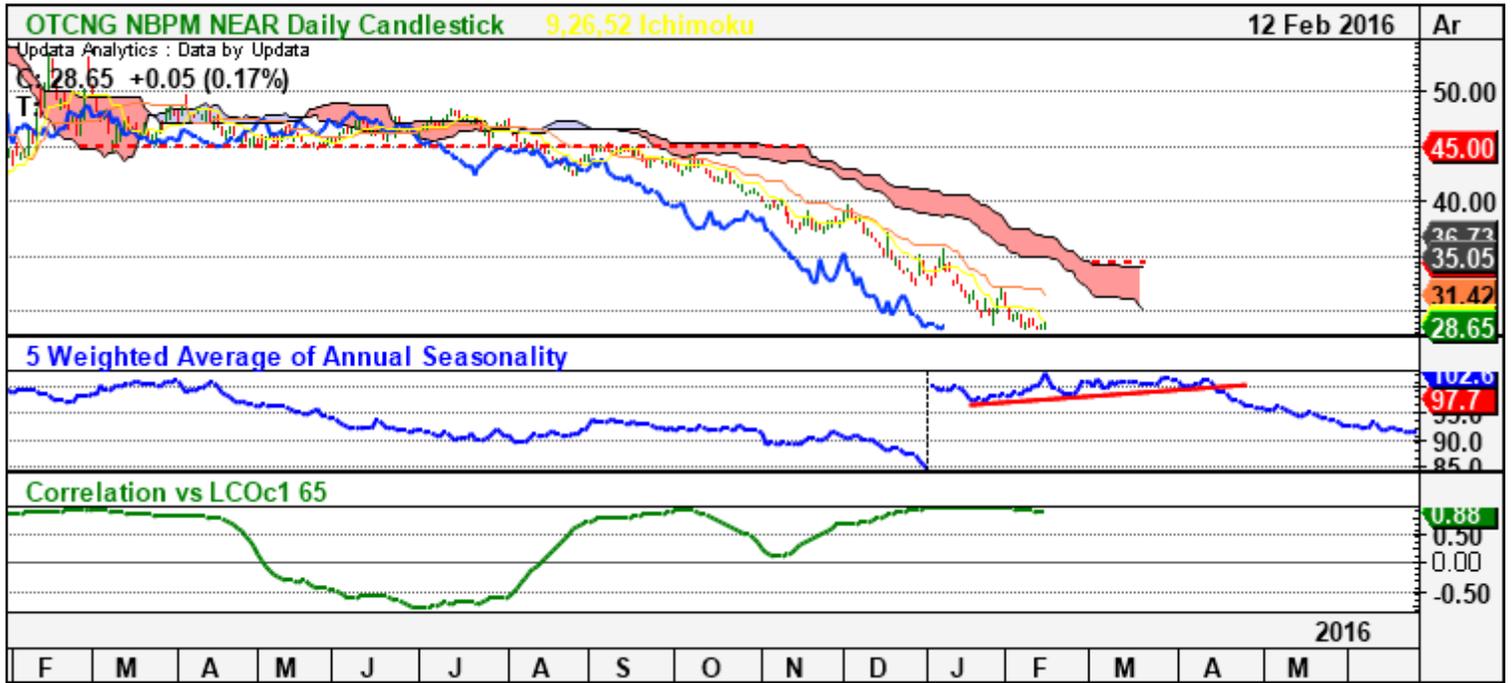
Stock markets have had their worst start to a year in living memory with most major markets now off 10% or more so far this year. The weekly cloud chart gave a sell in the year 2000 with the lagging line (blue) crossing below the cloud, a buy in 2003, a sell in 2007 and a buy in 2009. Given the reliability of this signal, it cannot be ignored in early 2016. If the S&P breaks below 1,810 points that would be a new two year low which would point to further falls. Only a move back above 2,100 would be a sign that the market would go higher again.



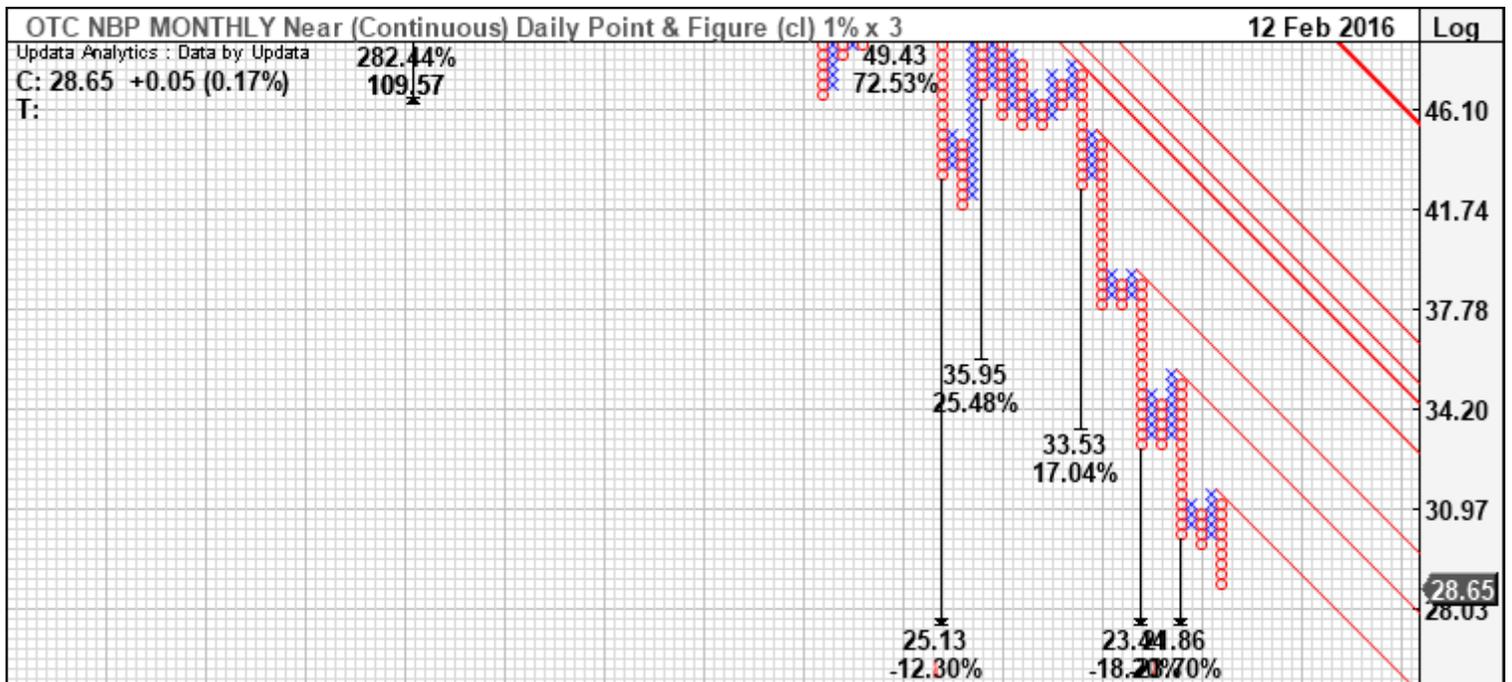
The 1% log scale point and figure chart gives us downside projection targets to just below 1,500 points on the S&P 500 Index. There is strong support (red lines) but two targets doubles the likelihood and most markets have downside targets of around 20%. China is even greater with a 40% downside target.

Our Call: Global stock markets look set to fall by a further 20% from here in the coming months.

