ICE is taking over NYSE Euronext

KCBT gets acquired by CME

EEX easies access for US traders

Southeast Europe gets its own power exchange

2013 Energy Forecast by EOX Live
Environmentalists in the US have been celebrating President Obama’s inauguration for a second term, with many hopeful it will pave the way for four more years of environmental policies and growing clean energy sources.

However the reality is that times may be calling for more conservative decisions. It’s likely Congress will remain gridlocked on certain issues, forcing the White House to find other ways of pushing through the “green” agenda. And what could be better a avenue for that, than EPA, and maybe even FERC?

Data News

Power Markets

EEX Trades in Guarantees of Origin for Green Power
EMS and EPEX to Set up Southeast Europe Power Exchange
NGX Alberta and Ontario Power Product Name Changes

Fossil Fuel Markets

Platts to Publish Biodiesel Premiums
Platts Proposes New European DEG Assessments
Platts: Low Sulfur Bunker Assessments for Algeciras
Platts to Terminate MDO Assessments for Europe and Africa
CME Delists New York Harbor Ethanol Futures
Platts Extends Forward Curve Assessments for Refined Products
Platts to Lower Sulfur in Med Bunker Assessments
Platts to Change Singapore Gasoil Assessments
Platts to Change Basis for Dunkirk Bunker Fuel Assessment
Platts to Change Basis for Ceuta Bunker Fuel Assessments
CME: ITC Fractional Indicator Changes
Platts to Change EMEA T2 Ethanol Sustainability Clause
Platts to Extend German Dark and Clean Dark Assessments
Rule Amendments to ICE Singapore Gasoil Swap Futures

Agriculture, Forestry and Metal Markets

ZCE Launches Rapeseed and Rapeseed Meal Futures
Platts: Steel Mill Economics Spreads
CME Clearing Europe Adds Two Iron Ore Contracts
Platts Ceases MW Four Corners Lead Price Assessment
CME Acquires KCBT to Expand Wheat Offerings

Environmental Markets and Weather Services

NOAA Introduces Great Lakes Water Level Dashboard
AccuWeather Personalizes Local Weather Forecasts
NOAA Tests New Winter Hazard Language
NOAA Begins Construction of Coastal Observatories

FX, Interest Rates, Credit and Equity Indexes

ISE Adds Three Commodity ETFs
db X-trackers Launches Full Replication Equity Index ETFs
NYSE Liffe to Include Fixed Income Products on Bolear
IMKB and NYSE Liffe: Derivatives on IMKB Index and Turkish Stocks
CFE Launches S&P 500 Variance Futures

Other Matters

MIAX Options Exchange Successfully Launched
SuperDerivatives: Real-time Cloud-based Market Data Platform
ICE to Implement Cross Order Functionality
FIS Pioneers RMB-denominated FFA Trade in China
EEX Eases Access for US Participants
GFI FENICS Develops OTC Derivative Reporting Capability for Japan
Portuguese Treasury Bills Integrated into Interbolsa
Deutsche Börse Improves Connectivity to Event Trading Application Asia-Pacific Region
ICE to Acquire NYSE Euronext
NYSE Euronext to Launch a New Exchange for Pan-European SMEs
NYSE: Two Access Centers in Hong Kong
ESNet & Infinera Test Guiding Large Data Flows
NASDAQ OMX Acquires 25% of Dutch Derivatives Platform
MCX Adopts Bloomberg Symbolology for Commodities Contracts

ZEMA Market Dashboard

Actual Weather (AccuWeather)
Actual Temperature (AccuWeather)
North American Electricity Forward Curves (ICE)
Henry Hub Natural Gas Forward Curve
North American Natural Gas Sport Prices (ICE)
Crude Oil Brent vs WTI
Prompt-Month Contract (NYMEX)
Forward Curve (NYMEX)

News from Data Vendors

2012 Volumes on European Power Exchange EPEX Spot Hit New Record
New Products from Interactive Data
ZEMA Adds More Data Sources

2013 Energy Forecast by EOX Live

Despite the relatively sideways trading range and declining volatility that the last few months of 2012 has brought the oil markets, underlying developments have remained fairly dynamic. The November election in the US and change of power in China will have strong impacts on price direction, as will the developments on the production and transportation sides made earlier in the year.
Environmentalists in the US have been celebrating President Obama’s inauguration for a second term, with many hopeful it will pave the way for four more years of environmental policies and growing clean energy sources.

However the reality is that times may be calling for more conservative and less dramatic decisions. It’s likely Congress will remain gridlocked on certain issues, forcing the White House to find other ways of pushing through the “green” agenda. And what could be a better avenue for that, than EPA, and maybe even FERC?

EPA has been on a powerful environmental crusade over the last several years and it’s likely that the agency will continue to flex its muscles regardless of a pending change in the leadership. The agency has just recently finalized standards seeking to reduce mercury and particle pollution from industrial boilers and incinerators. As stated in its Seven Priorities for EPA’s Future, the fight against climate change will remain the agency’s number one priority. The emphasis in these initiatives has been put on various greenhouse gas reduction initiatives for mobile and stationary sources, especially power plants.

For more than 40 years, the Clean Air Act (CAA) has been the US federal law designed to control air pollution on a national level. Down through the decades there have been multiple amendments made to the act to set limits for various airborne contaminants. A year and a half ago, the EPA began regulating greenhouse gases from sources of air pollution under a ‘Greenhouse Gas Tailoring Rule’, a part of CAA. After multiple failures to pass through the Congress GHG cap-and-trade program, environmentalists are focusing now on a carbon tax. It has been speculated that this tax will likely fall under CAA in the future. Public discussion of whether EPA has the authority to run it through CAA has been partially muted after Press Secretary Jay Carney said the Obama administration has no intention of proposing a tax on carbon. According to Mr. Carney, the administration will focus on developing new clean energy technologies, as well as strengthening existing clean air regulations.

Meanwhile, this past month has put a smile on the faces of a lot of renewable power developers who finally received confirmation of another year’s extension of the wind-production tax credit, as part of the “fiscal cliff” legislation. New legislation also adjusted eligibility requirements: under the previous rule, to be eligible for PTC, projects had to be in service before the PTC expiration date. Now projects qualify as long as construction starts before January 1, 2014. The outcome of this revision is clear: the development of wind farms, especially those that had remained on hold due to uncertainty of the PTC, will now move ahead.

While some tension remains with other types of renewable generators; such as incremental hydro, wave and tidal energy, solar, geothermal, and bioenergy (which PTC expires at the end of 2013); we are likely to see a major influx of more renewable power units next year. An already developed data trend typically following this renewable expansion will sustain:

• Growing variety of ancillary products offered in the market,
• Increased granularity of power transmission scheduling to respond to the intermittency of renewable generation, and
• Expansion of weather forecasting services, with more granularities in weather prediction.

Olga Gorstenko
EEX Adopts Trading in Guarantees of Origin for Green Power

On December 6, 2012, the European Energy Exchange (EEX) gave the green light on trading in Guarantees of Origin and welcomed proposed Gas co-operation with Powernext.

