

COAL OUTLOOK – Market rebounds from 3-month lows

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(Montel) European coal prices rebounded from last week's three-month lows in early Monday trading amid a buoyant gas market, although market participants said supply, demand and technical signals would likely cap gains.

The front-quarter API 2 contract was seen last up USD 6.68 from Friday's settlement at USD 125/t, while the front year was USD 3.50 higher at USD 105/t, on Ice Futures.

The early gains were largely linked to a jump in competing gas prices, amid a drop in Russian flows for Europe, market participants said, with the TTF gas front-month contract changing hands last up EUR 8.80 at EUR 73.66/MWh.

An analyst with a European coal-trading firm also said the physical coal market remained tight in both the Atlantic and Pacific basins, despite some recent recovery in "short-term fundamentals".

"Chinese consumption remains high amid struggling domestic production... and in Europe, gas stocks are still very low," he said.

Wider price losses

However, European coal prices were still down sharply on the week, with the front quarterly and yearly contracts on Friday slumping to their lowest levels in at least three months of USD 113.50/t and USD 96.20/t.

Market participants attributed this in part to a significant decline in Chinese prices amid the [government's efforts to resolve the country's energy crisis](#).

The Zhengzhou exchange's most liquid contract, for January, settled last down 30% week on week at CNY 943.80/t (USD 147.40/t).

"A number of measures were announced by [China's government]," said a commodities analyst with a UK-based investment firm, citing also "weaker gas" last week as a driver.

But there had also been some improvement to supply, according to dry bulk data provider DBX.

"Indonesia, South Africa and USA have increased their exports as supply chain issues are getting fixed," it said in a monthly coal fundamentals report.

"Only Russia decreased its exports [over the past month] due to a major fire at the port of Vanino, which should be transitory," the firm added.

This was regarding Russia's largest coal producer, Suek, [declaring force majeure](#) at its 24m tonnes/year Daltransugol terminal at Vanino, in the far east of the country, following a fire in mid-October.