European Gas - UK NBP - Medium Term, months ahead

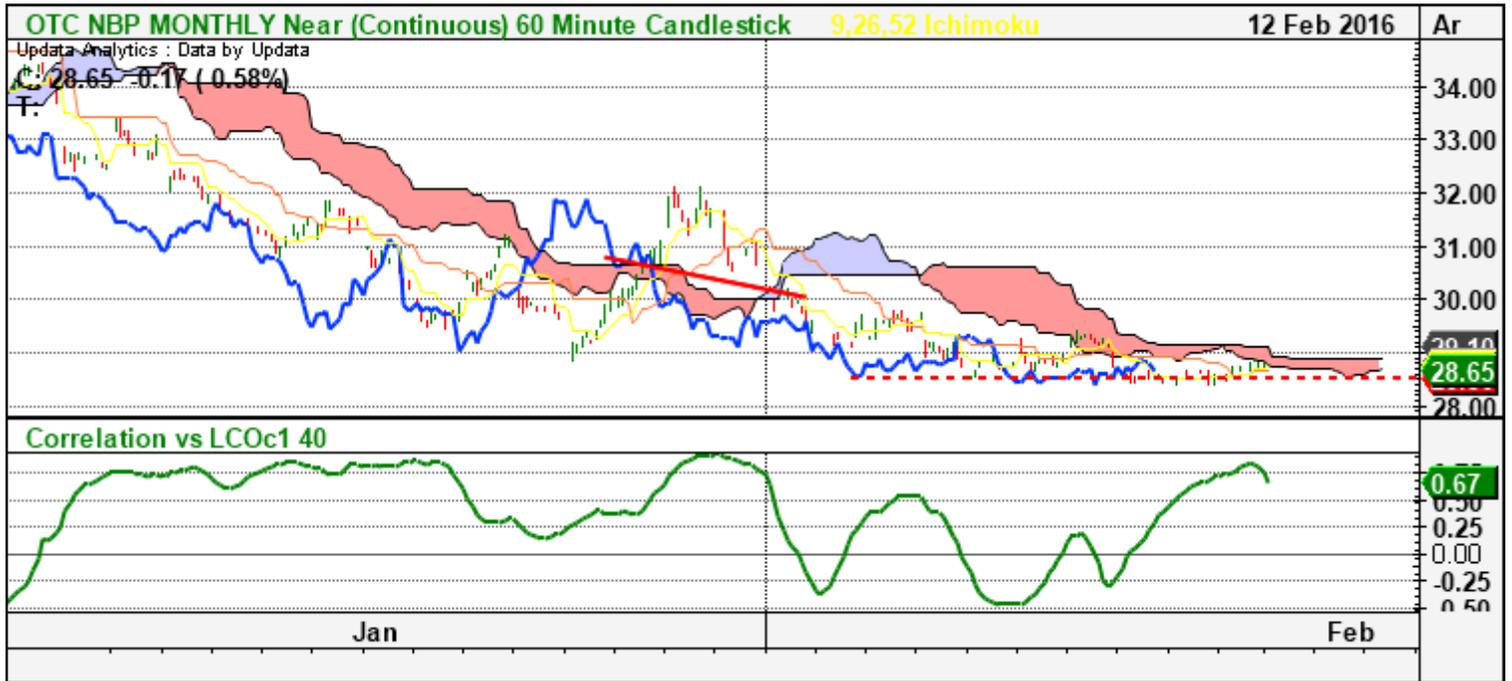


This is the NBP front month contract continuous chart. Here we see we are below the cloud which is bearish and it would take a move back above 35p in the weeks ahead for this bear trend to be over. The seasonality for NBP shows that the first few months of the year provide some respite. So we may say prices stabilise around these levels for a while. The correlation chart (green line) is the correlation between OTC NBP prices (off your Trayport system or the Updata EnergyFeed of real time OTC broker prices) and Brent Crude, here off your Thomson Reuters Eikon screen. The correlation is high, so if Brent does recover, UK gas prices should move in line.



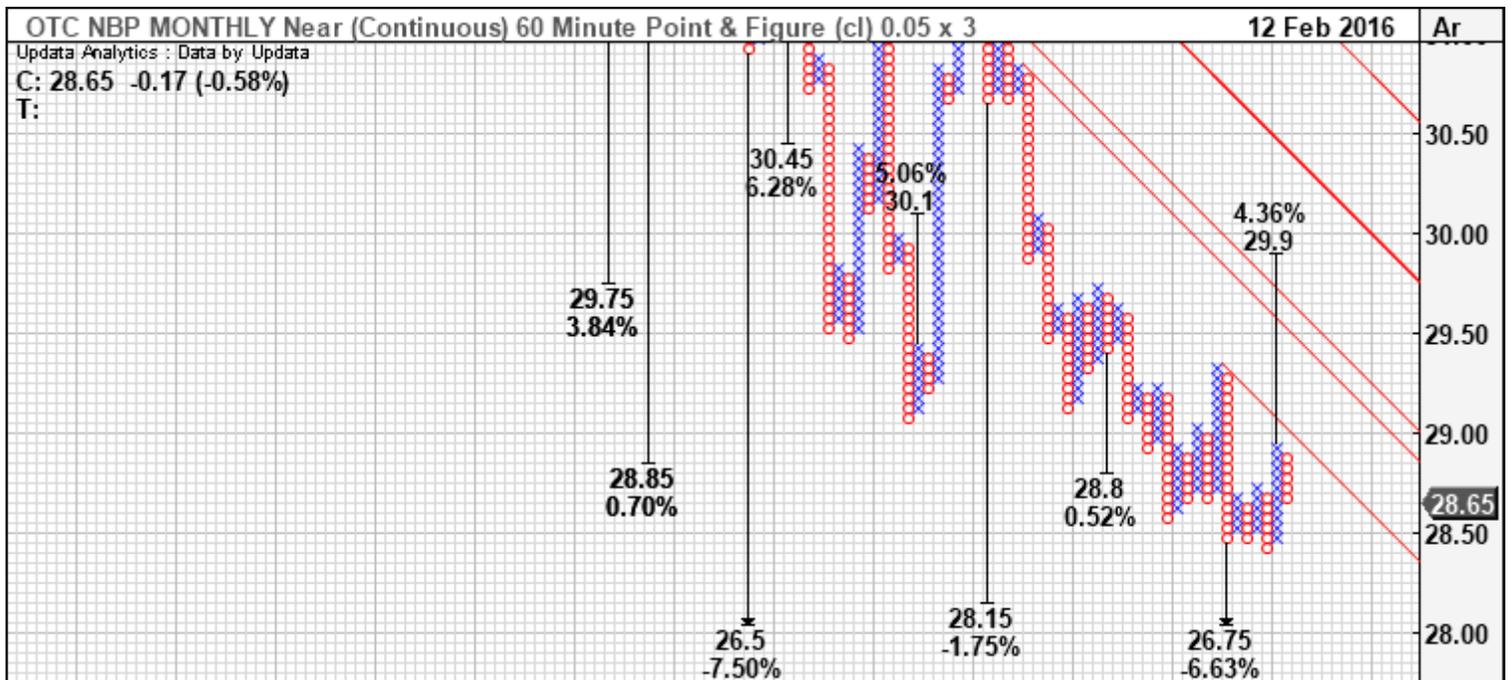
The 1% log scale point and figure chart gives us downside projection targets to around 23-25p, so a further 12-18% from where NBP prices are currently. The previous targets were given and met so these cannot be ignored.

European Gas - UK NBP - Short Term, weeks ahead



The 60 minute chart also shows a bearish trend with prices below the cloud. The 28.50 level is coming under serious pressure and may well break.