At the meeting of the Exchange Council, EEX approved three contracts on Guarantees of Origin and will offer these on their Derivatives Market in spring of 2013. All products can be traded up to three years in the future and will have two expiry dates per year (mid-March and mid-December). After extensive consultations with customers, EEX will offer the following products:

<table>
<thead>
<tr>
<th>EEX Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>TBD</td>
<td>Green power certificates for hydroelectric power from Scandinavia (Denmark, Finland, Norway and Sweden)</td>
</tr>
<tr>
<td>TBD</td>
<td>Green power certificates for hydroelectric power from the Alpine region (Germany, Austria and Switzerland)</td>
</tr>
<tr>
<td>TBD</td>
<td>Green power certificates for wind power from the northern European region (Belgium, Denmark, Germany and the Netherlands)</td>
</tr>
</tbody>
</table>

Also at this meeting the EEX welcomed future cooperation with France’s Powernext, in particular on natural gas markets. Both Powernext and EEX plan to bundle their gas market activities pending regulatory approvals. Since both companies use the Trayport trading system, cooperation should enable them to offer spread products between German, French and Dutch gas market areas.

Finally, the EEX informed about the planned extension of OTC clearing services. The European Commodity Clearing AG (ECC), together with EEX, is planning to introduce a range of standardized energy products for clearing, which are not currently available on EEX or ECC partner exchanges. Their aim is to offer market participants a comprehensive selection of products for risk management across most important European OTC energy markets. The first of these products is the Romanian power futures which was available for OTC clearing as of December 17, 2012.

<table>
<thead>
<tr>
<th>EEX Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>FHBM</td>
<td>Romanian Base Month Future</td>
</tr>
<tr>
<td>FHBQ</td>
<td>Romanian Base Quarter Future</td>
</tr>
<tr>
<td>FHBY</td>
<td>Romanian Base Year Future</td>
</tr>
</tbody>
</table>

For more information click here.

EMS and EPEX Mull to Set up Southeast Europe Power Exchange

On December 14, 2012, Serbian grid operator EMS announced both it and Paris-based EPEX power exchange are exploring how to set up a regional Southeast Europe power exchange to boost competition and security of supply in the Balkans.

NGX Alberta and Ontario Power Product Name Changes

Effective December 21, 2012, the Intercontinental Exchange (ICE) updated all NGX Alberta and Ontario Power product names. Users of the ICE API were also affected and should have received a notice directly from ICE.

For a full list of changes click here.
Platts to Publish Biodiesel Premiums

Effective February 1, 2013, Platts starts publishing biodiesel premiums over ICE gasoil futures for its spot price assessments of FAME 0, FAME minus 10, SME and RME. Reflecting premiums over ICE gasoil futures on daily spot transactions on a FOB ARA basis, the proposed assessments would incorporate both RED and on-RED biodiesel price assessments.

The assessments would be subject to the typical guidelines of the Platts Market on Close assessment process and would be time-stamped at 16:30GMT.

Platts Proposes New European DEG Assessments

On December 7, 2013, Platts proposed new European spot assessments in euro/mt for diethylene glycol reflecting weekly spot transactions on a FCA NWE basis for trucks and FD NWE basis for cargoes. These commenced on January 18, 2013. Truck assessments will consider deals of at least 24-50 mt and cargoes of at least 100 mt. Both assessments will reflect:

- A loading date of up to 30 days from the date of publication,
- A minimum purity of 99.5%,
- The close of European markets, time stamped at 16:30 GMT, subject to Platts Market on Close assessment process guidelines.

Platts: Low Sulfur Bunker Assessments for Algeciras

Effective February 1, 2013, Platts is proposing to start publishing assessments for low sulfur 380 and 180 CST bunker fuel in Spanish port, Algeciras. The introduction of the North American Emission Control Area in the port has increased the volume of LSFO supplied in the area. This has boosted the volume of low sulfur bunker fuel being traded in the Mediterranean in general. The assessments, which will be published alongside Platts existing assessments for high sulfur 380 and 180 CST bunker fuel in Algeciras, will be published on a delivered basis on Platts Global Alert page 1860, Platts Bunkerwire and in the Platts price assessment database.

Platts to Terminate MDO Assessments for Europe and Africa

Effective September 2, 2013, Platts is proposing to cease its remaining MDO assessments for Europe and Africa. This is due to decreasing demand for marine diesel oil bunker fuel at major ports in the EMEA region. Because demand for marine gasoil has surpassed demand for MDO, Platts will continue to assess MGO at the affected ports. The affected assessments, which are currently published on Platts Global Alert, Platts Bunkerwire and in the Platts price assessment database, include:

<table>
<thead>
<tr>
<th>Database Code</th>
<th>Assessment</th>
<th>PGA Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>POADJ00</td>
<td>Rotterdam</td>
<td>1850</td>
</tr>
<tr>
<td>POABH00</td>
<td>Antwerp</td>
<td>1850</td>
</tr>
<tr>
<td>POABZ00</td>
<td>Hamburg</td>
<td>1850</td>
</tr>
<tr>
<td>AAVWB00</td>
<td>Gothenburg</td>
<td>1870</td>
</tr>
<tr>
<td>AARSW00</td>
<td>Great Belt</td>
<td>1870</td>
</tr>
<tr>
<td>AARSO00</td>
<td>Gdansk</td>
<td>1870</td>
</tr>
<tr>
<td>AART100</td>
<td>St Petersburg</td>
<td>1870</td>
</tr>
<tr>
<td>AARST00</td>
<td>Gibraltar</td>
<td>1860</td>
</tr>
<tr>
<td>AARGS00</td>
<td>Algeciras</td>
<td>1860</td>
</tr>
<tr>
<td>AARSC00</td>
<td>Ceuta</td>
<td>1860</td>
</tr>
<tr>
<td>AARTA00</td>
<td>Las Palmas/Tenerife</td>
<td>1860</td>
</tr>
<tr>
<td>POABR00</td>
<td>Durban</td>
<td>1860</td>
</tr>
</tbody>
</table>

CME Delists New York Harbor Ethanol Futures

On December 3, 2012, the New York Harbor Ethanol Futures were delisted from CME. The Security Definition was available on CME Globex until December 7, 2012. The contract unit was 42,000 gallons and was traded on a 36 consecutive month rolling basis.

<table>
<thead>
<tr>
<th>CME Code</th>
<th>Description</th>
<th>Venue</th>
</tr>
</thead>
<tbody>
<tr>
<td>QEN</td>
<td>New York Harbor Ethanol Futures</td>
<td>CME Globex</td>
</tr>
</tbody>
</table>

Platts Extends Forward Curve Assessments for Refined Products

Effective December 3, 2012, Platts forward curve assessments for US refined products have been expanded. The existing curves for US Gulf Coast unleaded gasoline, heating oil, jet fuel, ULSD, Atlantic Coast jet fuel, West Coast jet fuel and West Coast CARBOB have been extended for an additional eight calendar months.

The existing curves for US Gulf Coast 3% sulfur residual fuel oil and Atlantic Coast 1% sulfur fuel oil have also had an additional eight months added. NYMEX RBOB and heating oil frontline swaps and NYMEX WTI frontline swaps have been expanded to 36 calendar months.

