



19%

increase Win-20
prices electricity

11%

increase Win-20
prices gas

Technical Analysis: June 2020

Overview

UK Electricity and Gas prices have been residing at some of their lowest points for years, but is this sustainable and what is expected on the horizon? Optimised Energy use an array of technical and fundamental analysis to monitor market prices, trends and forecast market developments.

Win-20 electricity and gas prices have seen increases of 19% and 11% respectively since the UK entered lockdown. As UK lockdown measures begin to ease, market volatility is increasing, meaning it is now more important than ever to be proactive in your business' energy purchasing strategy.

What is Technical Analysis?

Technical analysis typically consists of a range of statistical models used by traders to understand market behaviour and characteristics based on historic data. These analysis methods provide indication of the direction and strength of bull and bear trends and can highlight buy/sell signals to optimise traded performance.

Win-20 Electricity Prices

As OPEC+ have agreed extensions to production cuts and demand levels pick up off the back of eased lockdown measures, the Win-20 Electricity contract has begun increasing. Technical analysis can provide further insight into the resultant price trend and strength.

Entering 2020, the Win-20 Electricity contract was subject to a strong bearish trend. This can be seen overleaf in the Ichimoku Kinko Hyo analysis (Figure 1). The bear trend is particularly clear through the Dec – Jan period (highlighted in grey) as we observe these factors: (1) close price remains below the "clouds" and (2) the clear spread between the close price and lag line (Chikou Span); these factors in situ indicate a firm bear trend.

Currently the Win-20 electricity contract is demonstrating the reversal trend. As the close price remains firmly above the "cloud" and the lag line (Chikou Span) deviates from the close. Along with fundamental and further technical analysis Optimised Energy's Trading & Risk Management team anticipate the continuation of a strong bullish trend over the next couple of weeks.

Quick Facts

Optimised Energy use a range of technical analysis methods to understand market trends.

Technical analysis supports fundamental analysis in creating a strong market understanding and outlook.

Combining a range of technical analysis methods with both leading and lagging indicators is key to optimising traded performance.



Figure 1: Ichimoku Kinko Hyo model

Win-20 Gas Prices

Although Gas and Electricity prices are typically subject to similar price trends and drivers, 2020 has observed a deviation between the two commodities, with Gas maintaining a bear trend for a sustained period of time. It is important to analyse the two markets independently both from a technical and fundamental standpoint. With the Win-20 contract now at the forefront of traders minds how do Optimised's trading desk expect this contract to develop?

The gas Win-20 contract sustained a bearish trend much longer than it's electricity contract equivalent, reaching a 2020 low on 22nd May. We have since observed the early stages of a price recovery. The analysis in Figure 2 demonstrates 3 key technical analysis methods: Candlesticks, Bollinger bands and Relative Strength Index (RSI). Analysing all 3 metrics in unison can provide us with a clearer picture of current and expected trends.

The initial factor that indicated the early 2020 bear movement was a 2-day consecutive market close outside the lower Bollinger band; a key indicator of a trend breakout. This week has seen the reversal trend occur providing early indication of a breakout of strong bullish momentum. Price trend strength can also be supported with the RSI model. This is a technical-momentum indicator whereby a high RSI figure indicates a sharp bullish market movement.



Figure 2: Candlestick, Bollinger bands & RSI model

Flexible Trading

Technical Analysis not only provides traders insight into price trends and future expected price developments; it can provide crucial indicators and signals on when to take long or short positions (buy/sell). Combining a range of technical and fundamental analysis methods with a strong market knowledge base can optimise trading performance. Here at Optimised, our Trading & Risk Management team utilise these approaches to trade effectively, limiting market risk whilst securing competitive commodity prices.

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