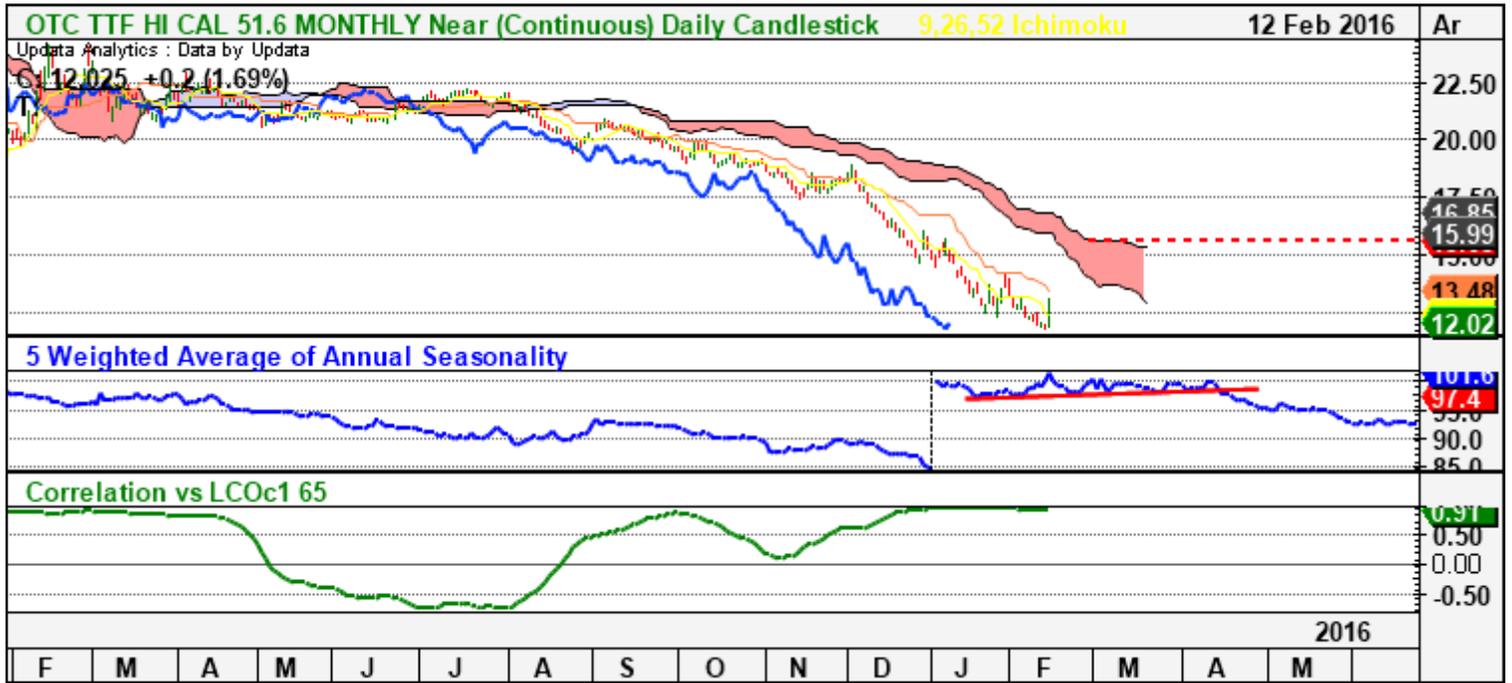
The correlation (green line again derived from real time OTC prices and Eikon) shows that the rolling 40 hour correlation is high. Crude prices with higher liquidity provide a heads up for likely moves in Gas prices here.



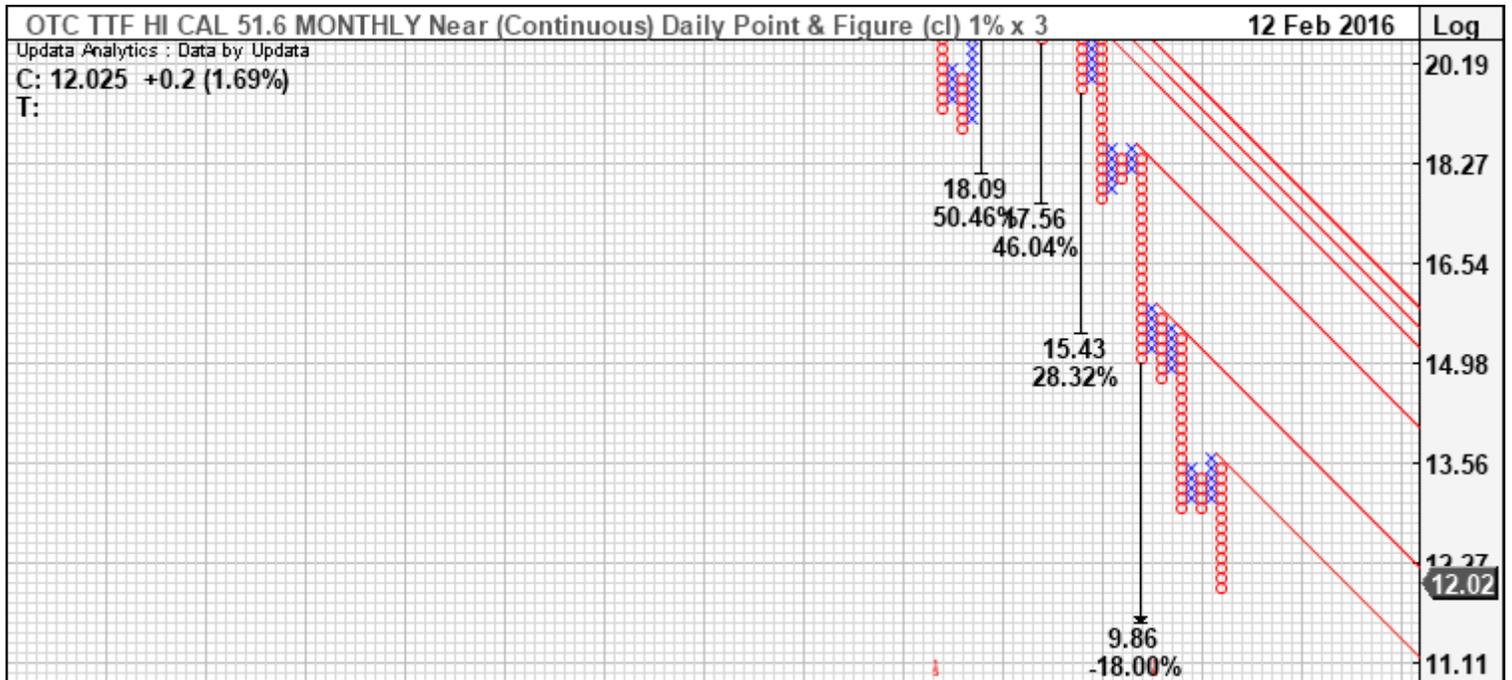
The 0.5x3 point and figure chart gives us downside projection targets to around \$26.50 or 7%. These targets are short term and the price we would look to in the coming days and weeks.

Our Call: NBP front month prices have 7% downside short term and twice that medium term in the coming weeks and months. Recovering crude oil prices may provide some price support.