Furthermore, new forward curve assessments for Dubai and Brent frontline swaps at the Americas Market on Close of 3:15pm Eastern Time have been launched by Platts, and consist of 36 calendar months.

A full list of products and pages can be found here.
Platts to Lower Sulfur in Med Bunker Assessments

Effective July 1, 2013, Platts is proposing to lower the maximum sulfur content in its low sulfur Mediterranean bunker fuel assessment from 1.5% to 1%. In Northwest Europe, bunker fuel with a maximum sulfur content of 1% has been the most marketable grade of low sulfur fuel to be traded since July 2010.

The production and supply of low sulfur bunker fuel by suppliers and refiners in the Mediterranean has shifted to reflect a maximum of 1% since then. Platts is inviting feedback on the proposal up until March 1, 2013.

Platts to Change Singapore Gasoil Assessments

On January 2, 2013, changes to Platts flagship Singapore Gasoil assessment came into effect. Due to changing supply and demand trends across the regions, Platts lowered the sulfur specification of this assessment to 500 ppm from the original 5,000 ppm (0.5%).

The sulfur specification of Platts flagship Arab Gulf Gasoil netback assessment was also lowered to 500 ppm, as well as all other related 0.5% gasoil assessments in the region. Relevant subscriber notes, FAQ document and a background paper can be found on Platts website.

Platts to Change Basis for Dunkirk Bunker Fuel Assessment

Effective July 1, 2013, Platts is proposing to change the basis of bunker fuel assessments of the French port from an ex-wharf basis to a delivered basis. This is due to market feedback on standard supply practices in Dunkirk. Activity reported in Dunkirk’s delivered bunker fuel market is currently normalized by Platts to reflect ex-wharf values.

Feedback on the proposal can be sent to Europe_products@platts.com by March 1, 2013.

Platts to Change Basis for Ceuta Bunker Fuel Assessments

Platts is proposing to change the basis of fuel bunker assessments in the Spanish port from a delivered basis to an ex-wharf basis effective July 1, 2013 due to market feedback on standard supply practices in Ceuta.

Logistics operators in Ceuta provide ex-wharf supply and the bulk of ship owners choose either ex-wharf or ex-pipe delivery for cost efficiency. Activity reported in Ceuta’s ex-wharf bunker market is currently normalized by Platts to reflect delivered assessments. Feedback can be sent to Europe_products@platts.com by March 1, 2013.

CME: Energy Futures and Options ITC Fractional Indicator Changes

On January 14, 2013, CME implements changes to the ITC Fractional Indicator for the following energy futures and options:

<table>
<thead>
<tr>
<th>ITC Code</th>
<th>Description</th>
<th>Current ITC Fractional Code</th>
<th>New ITC Fractional Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q6</td>
<td>European 3.5% Fuel Oil (Platts) Barges FOB Rdam Average Price Option</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>3U</td>
<td>Gasoil Crack Spread Average Price Option</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>F7</td>
<td>Gasoil Average Price Option</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>FSS</td>
<td>Northwest Europe Fuel Oil High-Low Sulfur Spread (Platts) Futures</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>CY</td>
<td>Brent (ICE) Calendar Futures</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>FI</td>
<td>1% Fuel Oil (Platts) Cargoes FOB NWE Crack Spread Futures</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>FK</td>
<td>3.5% Fuel Oil Barges FOB Rdam vs. 3.5% FOB MED Spread (Platts) Futures</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>UI</td>
<td>European 3.5% Fuel Oil (Platts) Cargoes FOB MED Calendar Futures</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>UB</td>
<td>Dated Brent (Platts) Calendar Futures</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>FY</td>
<td>Dated to Frontline Brent Futures</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>FL</td>
<td>3.5% Fuel Oil (Platts) FOB MED Crack Spread Futures</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>EFB</td>
<td>European 1% Fuel Oil (Platts) Barges FOB Rdam Average Price Option</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>NWE</td>
<td>European Naphtha (Platts) Cargoes CIF NWE Average Price Option</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>

These contracts are listed with, and subject to, the rules and regulations of NYMEX.
Platts to Change EMEA T2 Ethanol Sustainability Clause


Platts issued a proposal to reflect ethanol, which has been approved as sustainable by an EU-wide certification system. This affects both Platts T2 FOB Rotterdam and Platts T2 German Spec Rotterdam undenatured fuel ethanol quotes.

Recent changes to ISCC, a German sustainability system, have limited the merchantability of the T2 FOB Rotterdam German specification ethanol quality. In light of this change, Platts is proposing to cease accepting proof of sustainability from German-approved national systems in its Market on Close pricing processes, which will maintain the merchantability of the T2 FOB Rotterdam German spec and validity of its assessments. Platts aim to implement the changes on February 1, 2013, pending feedback.

Platts to Extend German Dark and Clean Dark Assessments

Effective January 7, 2013, Platts extended the daily assessments of its 35% efficiency German dark spread and clean dark spread by one year (year-ahead +2). Platts European Power Daily, Coal Trader International, Platts European Power Alert and Platts Market Data will publish the assessments.

Rule Amendments to ICE Singapore Gasoil Swap Futures Contracts

On November 22, 2012, Intercontinental Exchange (ICE) announced contract rule amendments to many of its Singapore futures and swap futures contracts. The new rules went into effect on January 2, 2013 and included changes to how many of the contract prices are determined.

<table>
<thead>
<tr>
<th>ICE Code</th>
<th>Description</th>
<th>Contract Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>SXS</td>
<td>Gasoil Outright – Singapore 0.5% Gasoil Swap Future</td>
<td>1,000 barrels</td>
</tr>
<tr>
<td>VXCVXZ;VYYG</td>
<td>Gasoil Outright – Singapore 0.5% Gasoil Balmo Swap Future</td>
<td>1,000 barrels</td>
</tr>
<tr>
<td>SUS</td>
<td>Gasoil Arb – Singapore 0.5% Gasoil vs Gasoil 1st Line Swap Future</td>
<td>1,000 barrels</td>
</tr>
<tr>
<td>ULP</td>
<td>Gasoil Arb – Singapore 0.5% Gasoil vs Low Sulphur Gasoil 1st Line Swap Future</td>
<td>1,000 barrels</td>
</tr>
<tr>
<td>VUSVWW</td>
<td>Gasoil Arb – Singapore 0.5% Gasoil vs Low Sulphur Gasoil 1st Line Balmo Swap Future</td>
<td>1,000 barrels</td>
</tr>
</tbody>
</table>

For the Singapore Gasoil Swap Futures product specifications and rule change details click here.

For the Singapore Gasoil Arb and Diff Swap Futures product specifications and rule changes click here.

The following graph shows ICE Singapore 0.5% Gasoil Swap Future contract prices:

Data Source: ICE*
ZCE Launches Rapeseed Futures and Rapeseed Meal Futures

On 28 December, 2012, the Zhengzhou Commodity Exchange (ZCE) launched rapeseed futures and rapeseed meal futures approved by the China Securities Regulatory Commission on December 20.

Data from the National Bureau of Statistics shows China is the world's largest rapeseed meal producer and the second largest rapeseed producer behind Canada. With the increasing supply and demand imbalance of rapeseed and rapeseed meal in China, market risks are significantly rising. Related enterprises have a need for products to manage price fluctuation risks. The launch of rapeseed and rapeseed meal futures will help to build a sound pricing system and promote the stable development of related industries.

