GME Gestore Mercati Energetici

Press Release

NEWSLETTER OF GME – The new issue was published

Rome, February 16, 2016 – 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 starts with a speech by Mr. Filippo Clô of RIE on the irrationality of the world oil market. "*If the trends of its prices during 2015 seemed to follow the logic related to the actual market fundamentals, with prospects of a partial upward, at the beginning of 2016 this correlation seems to be a back seat to make room for what has been defined 'territory of the irrationality'*," explains Mr. Clô recalling how the new year has began under an extreme market volatility with prices breaking through the threshold of 30 USD/bbl, mainly due to a more active role of finance that "*after keeping a waiting attitude from the beginning of the collapse of prices in July 2014, would assume by year-end a markedly bearish connotation with large and speculating funds in the American market that has doubled short positions*." However, the researcher of RIE admits, "*it is difficult to make predictions, especially about the future. Price recovery, expected until a few months ago for the second half of 2016, is now delayed until 2017, in a still huge uncertainty framework*." A perspective shared by the OPEC countries. "*Saudi Arabia* - highlights Mr. Clô - *as far as supporting the success of its defense of the market share strategy, has taken 26 USD/bbl as the reference price for the government's budget for 2016, while Iran appears slightly more optimistic and remained on 35 USD/bbl*." Then there are uncertainties on the demand - even expected to grow in 2016 but at a lower rate than the year just ended (+1.2% vs. +1.8%) -, the very high amount of storage available around the world, who continues to be fed tat a rate of 1.5-2 mil. USD/d and monetary policies of some major consuming countries such as China and the USA that are, respectively, depreciating the Yuan, thus strengthening the dollar. "*The unknown that is finally involving more and more concern is the strange relationship that from the beginning of the year to date seems to link the trend of crude oil prices to that of stock exchanges* - emphasizes the expert of RIE -. *A similar correlation would question the assumption that the benefits to the global economy resulting from an ultra-cheap oil* *(expansionary thrust of consumption and investment), outweigh the associated costs (disinflation, fall of producing countries), as well as experienced in the past*."

In any case, Mr. Clô argues, "*whatever the evolution of the oil market in the current year, what we can reasonably argue is that the current decline has in itself the conditions for a future price rise. The higher today is their fall, the greater will be the backlash tomorrow. The problem for many market participants is to get there alive*."

Within the last 18 months, in fact, the oil industry has cut 200,000 jobs and investments for 380 billion dollars, equivalent in terms of future supply to a shortfall of about 3 mil. USD/d in 2025. For that "*if prices were to remain much longer at current levels or even fall further, the industry will be seriously compromised and the rise - for the global economy - could prove more painful than the fall*" concludes the researcher of RIE.

The new issue of the newsletter comes with the usual technical commentaries on the markets and the electricity and national and European environmental exchanges, the section devoted to the analysis of the trends of the Italian gas market and the analysis section on trends in Europe, which delves into the trends of the main European commodity markets.

GME's new issue also reports, as it has become customary, the summary data of the electricity market for the month of January 2016.

Gestore dei Mercati Energetici S.p.A.
Institutional Relations and Communication
Tel. +39 06 8012 4549
Fax. +39 06 8012 4519
relazioni.istituzionali@mercatoelettrico.org
www.mercatoelettrico.org