European Gas - NL TTF - Medium Term, months ahead

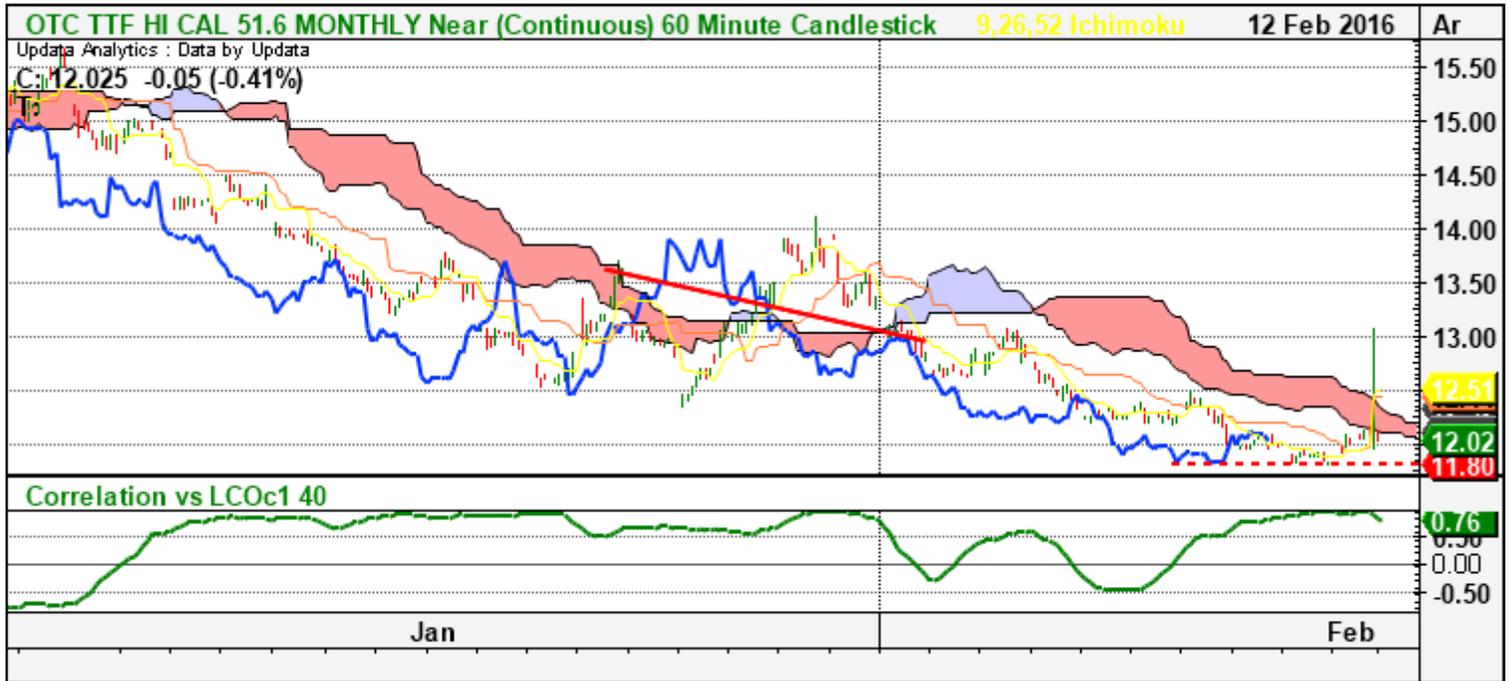


Front month TTF prices are also bearish and prices need to get back above 16 to be in a new medium term uptrend. Again the correlation between OTC live prices and crude oil is high, so watch crude prices.

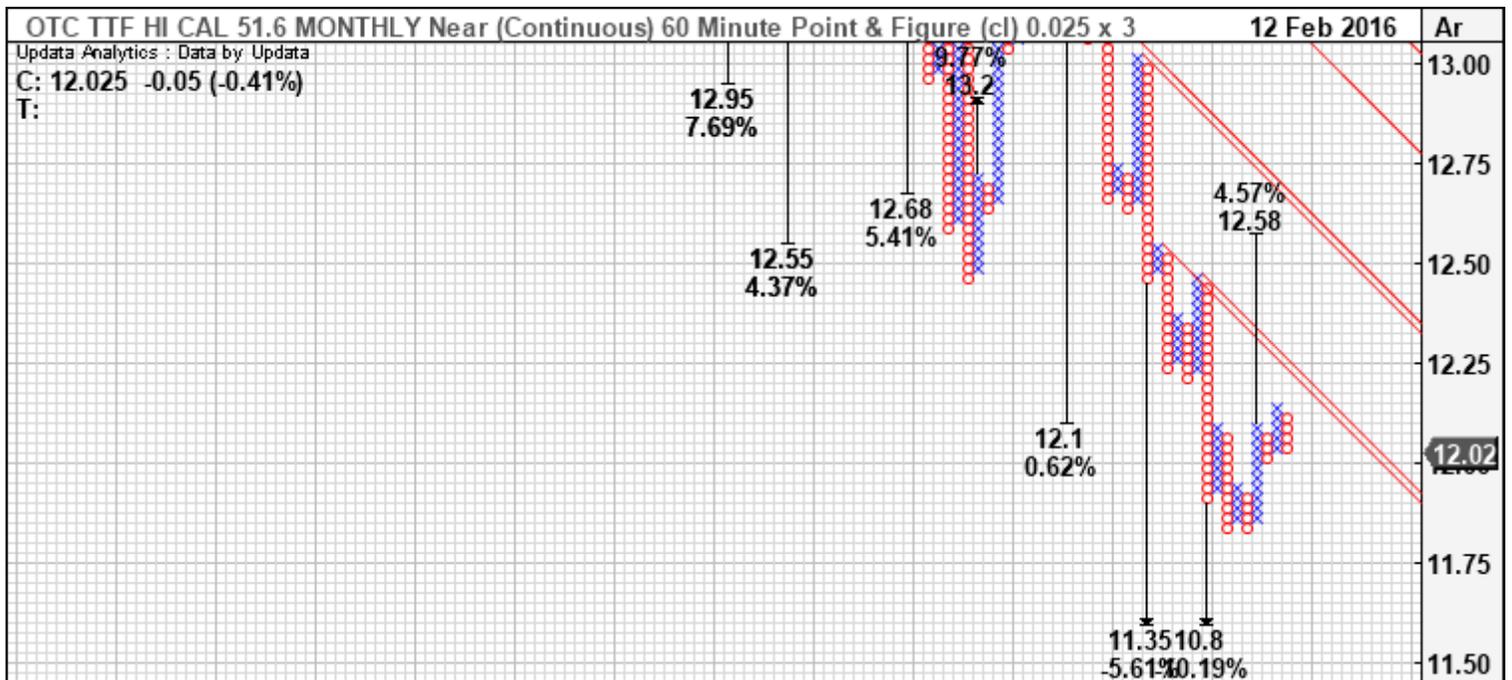


The 1% log scale point and figure chart gives us a downside projection target to just below 10 which is a further 18% deterioration in the price.

European Gas - NL TTF - Short Term, weeks ahead



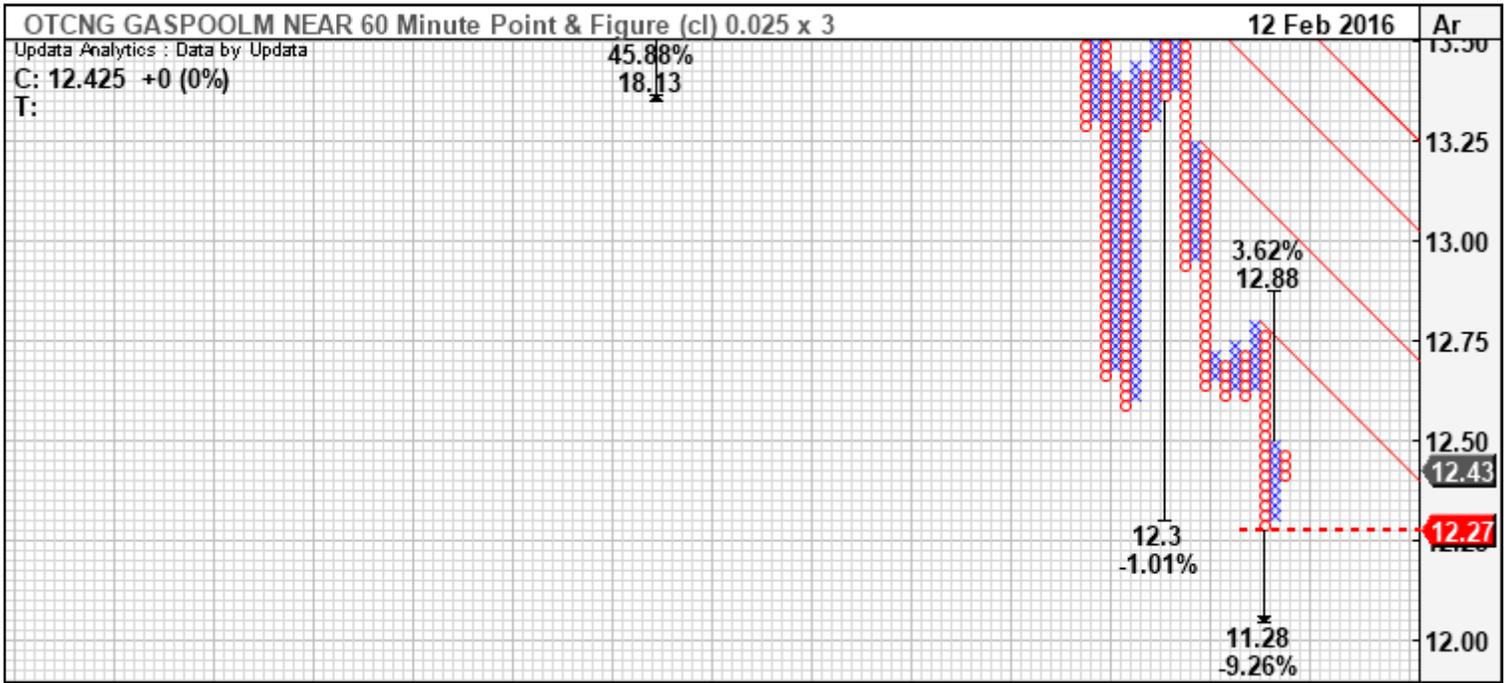
The shorter term 60 minute chart is also bearish and highly correlated to crude at the moment.