Platts: Steel Mill Economics Spreads

Effective January 14, 2013, Platts launched a series of daily global Steel Mill Economics spreads which highlight the dynamic economics of blast and electric arc furnaces (BFs and EAFs) in the steelmaking process. By providing the market with this data, it enables the analysis of margins and yields of BFs and EAFs against output price assessments. This analysis would assist steel mills, banks and investors and the trading community with their comparisons of market standards, industry benchmarks and cash flow management. As well as being available as Platts Market Data, some or all of the following will publish the Steel Mill Economics spreads: SBB Steel markets Daily; the SBB Briefing Price Analyzer; China Analytics; Raw Materials Xtra; TSI Price Analyzer; World Steel Review; Global Market Outlook; American Steel Review; Platts Metals Alert. The spreads launched include:

- Two China Long Steel Spreads (CLSS)
- Two China Hot Metal Spreads (CHMS)
- China Billet-Rebar Spread (CBRS)
- Two Turkey Scrap-Rebar Spreads (TSRS)
- Two Turkey Scrap-Black Sea Billet Spreads (TSBS)
- US Scrap-HRC Spread (US SHRC)
- US Scrap-HRC Futures Spread (US SHRCF)
- US Scrap-Rebar Spread (US SRS)

CME Clearing Europe Adds Two Iron Ore Contracts

On December 10, 2012, CME Clearing Europe announced the addition of two new over-the-counter Iron Ore contracts for clearing. This expansion is intended to help customers manage risk associated with China’s construction industry.

The expansion is a part of CME Clearing Europe’s growing Virtual Steel Mill suite of products.

<table>
<thead>
<tr>
<th>CME Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ETIO</td>
<td>Iron Ore 62% CFR China (TSI) Calendar Swap</td>
</tr>
<tr>
<td>EICT</td>
<td>Iron Ore 62% CFR China (TSI) Average Price Option</td>
</tr>
</tbody>
</table>

For ETIO contract specifications click here
For EICT contract specifications click here

The following graph shows CME Iron Ore 62% CFR China (TSI) Swap Future (post-clearing) prices for the January 2014 contract:

Complimentary Lunch & Learn
London, UK  |  Feb 21

Equipping for volatile and uncertain European energy & commodities markets

Join ZE on February 21, for an informative one-day event. This is a great opportunity to meet and network with other industry leaders as we discuss everything from key trends affecting the market, to regulatory and market pushes.
Data Source – CME*

Platts Ceases MW Four Corners Lead Price Assessment

Effective December 31, 2012, Platts ceased its MW Four Corners lead price assessment. This exchange-based formula price was published on Platts Metals Alert page 306 and in Metals Week and Metals Daily price pages, LMAAW10.

CME Acquires KCBT to Expand Wheat Offerings

On December 3, 2012, CME Group announced it has completed its acquisition of the Kansas City Board of Trade (KCBT). As the leading futures market for hard red winter (HRW) wheat, the purchase will provide CME customers with greater capital efficiencies, new trading opportunities and additional products to manage their global wheat price risk.

The KCBT wheat products will be combined with CME’s existing CBOT Soft Red Winter Wheat and CBOT Black Sea Wheat Futures offerings.

<table>
<thead>
<tr>
<th>CME Globex Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>KE</td>
<td>KCBT Wheat Futures (Hard Red Winter)</td>
</tr>
</tbody>
</table>

For contract specification click here.
NOAA Introduces Great Lakes Water Level Dashboard

On December 3, 2012, the National Oceanic and Atmospheric Administration (NOAA) presented a new online tool called the NOAA Great Lakes Water Level Dashboard. This tool is free to use and allows users to easily access historical data sets as well as future predictions of major observations on the Great Lakes.

The Great Lakes represents the world’s largest freshwater system and one of its major goals is to allow users gain perspective on the relative magnitude of water level changes over time. The dynamic approach should help users to better understand the dynamics of the Great Lakes and the relationship between climate trends and climate variability in the region.

NOAA hopes to expand beyond water level observations and include forecasts and observations from other agencies such as the US Army Corps of Engineers and Environment Canada.

AccuWeather Personalizes Local Weather Forecast

On December 10, 2012, Accuweather launched a new web tool to help users save time and make informed decisions about their schedule based on the weather’s impact on their lifestyle or health. This is done through what the company calls “lifestyle lenses”. Some examples of lenses are cold and flu, migraines, and allergies. Selecting one of these views displays relevant news and information such as dust and dander levels, or weather risks for colds and migraines.

The same system also provides customized forecasts for lifestyle choices such as DIY work, gardening or sports and recreation. These lenses can be selected for any local forecast and are part of a new navigation system that minimizes the number of clicks required to access local weather forecasts.

NOAA’s Tests New Winter Hazard Language

On December 12, 2012, the National Weather Service (NWS) began testing a new simpler language to communicate winter weather hazards in its forecasts. The testing is taking place at 26 weather forecast offices and will continue through March 31, 2013.

The NWS currently uses 14 different types of winter hazard forecasts but customer satisfaction surveys and agency service assessments revealed that the public may have difficulty distinguishing between a watch, an advisory and a warning. The new language replaces watches and advisories, and clarifies the language used in warnings.

The terminology being tested is only one of the alternatives to the current system and decisions on what language will be used will be decided through customer survey results. NWS hopes that clarifying the winter hazard language will help citizens better prepare for winter storms. Lessons learned from this process could also be used to better disseminate information for other hazards such as flooding.

For full details refer to the test website found here.

NOAA Begins Construction of Coastal Observatories

On December 3, 2012, National Oceanic and Atmospheric Administration (NOAA) scientists and staff began installing four “atmospheric river observatories” in California. The observatories will provide better monitoring and prediction of impacts caused by landfalling atmospheric rivers. These systems can often cause destructive floods and debris flows.

The observatories will be located in Bodega Bay, Eureka, Point Sur and Goleta. The sensors built into the observatories will measure several key factors such as strong low-altitude winds and water vapor levels, both of which are not usually recorded by older observation equipment.

By collecting the additional data points from the new observatories, forecasters will be able to better determine amounts, locations and altitudes of precipitation along the coast. Ultimately, the information will help make flood planning and water resource issues more accurate. Additional measurement tools, such as radar systems and soil sensors, are also being deployed throughout California in order to establish a larger network of resources that can accurately predict weather conditions.

NOAA has been releasing many data reports supporting navigation, hydrology and weather forecasting. An example of hydrology data reported by NOAA is shown below.
ISE Launches Three New Commodity ETFs

On December 3, 2012, the International Securities Exchange (ISE) announced the launch of three new exchange traded funds (ETFs). The funds began trading on November 28, 2012 and were developed in partnership with PureFunds.

All three ETFs track proprietary indexes developed by ISE and provide investors with an actionable investment vehicle to participate in sector-specific commodity markets.

