



NEWSLETTER GME – New issue now online

Rome, 9 August 2019 – The new issue of the newsletter of Gestore dei Mercati Energetici (Gme) is online and can be downloaded from the website www.mercatoelettrico.org.

The newsletter begins with an intervention by Lisa Orlandi from the RIE on the calm turmoil of the international oil market. *"With an average value close to 66 doll/bbl in the first 7 months of 2019, the Brent Dated – international crude oil reference - might close on a slightly lower annual level than in 2018 (72 doll/bbl). This would break the bullish trend started in 2017, when the market started to recover from the heavy crash of two and a half years before it had seen the prices go from over 100 dollars in June 2014 to 26 dollars in January 2016"*, the RIE analyst noted, adding that it would break off, yet leaving room, *"for a substantial stability, since a change of a few dollars on an annual basis does not have a significant impact on a market accustomed to very strong fluctuations that can occur even in short periods of time"*. However, Orlandi explained, *"stability is almost never the most appropriate term when it comes to oil market, especially during this historical moment, although prices have so far shown more contained movements than those recorded in the past"*. In fact, the interpretation of the current context rests on a few fixed points and different uncertainties, the development of which will condition the future price trends. *"The key players have been the same for some time now: on the one hand the United States, which keep growing thus influencing - also through their foreign policy - on strategies and choices of other oil producers; on the other hand, OPEC Plus, led by Saudi Arabia and Russia, which continues to act in response to US dynamics but whose future - especially in the longer term - remains uncertain"*. In the background, there are two elements of great uncertainty whose evolution is currently unpredictable: *"The numerous geopolitical tensions, especially in the Persian Gulf, which in the first part of the year fueled bullish forecasts, as shown by the movements of financial operators with mainly speculative purposes"*. And the *"macroeconomic context, which in 2019 is proving to be weaker than in the past and which has also led the world of finance to assume a more bearish attitude from May onwards and almost ignore the geopolitical issues still in place and widespread"*, Orlandi explained. However, despite these tensions *"prices do not increase. At this stage,*



therefore, the current real fundamentals characterized by an adequate offer seem to prevail, although the ongoing crises - Iran, Venezuela, Libya to name a few - and a demand that is growing but less than expected: 2019 forecasts predict an increase of 1.2 mil. bbl/day compared to an initial estimate of 1.4 mil. bbl/day of 2018 and in the first quarter of the year the level of consumption was the lowest since 2011 - explained the RIE analyst -. This dynamic reduces the risk of shortage even in case of temporary supply interruption from the Gulf and is partly related to the performance of the world economy, now expected to grow by 3.2% on an annual basis". Ultimately, the researcher believes that this is the overall condition that currently "leads the world of finance to keep a careful attitude, yet the description of the current dynamics may not deny the elements of risk present in the market. A market that, with no global recession, seems to have a consolidated minimum floor of around 60 doll/bbl, protected by OPEC Plus and supported by ongoing geopolitical tensions. However, the only US production currently acts as a cap, and its trend has a large degree of uncertainty. In conclusion, as of today, everything seems to fit, although dangers might be around the corner", Orlandi concludes.

The new issue also includes the usual technical commentaries on the markets and the national and European electricity and environment exchanges, the section devoted to the analysis of the trends of the Italian gas market and the section with an analysis on European trends, which delves into trends in key European commodities markets.

The GME's new publication also reports, as customary, the summary data of the electricity market for July 2019.

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