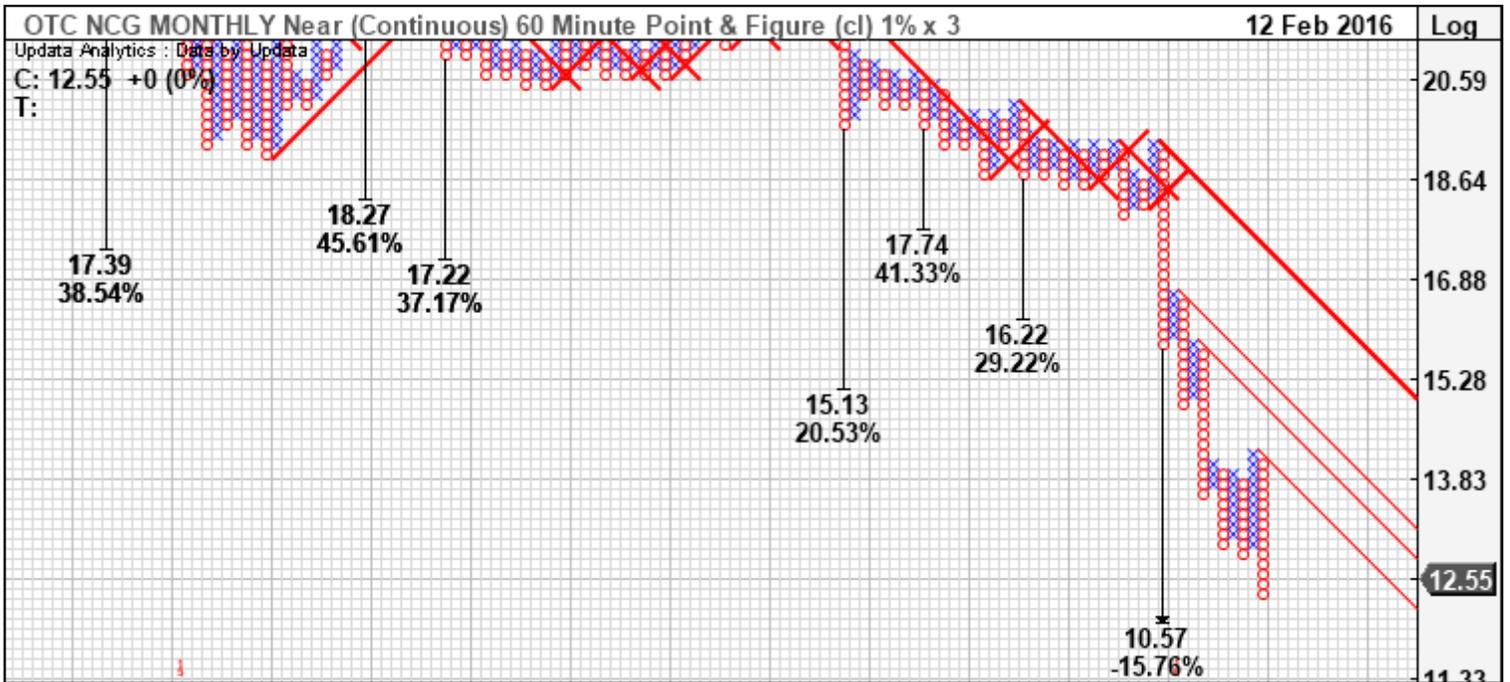
The 0.025x3 point and figure chart gives us downside projection targets to 10.80 and 11.35 (about 10% lower).

Our Call: TTF front month prices have 6-10% downside short term and twice that medium term in the coming weeks and months. Recovering crude oil prices may provide some price support.

European Gas - DE Gaspool & NCG - Medium Term, months



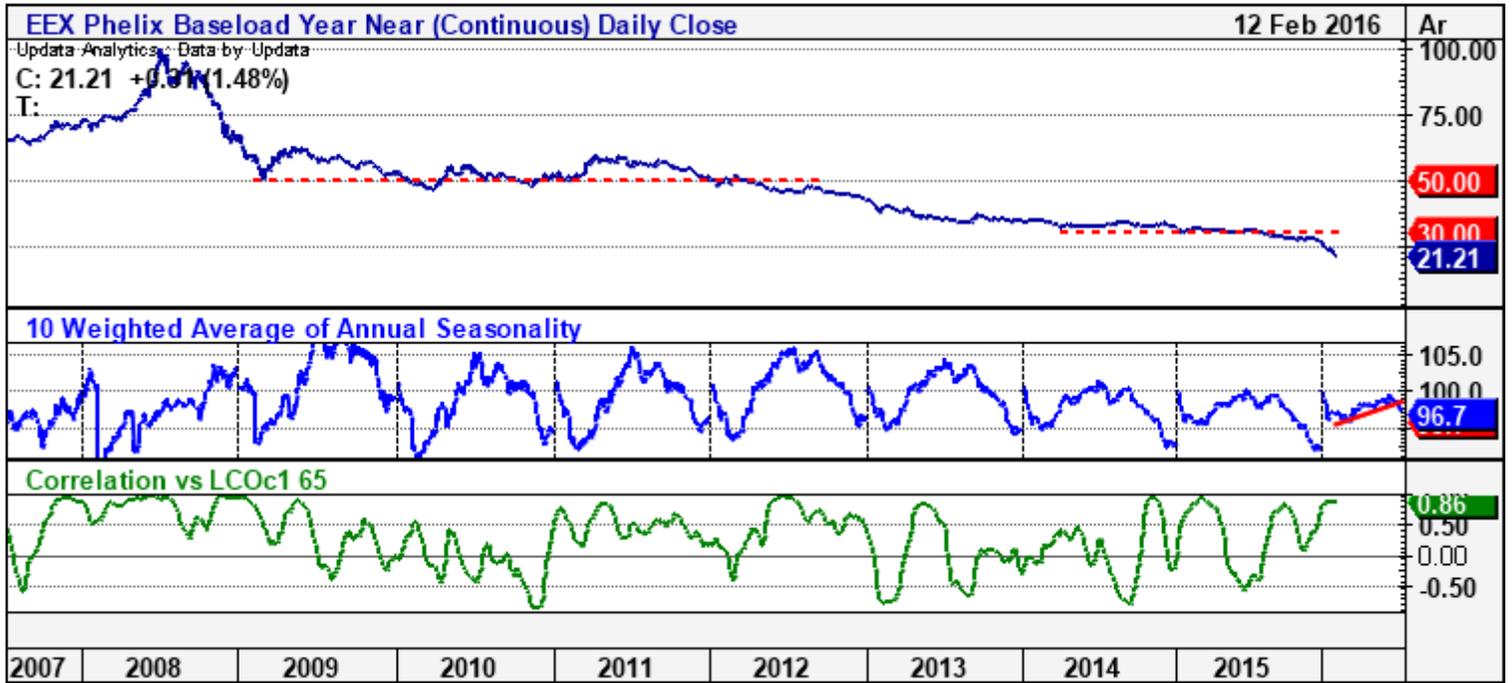
New lows in European gas prices means short term downside for Gaspool of around 9%.