<table>
<thead>
<tr>
<th>NYSEArca Code</th>
<th>Description</th>
<th>Tracks Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>GEMS</td>
<td>PureFunds™ ISE Diamond/Gemstone ETF</td>
<td>ISE Gemstone Index™</td>
</tr>
<tr>
<td>MSXX</td>
<td>PureFunds™ ISE Mining Service ETF</td>
<td>ISE Mining Service Index™</td>
</tr>
<tr>
<td>SILJ</td>
<td>PureFunds™ ISE Junior Silver ETF</td>
<td>ISE Junior Silver Index™</td>
</tr>
</tbody>
</table>

For Product Specification click [here](#).

db X-trackers Launches Full Replication Equity Index ETFs

On December 19, 2012, exchange-traded fund provider db X-trackers launched three equity index funds with indirect and direct index tracking on Deutsche Börse’s XTF segment. The new ETFs, which fully replicate the DAX, EURO STOXX 50 and FTSE 100 indices, are denoted by the inclusion of “DR” in the product name: db x-trackers DAX Ucits ETF (DR); db x-trackers Euro Stoxx 50 Ucits ETF (DR); and db x-trackers FTSE 100 Ucits ETF (DR).

Additionally, the db x-trackers Euro Stoxx 50 ex Financials Ucits ETF (DR) allows investors for the first time to participate directly in the performance of the largest euro-zone companies excluding the financial sector. The product offering in Deutsche Börse’s XTF segment currently comprises a total of 1,011 exchange-listed index funds, making it the largest offering of all European stock exchanges.

IMKB and NYSE Liffe Launch Derivatives on IMKB Index and Turkish Stocks

On December 6, 2012 the Istanbul Menkul Kıymetler Borsası (IMKB) and the NYSE Liffe announced the creation of futures and options contracts based on aspects of the IMKB 30 Index. These Standard Individual Equity Option Contracts should be available in the first quarter of 2013 on NYSE Liffe London market and are currently available on IMKB.

NYSE Liffe, through Bclear, will also make available flexible Universal Stock Futures and standard and flexible Individual Equity Option Contracts based on some of the elements of the IMKB 30 Index. In the future both exchanges will also list derivatives on Turkey’s leading index, the IMKB 30 Index.

CFE Launches S&P 500 Variance Futures

On December 10, 2012, CBOE Futures Exchange, LLC (CFE) launched trading in S&P 500 Variance futures. The futures contract is similar to over-the-counter (OTC) variance swaps, allowing users to trade the difference between the implied and realized variance of the S&P 500 Index.

The new contract is designed to attract OTC participants who are looking for exchange-traded products to mitigate risk. Exchange-traded contracts provide several advantages that OTC participants may prefer such as transparency, price discovery and counterparty clearing guarantees.

The following graph shows CBOE S&P 500 Variance Futures open interest data since the contracts began trading:

![Graph of CBOE S&P 500 Variance Futures open interest]

Data Source: CBOE*

Back to Summary
ICAP and MTS Launch RepoFunds Rate Index

On December 13, 2012, ICAP’s BrokerTec and MTS announced the launch of the RepoFunds Rate daily repo index for eurozone sovereign bonds. (MTS is a leading fixed income electronic trading venue in Europe, which is majority-owned by London Stock Exchange Group). Repo businesses and dealers from major financial institutions were consulted on the development of the RepoFunds Rate. It is the first index to reflect the effective cost of secured funding in key Eurozone countries and will initially cover Germany, Italy and France.

RepoFunds Rate is based on centrally cleared, electronically executed one business day repo transactions rather than indicative quotes. These are based on a common settlement date and will include all Overnight, Tom-Next and Spot-Next trades in both General Collateral (GC) and filtered specifics to more accurately reflect the effective cost of Repo funding for trades executed on both BrokerTec and MTS. RepoFunds Rate data, including historical analysis, is available on www.repofundsrate.com. Also, full details of the calculation methodology are available on the website.

CME Globex Launches New USD-RMB (CNH) Futures

On February 24, 2013, CME Globex begins listing standard and E-micro sized RMB (CNH) futures. The futures will help international market participants hedge their US dollar risk exposure to the Chinese currency. The new contracts will trade in two contract sizes:

- Standard
- E-micro

“The futures will feature physical delivery of Chinese Renminbi in Hong Kong (CNH), priced in interbank terms of Chinese Renminbi per US dollar and associated daily settlement variation banked in Chinese Renminbi offshore in Hong Kong.”

CME Group Launches New USD-INR Futures

On January 28, 2013, CME Group launched cash-settled USD-Indian Rupee futures contracts to address the rupee’s rapid market growth since 2008. The new contracts will provide a greater hedging opportunity for managing currency risk and will trade in two contract sizes:

- Standard contracts – 5,000,000 INR
- E-micro contracts – 1,000,000 INR

The launch of these contracts completes a product suite for trading all BRIC (Brazil, Russia, India, China) currencies under CME Group.

ISE Confirms Launch Date of New Mini Options

On November 26, 2012, the International Securities Exchange (ISE) announced the date to commence trading in Mini Options. With a launch date of March 18, 2013, the exchange will become the first to offer the new type of product.

Mini Options represent a deliverable of 10 shares of an underlying security, versus a standard option which has traditionally represented 100 shares. ISE will initially list Mini Options contracts on the following securities: Apple Inc. (AAPL), Amazon.com, Inc. (AMZN), Google Inc (GOOG), SPDR Gold Trust (GLD), and SPDR S&P 500 ETF (SPY).

Mini Options will operate with the same expiration dates and strike prices as their standard counterparts. Fees associated with the new options will be filed with the SEC and announced at a later date.

Australian Markets to Start Competition in Clearing

On December 12, 2012, LCH.Clearnet Group announced it will extend its clearing business for OTC interest rate instruments to Australian banks, bringing the benefits of clearing competition to one of the world’s top 10 capital markets. Extending interest rate swap clearing service to Australian banks, LCH.Clearnet enables the banks to join the existing services used by 70 international bank members.

Australia’s five domestic banks have submitted letters of intent to use LCH.Clearnet’s SwapClear to clear interest rate swaps. Currently, LCH.Clearnet’s SwapClear service clears $3.9 trillion in Australian dollar denominated swaps, and the international members of the service have expressed strong support for SwapClear’s expansion in Australia.

Where the clearing competition is introduced to a market, it will be affected positively by bringing choice, transparency, liquidity growth, the introduction of new products and lower costs to end users without an increase in overall risk. By joining SwapClear, Australian banks will gain the liquidity and netting benefits that comes from access to a global service. LCH.Clearnet’s decision whether to offer clearing for cash equities in Australia will depend on the outcome of the Council of Financial Regulators work on competition in the clearing and settlement in this market.
Xetra Adds Two New Lyxor ETFs to XTF Segment

On December 17, 2012, Xetra announced two new ETFs, issued by Lyxor Asset Management, in the Deutsche Börse’s XTF segment.