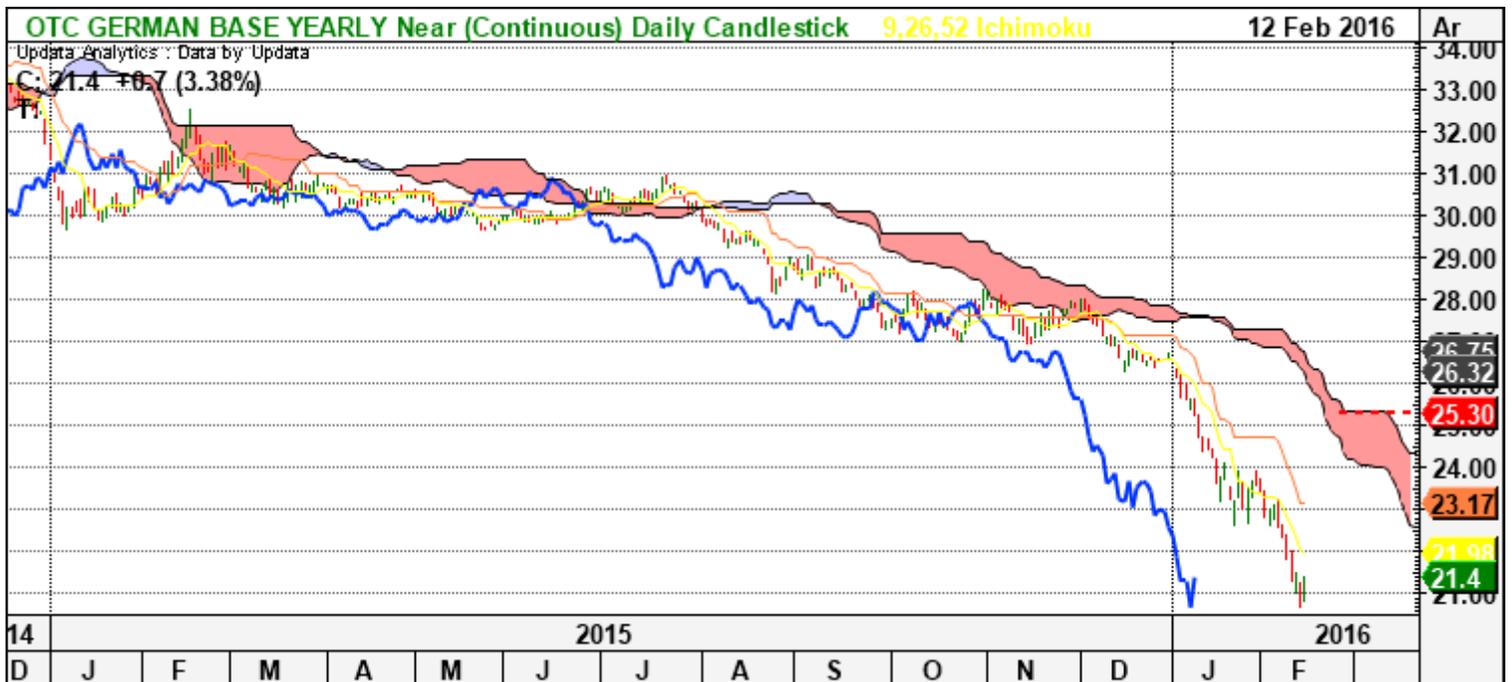
NCG has downside potential of a further 16%.

Our Call: German gas prices have further to fall as with NBP and TTF. Watch for any recovery in crude oil prices supporting gas price for a brief period.

German Power - Medium Term, months ahead

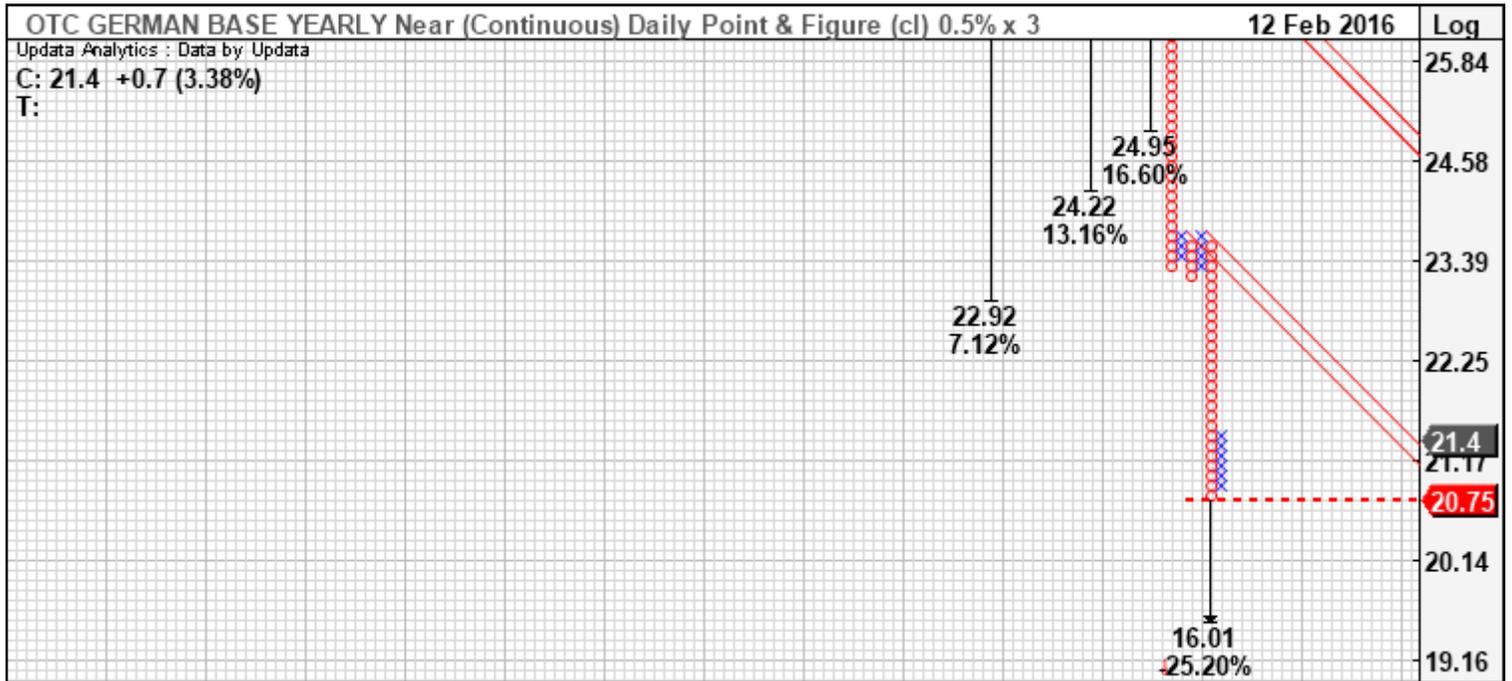


This long term EEX chart shows the German power calendar continuous contract over many years. The fall through €50 in 2012 was a watershed moment and then €30 last year. Now, will the price find support at €20? The seasonality shows power prices normally increase in the spring. The correlation between power and crude is more variable but strong at the moment.

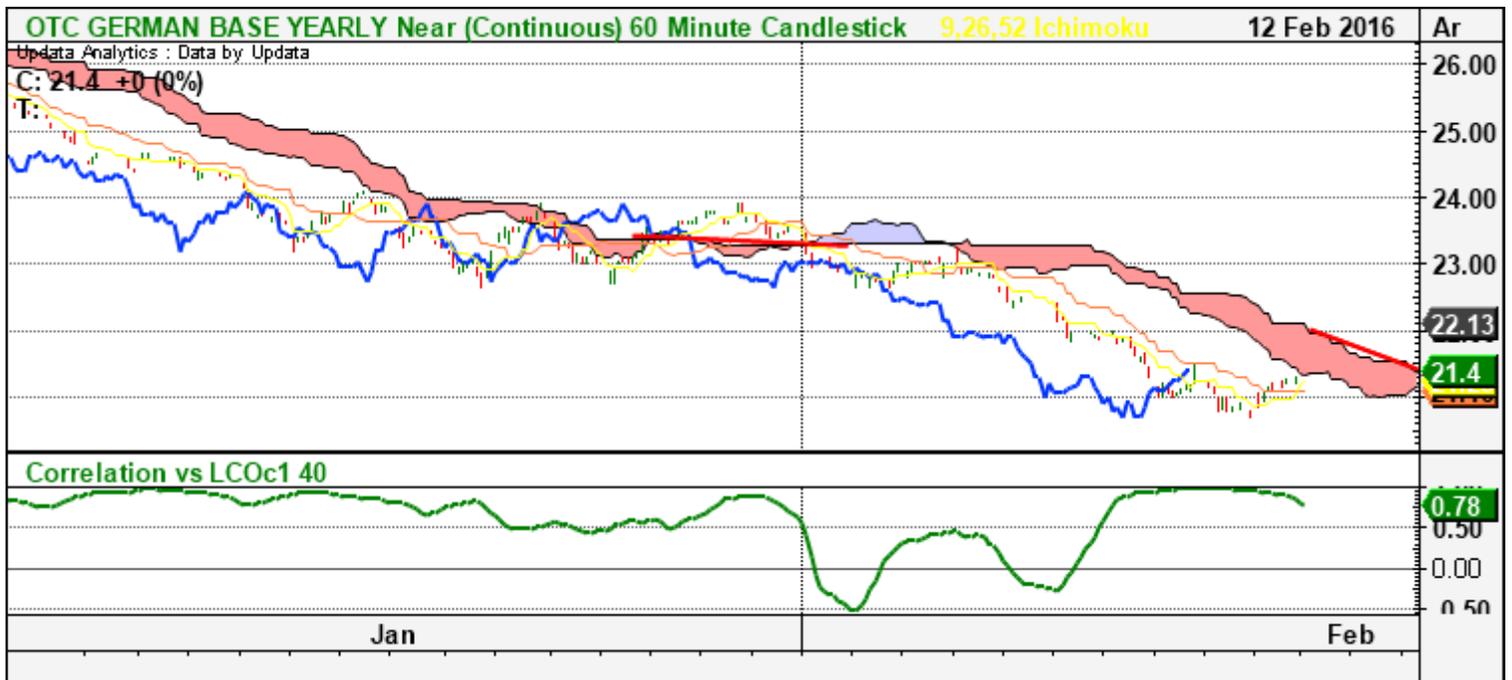


This chart of daily OTC prices gives a clearer view of how bearish power is with prices plummeting below the cloud. German power would need to get back above €25 again to have any hope of looking like being in a new uptrend.

German Power - Short Term, months ahead

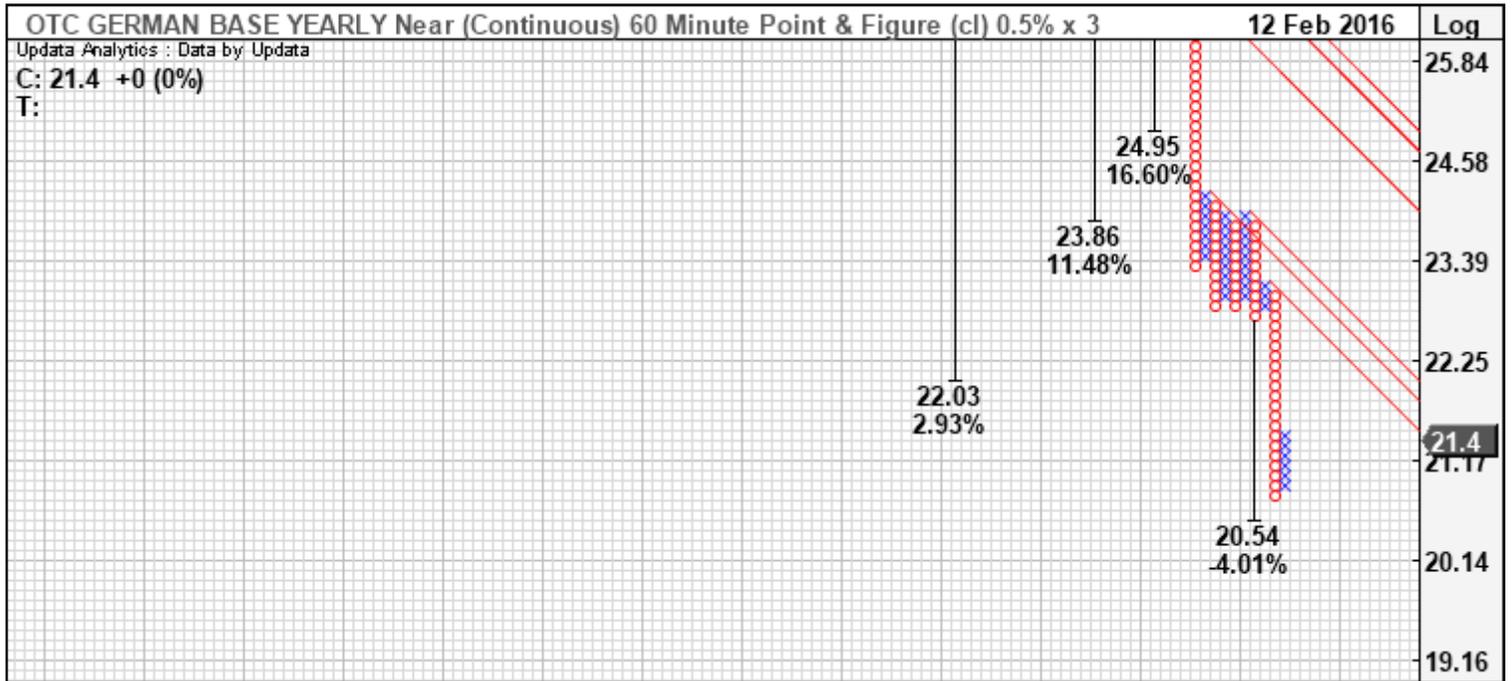


A close in German power prices below the recent low of €20.5 would then activate a downside target to €16. That's a further downside move of 25%.

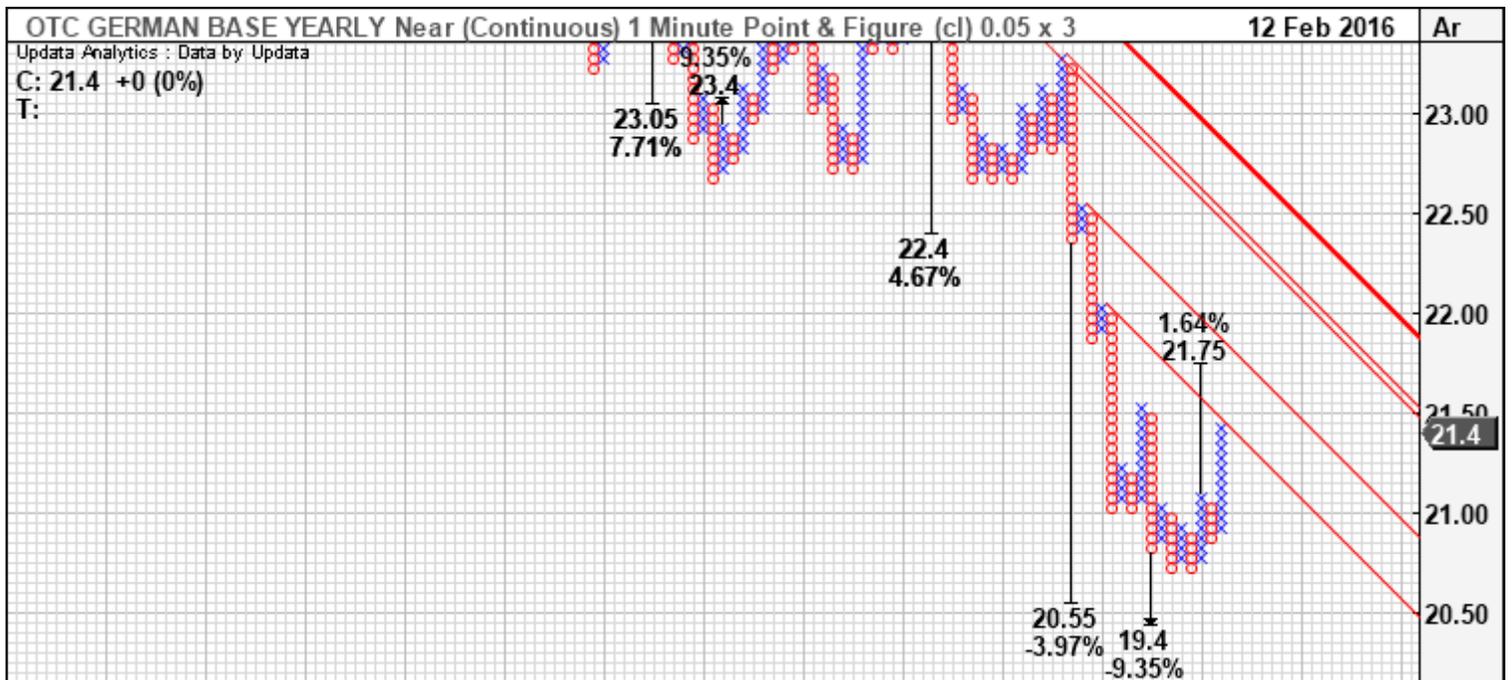


The shorter term 60 minute chart shows that prices need to get back above the €22.50 level to turn bullish. But, as we saw in later January, these counter trend moves are small and short lived against the bigger downward pressure. The correlation (green line) with crude is currently high so crude prices recovering may hold off further falls.