These include the Lyxor ETF SG Global Quality Income NTR Share Class D-Eur and the Lyxor ETF S&P 500 VIX Futures Enhanced Roll:

<table>
<thead>
<tr>
<th>ISIN Code</th>
<th>Product Name</th>
<th>Asset Class</th>
<th>Specifications</th>
</tr>
</thead>
<tbody>
<tr>
<td>LU0832436512</td>
<td>Lyxor ETF SG Global Quality Income NTR Share Class D-EUR</td>
<td>Equity Index</td>
<td>Click here</td>
</tr>
<tr>
<td>LU0832435464</td>
<td>Lyxor ETF S&amp;P 500 VIX Futures Enhanced Roll</td>
<td>Volatility</td>
<td>Click here</td>
</tr>
</tbody>
</table>

The Global Quality Income ETF tracks the performance of high-quality companies in industrialized countries that can expect above-average dividends and a sustained increase in value. Companies defined as “Quality Income” have a history of high profitability, efficiency and strong balance sheets.

The ETF S&P 500 VIX Futures Enhanced Roll tracks implied volatility of the stocks on the S&P 500 using VIX futures contracts with varying maturities. The ETF invests in longer dated future contracts during quiet periods of the market and invests in one to two month contracts during periods of higher volatility.

Eurex to Extend its Index Derivatives Segment

On December 11, 2012, Eurex announced it had signed a licensing agreement with the index provider MSCI. Eurex plans to launch derivatives on approximately 10 regional and 20 country indexes. The new products will be comprised of the major regional indexes for developed markets, such as MSCI World, and coverage of emerging markets and their respective country indexes. Eurex clients will now have access to emerging markets, which have become increasingly important for global investors. This agreement significantly increases the number of index derivatives offered by Eurex, which currently covers 70 different indexes. Similar indexes developed by CFTC for emerging markets are shown in the graph below.

Deutsche Börse’s ShortDAX x3 and LevDAX x3 Indexes will Underlie Two ETPs for First Time

On December 13, 2012, Deutsche Börse announced their ShortDAX x3 and LevDAX x3 indexes have been licensed to London-based Boost ETP to act as the basis for their exchange traded products (ETPs).

This is the first time that these products will be used as a basis for ETPs.

<table>
<thead>
<tr>
<th>ISIN Code</th>
<th>Product Name</th>
<th>Specifications</th>
</tr>
</thead>
<tbody>
<tr>
<td>IE00B8GGKPP93</td>
<td>Boost ShortDAX 3x Daily ETP</td>
<td>Click here</td>
</tr>
<tr>
<td>IE00B8HY88K55</td>
<td>Boost LevDAX 3x Daily ETP</td>
<td>Click here</td>
</tr>
</tbody>
</table>

Both products are designed for complex market participants who have diverse risk profiles and seek access to leveraged instruments on the DAX. The ShortDAX x3 and the LevDAX x3 Indexes measure triple the performance of the DAX either directly or inversely. The ShortDAX x3 returns three times the losses of the DAX and also contain interest payments resulting from the investment at twice the amount of the overnight rate. The LevDAX x3 index follows the methodology of existing LevDAX indexes and is designed for investors looking for higher risk products.

BM&FBOVESPA Runs a New Index Preview in January-May

On December 3, 2012, BM&FBOVESPA announced the first preview for the BOVESPA Index theoretical portfolio. The portfolio will be valid from January 7 to May 3, 2013, and is based on the closing of the November 30, 2012 session.

The new index is composed of stocks whose negotiability indexes, volume participation and trading session presence during the previous 12 months met the
criteria established by calculation methodologies set by BM&FBOVESPA. Initially, the index will be made up of 68 stocks from 63 companies.

The five stocks with the heaviest weight in the index were:

• Vale PNA (9%)
• Petrobras PN (8.5%)
• OGX Petróleo ON (5%)
• Itauunibanco PN (4.5%)
• PDG Reat ON (3.5%)

For a full list of the stocks within the index, click here.
MIAX Options Exchange Successfully Launched

On December 7, 2012, MIAX Options Exchange (MIAX) announced a successful launch of its highly anticipated trading operations with the rollout of its first symbol, Cliffs Natural Resources Inc (CLF). MIAX achieved approximately 4.21% of market share of CLF on its first day of trading. MIAX is a fully electronic options trading exchange. Its trading platform has been developed in-house and designed from the ground up for the unique functional and performance demands of derivatives trading.

The MIAX executive offices and technology development center are located in Princeton, New Jersey. Additional executive offices, as well as a multi-purpose training, meeting and conference center will be located in a facility in Miami, Florida.

SuperDerivatives Launches Real-time Cloud-based Market Data Platform DGX

On December 12, 2012, SuperDerivatives launched its new real-time cash and derivatives market data platform DGX, a revolutionary cloud-based data, news, chat and analysis platform, delivering the widest range of cash and derivatives market data direct to users. DGX is entirely free text based while it is driven by a very powerful search engine. The new platform boasts powerful chat facilities including video and multi-party chat, newsfeed and commentaries from multiple sources, a Twitter feed and lives business television channels. Additionally, DGX provides access to a huge variety of additional data sources and third party apps via the DGX Store. DGX data coverage includes:

- 800,000 bonds (sovereigns, agencies and supra-nationals, corporates, euro bonds, MBS, ABS)
- 50,000 stocks, indices and ETFs
- 4,000 CDS curves
- 500 energy products (power and gas, oil, oil products, emission)
- All metals, 250 agriculture products and wet and dry freight
- All interest rates (all yield curves including OIS, implied correlations, basis spreads, inflation, BMA) and
- Currencies of every country - major and all emerging markets

Developed over course of two years in response to demand for an alternative to installed systems that participants are finding prohibitively expensive in today’s cost-sensitive environment, DGX delivers real-time data with unparalleled depth and accuracy from the SuperDerivatives cloud via an intuitive and user-friendly interface.

EEX Eases Access for US Participants

On January 1, 2013, the European Energy Exchange (EEX) will launch a joint incentive program with Eurex with the goal of increasing the number of participants from the US. Under the existing joint structure, participants in Eurex can use the current infrastructure and a simplified admission process to trade and clear the power, natural gas, emissions and coal products offered by EEX.

EEX and Eurex are waiving the 12,500 Euro annual fees (for trading on all EEX markets) for the year of 2013 for US-based companies that become a member between January 1, 2013 and June 30, 2013. EEX will also provide companies that sign up in this period with one year of free access to the info products on the “Transparency in Energy Markets” platform. Finally, two traders from eligible participants will also receive the Exam Training and System Training free of charge.

Steffen Köhler, Chief Operating Officer of EEX, said: “With this initiative we react to the increasing requests from American participants. To raise our distribution in the North American area, we are working on connecting more independent software providers (ISVs) to our trading infrastructure.”

Currently, 98% of EEX’s trading participants are based in Europe. Eurex has 80 exchange members out of 430 based in the US.
GFI FENICS Develops OTC Derivative Reporting Capability for Japan

On December 18, 2012, GFI Group announced that GFI FENICS developed an automated data report generator for FENICS ProfessionalTM users in Japan to meet new regulatory reform requirements. A Japanese Cabinet Office Ordinance was recently put into force to reform part of the Financial Instruments and Exchange Act with regard to restrictions of OTC derivatives trading. As a part of this reform, all financial institutions are required to store all trade-related information and report this information to Financial Authorities.

Richard Brunt, Global Head of GFI FENICS added, “GFI FENICS has evolved over the past 25 years by listening to client needs and to market trends. Once again, FENICS Professional has addressed our clients’ need to automate and enhance trader workflow. We expect this trend to continue globally as regulatory reporting continues to be at the forefront of our customers’ business requirements.”