German Power - Very Short Term, days ahead



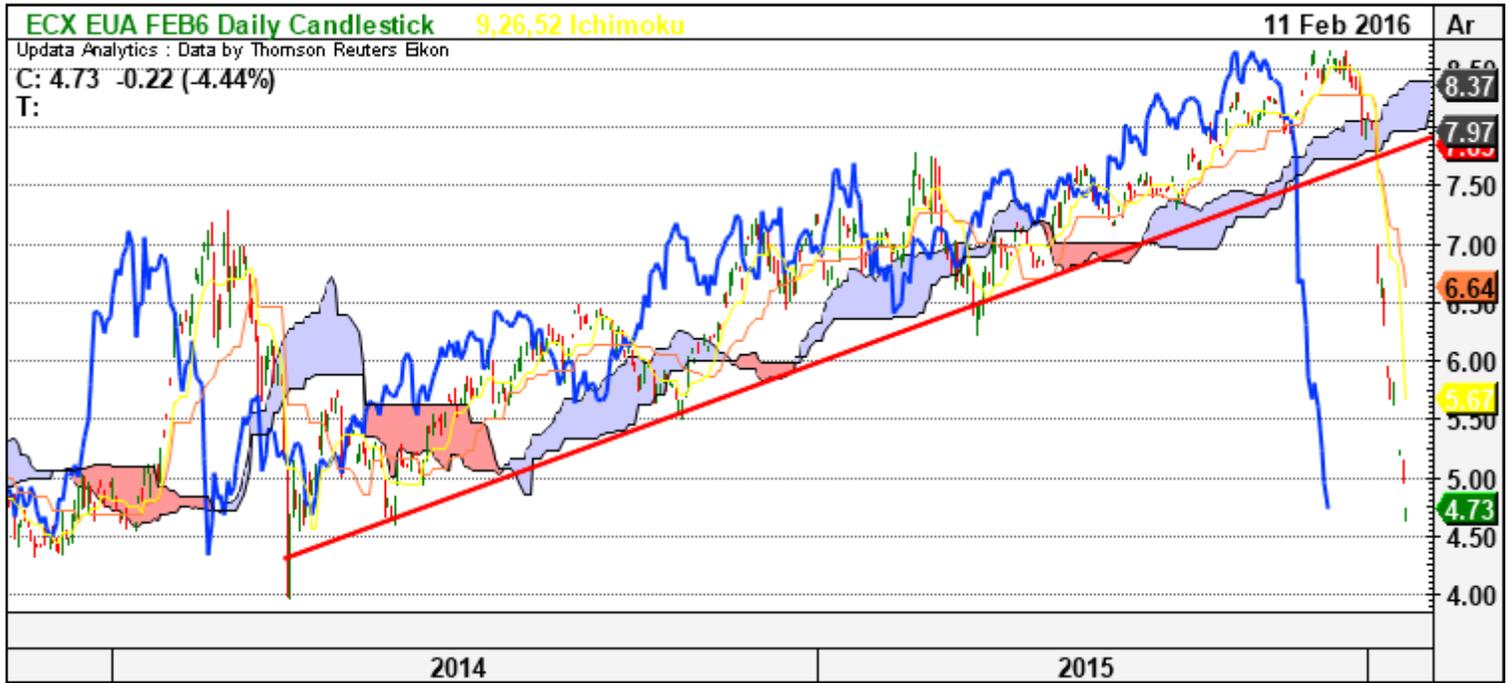
The 0.5% point and figure chart has no new clear downside targets. We need a new selling thrust for that, but we see how well the previous targets worked.



The very short term 0.05x3 one minute chart with increased granularity gives a downside target below €20 to €19.40 while there is a small upside target on €21.75. These targets running on your Trayport screen are great for trading German power short term. In fact most power traders use Updata for their pre-trade analysis of German Power.

Our Call: German Power prices do look set to break below €20 with a downside target of €16. But, watch out for a recovery in crude oil prices supporting the power price for a brief period.

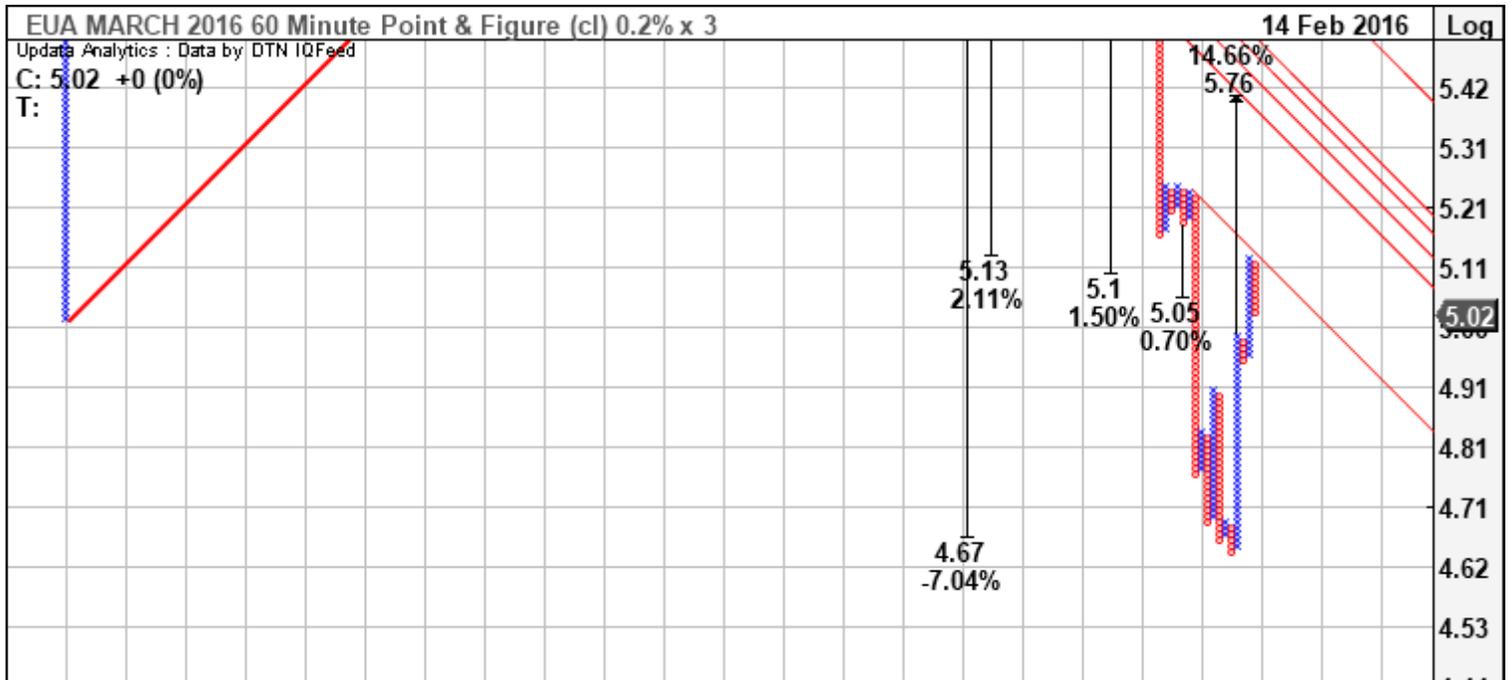
Emissions - Medium Term, months ahead



Emissions were the one bright spot over the past couple of years but now prices are falling off a cliff! This catastrophic failure in the price will make this market very hard to trade in 2016.

Below we see the target for €4.67 given at around €8 late last year was met. There is a new upside target to €5.76 but the recent gyrations in price makes emissions far too difficult to predict.

Our Call: Emissions are now way too difficult to analyse technically for an accurate call.



This report was produced using the Report Writer in Update Analytics. It can be re-run and the charts updated at any time. A range of platforms can be used to run Update including - Bloomberg, Thomson Reuters Eikon, DTN, FutureSource, Trayport and many more.

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