Portuguese Treasury Bills Integrated into Interbolsa

On December 3, 2012, Interbolsa, a subsidiary of NYSE Euronext, announced it had become the Central Securities Depository (CSD) for Portuguese Treasury Bills. Interbolsa will be responsible for ensuring registration and control of the Treasury Bills, as well as the settlement of transactions.

In collaboration with Banco de Portugal (Central Bank of Portugal), IGCP (Instituto de Gestão do Crédito Público) promoted the transfer of all short-term debt issues to Interbolsa which were registered at SITEME (Sistema de Transferências Electrónicas de Mercado), a central securities depository. The transfer was completed successfully during the first weekend of December, 2012.

Luís Laginha de Sousa, CEO of NYSE Euronext Lisbon and Interbolsa, said: “We gladly welcome the decision to integrate the issues of Treasury Bills in Interbolsa. We believe that this is yet another important step for our market that will enable retail investors to trade in public debt instruments in the future”.

With the integration of Portuguese Treasury Bills, Interbolsa is expected to provide new opportunities in the development of capital markets of Portuguese-speaking countries.

Deutsche Börse Improves Connectivity to Event Trading Application for Asia-Pacific Region

On December 12, 2012, Deutsche Börse announced it is offering direct connectivity to AlphaFlash Trader through a data center in Sydney. This should improve the speed of data transmission for users in the Asia-Pacific region, from Australia to Japan. AlphaFlash Trader is an event driven trading application that allows clients to configure trading parameters for more than 300 global macroeconomic indicators as well as international treasury auction data.

ICE to Acquire NYSE Euronext

On December 20, 2012, Intercontinental Exchange (ICE) announced ICE is to acquire NYSE Euronext. The acquisition combines both exchange groups into a more diversified operator that works across markets including agricultural and energy commodities, credit derivatives, equities and equity derivatives, foreign exchange and interest rates.

The details of the transaction are as follows:

- On the date of the announcement, the transaction was valued at approximately $8.2 billion;
- NYSE Euronext shareholders will have the option to receive cash consideration, ICE common stock or a mix of both;
- NYSE Euronext shareholders will own 36% of ICE shares post-transaction;
- ICE will preserve the NYSE Euronext brand, with dual headquarters in Atlanta and New York;
- Jeffrey C. Sprecher (CEO) and Scott A. Hill (CFO) will retain their positions of the combined company.

The acquisition is expected to unlock significant value through the achievement of merger related cost synergies. NYSE Liffe execution and clearing will be merged into ICE Clear Europe in order to create one clearing model.

The transaction is expected to be realized in the second half 2013, subject to regulatory approvals in Europe and the U.S. and approval by shareholders of both companies.

NYSE to Expand Through Two Access Centers in Hong Kong

On December 5, 2012, NYSE Technologies, the commercial technology division of NYSE Euronext, announced its continuing expansion in Asia with the introduction of two access centers in Hong Kong for its Secure Financial Transaction Infrastructure (SFTI). Through the SFTI network customers can connect to a number of services offered by NYSE Technologies, including Hong Kong Exchanges & Clearing (HKEx), major international trading venues, market data solutions, and the NYSE Euronext capital markets community.

Through a single point of access, the SFTI network provides a comprehensive range of capital markets products. The system offers low-latency trading access to the NYSE Liffe and NYSE Euronext markets, enabling Asian firms to receive market data and trade on multiple exchanges. The SFTI is expected to enable firms to reduce their trading costs, time-to-market and improve
Daniel Burgin, Head of Asia Pacific, NYSE Technologies, said: “The addition of these important access centers in Hong Kong is a further step in the expansion of NYSE Technologies’ footprint and reach of the SFTI Asia network, and adds to our established presence in Singapore and Tokyo.”

NYSE Technologies also plans to expand the SFTI in the region to connect other markets such as Australia and Korea.

**ESnet and Infinera Test Large Data Flows**

On December 19, 2012, ESnet announced that in collaboration with Infinera it had successfully tested a new method of delivering large datasets over optical networks. The purpose of this innovation is to alleviate the strain on the networks caused by exponentially larger sets of data used by scientists. In particular, ESnet has seen the amount of data carried across the network at the Department of Energy (DOE) national laboratories double every 18 months.

The challenge is to allow scientists access to massive, critical data flows without competing for bandwidth with other transfers. This is a particular issue when the data flow is coming from multiple sites, which is increasingly common.

ESnet’s demonstration in November tackled this issue by using Software Defined Networking (SDN), which makes it easier for software applications to configure and control the various layers across the network. ESnet worked with Infinera to build and demonstrate a SDN Open Transport Switch, which was capable of controlling bandwidth at the optical layer. While the concept of SDN is not new, this marks the first successful demonstration of it using open architecture.

For a more technical explanation of the development please read more here.

**NASDAQ OMX Acquires 25% of Dutch Derivatives Platform**

On December 10, 2012, NASDAQ OMX Group announced it had signed an agreement to acquire 25% stake of the Dutch cash equity and equity derivatives trading venue The Order Machine (TOM). Additionally, the agreement includes an option for NASDAQ OMX to acquire an additional 25.1% of the remaining shares to secure a majority stake in Amsterdam-based cash equity and equity derivatives multilateral trading facility. The Netherlands is one of the most developed options markets in Europe with a trading volume of 75 million contracts in 2011.

The expected acquisition will boost Nasdaq OMX’s growth plans in Europe, which include the launch of another European derivatives venue, NLX, scheduled for Q1 next year. The current owners remain shareholders, and as co-owners BinckBanck provides order flow while Optiver and IMC provide liquidity in the Dutch market. The fourth co-owner ABN AMRO also connects to TOM. NASDAQ has mentioned it would act as market operator for TOM, and signed an eight-year contract with the firm to provide a trading platform in London.

The deal is subject to regulatory approval, and will not have a material effect on the results or the financial position of the NASDAQ OMX Group.

**NYSE Euronext to Launch a New Exchange for Pan-European SMEs**

On December 5, 2012, NYSE Euronext (NYX) announced plans to launch a new exchange for small and medium-sized enterprises (SMEs). The new pan-European exchange is being developed in consultation with the Group’s European markets. The exchange will:

- Provide a dedicated exchange to SMEs, which will consist of a new subsidiary and the existing markets operated by NYSE Euronext,
- Bring together companies listed in the B and C segments of the regulated markets and companies listed on NYSE Alternext to achieve critical mass,
- Maintain NYSE Euronext’s existing federal business model, with an open governance structure including a Board of Directors (12-15 members),
- Reduce listing and transfer fees for SMEs, while improving liquidity and market attractiveness.

**MCX Adopts Bloomberg Symbology for Commodities Contracts**

On November 7, 2012 the Multi Commodity Exchange of India (MCX) announced that it will follow a number of other global exchanges and adopt the Bloomberg Global Identifier (’BBGID’) across all MCX traded contracts.

By supporting Bloomberg’s Open Symbology (BSYM), MCX hopes to lower data management costs and promote data transparency and information exchange. Bloomberg’s global ID protocol will be displayed for all MCX traded contracts on its website (www.mcxindia.com). BBGID is a 12-digit alphanumerical identifier that covers more than 75 million active and inactive securities globally.
Actual Weather (AccuWeather)

The north and mid-eastern US have seen overall declines in temperature between December 1 and January 23. Chicago in particular has been particularly cold in the last two months, dropping below -10 degrees Celsius on a number of occasions. Further south, Raleigh has experienced temperatures ranging from zero degrees to plus 18.

Accuweather’s RealFeel data takes into account factors other than temperature. By included factors such as wind speed, humidity and pressure a more complete picture is shown on how citizens feel in the particular location.

North American Electricity DA Prices (ICE)

Eastern electricity prices climbed higher in December and January most likely due to high spot gas prices in the north east. NYISO reached a six month high in January at 80 USD/MWh while NEISO reached 86 USD/MWh which marked its highest point since January 2010.

California’s DA price remained fairly stable at 45 USD/MWh mainly due to consistently warm temperatures.

North American Electricity Forward Curves (ICE)

CAISO Electricity Futures rose between November and January for 2013 contracts but remained relatively stable beyond 2014.

NYISO futures between November and January continued the long-term trend of limited overall change.
January 2013
Monthly analytics for Power, Natural Gas, Crude Oil and Environmental markets. Graphs prepared with ZEMA.

**Henry Hub Natural Gas Forward Curve (ICE)**

With unchanged fundamentals on the long term outlook, ICE Henry Hub natural gas futures remained at approximately the same level with only 3.5% change on the price compared to last month.

**North American Natural Gas Spot Prices (ICE)**

North American natural gas prices have exhibited some volatility due to unexpected weather patterns. This has been a continuing trend from last month. With temperatures falling across the US Midwest and East Coast, prices at Transcontinental Zone 6 in New York surged to more than $18. Prices at Henry Hub and Chicago trended upward as well, ending above $3.50 and $3.80, respectively. With temperatures expected to remain low, prices may continue to rise.

**Crude Oil Brent vs. WTI (NYMEX)**

**Prompt-Month Contract**

Prompt month contract for West Texas Intermediate rose to 93 USD/Bbl, the highest in the past three months. Brent Crude Oil prices did also rise to above the annual average of 109 USD/Bbl.

The Brent – WTI spread in January declined to 15 USD/Bbl. On average, the Brent-WTI differential was close to 21 USD/Bbl in December, but the reopening of the Searway pipeline in mid-January at 400,000 barrel per day relieved some of the pressure on the overstocked midcontinent.

**Forward Curve**

This forward curve shows the discount of WTI to the Brent complex tightening to 6 USD/Bbl by the fourth quarter of 2015. Traders have started to demonstrate more confidence in WTI with Nebraska governor approving Keystone XL pipeline’s new route.
Swiss Day-Ahead volumes increase by 38 % — Spot market gains in importance

Paris, 8 January 2013. Volumes on the European Power Exchange EPEX SPOT have seen a solid growth in 2012: 339 TWh were traded on EPEX SPOT markets, which corresponds to an 8 % increase compared to previous record year (314 TWh).

Overall, EPEX SPOT has benefitted from the trend towards short-term power trading. Uncertain economical, legislative and regulatory frameworks as well as the growing share of fluctuating renewable power sources have made spot markets all over Europe highly attractive: They offer the needed short-term flexibility, are highly liquid and hence send out a reliable price signal.

Day-Ahead markets

The 2012 trading volume in the Day-Ahead auction for the market areas Germany/Austria, France and Switzerland on EPEX SPOT accounted for 321 TWh (296 TWh in 2011).

The year-on-year growth rate of 38.3 % of the Swiss Day-Ahead market is outstanding. New members on the Swiss market, increased cross-border arbitration possibilities and ongoing liberalization have had a tangible impact on trading volumes in 2012, as well as for the preceding year.

The growth of the German Day-Ahead market volumes since the beginning of 2010 is on the one hand due to the legal obligation of Transmission System Operators (TSOs) to market power from renewable energy sources (RES) on the spot Exchange, according to an ordinance specifying the German law on RES, the Erneuerbare Energien Gesetz (EEG). On the other hand, new schemes of direct marketing introduced in January 2012 have been increasingly used by producers of RES. In both cases, the spot market has proven to be a suitable instrument for the marketing of those energy sources.

The French Day-Ahead market displays stable results. In consideration of the legal framework in France, offering regulated access to electricity from nuclear power plants for alternative suppliers, these trading volumes are a positive signal. They show confidence of the actors in the market's liquidity and price signal.

Day-Ahead trading volumes were totalling 321,228,968 MWh and can be broken down as follows:

<table>
<thead>
<tr>
<th>Areas</th>
<th>Volume 2012 in MWh</th>
<th>Volume 2011 in MWh</th>
<th>Average Base Price 2012 / 2011 in Euro/MWh</th>
</tr>
</thead>
<tbody>
<tr>
<td>DE/AT</td>
<td>245,268,525</td>
<td>224,550,815</td>
<td>42.60 / 51.12</td>
</tr>
<tr>
<td>FR</td>
<td>59,282,499</td>
<td>59,692,111</td>
<td>46.94 / 48.89</td>
</tr>
<tr>
<td>CH</td>
<td>16,677,944</td>
<td>12,060,799</td>
<td>49.52 / 56.18</td>
</tr>
</tbody>
</table>

Market Coupling, a tool to manage capacity congestion between national power spot markets by optimizing cross-border flows, is a core service EPEX SPOT is delivering for the benefit of society. Power Exchanges’ orders and available cross-border capacities received from the TSOs are implicitly auctioned, enabling the trading of power and capacity at the same time. This optimizes the use of existing infrastructure and increases the social welfare for all market actors.

Since 9 November 2010, the power markets of Central Western Europe (CWE), including Germany, France and the Benelux countries, have been successfully coupled. By allowing for an optimal use of cross-border capacities, market coupling favors price convergence. As a result, a 64 percent price convergence was observed on EPEX German and French markets in 2012.

Intraday markets

The Intraday markets of EPEX SPOT, covering France, Germany and Austria, keep growing as well. After a remarkable volume development in 2011, the Intraday markets continued to display solid results during 2012. With the launch of the Austrian Intraday market on 16 October 2012, EPEX SPOT extended its Intraday offer to a third country. The Flexible Intraday Trading Scheme (FITS), launched on 14 December 2010 to facilitate trading between France and Germany, now allows seamless implicit cross-border trading between France, Germany and Austria. In this way, the Austrian Intraday market also benefits from the tight integration with the French and German markets. Over the year 2012, cross-border trades accounted for 13.5 % of traded volume on FITS. A Swiss Intraday market operated on the same model will follow in Q2 2013.

Total trading volumes on the Intraday markets amounted to 17,924,234 MWh, including:

<table>
<thead>
<tr>
<th>Areas</th>
<th>Volume 2012 in MWh</th>
<th>Volume 2011 in MWh</th>
</tr>
</thead>
<tbody>
<tr>
<td>DE/AT</td>
<td>15,757,403</td>
<td>15,897,935</td>
</tr>
<tr>
<td>FR</td>
<td>2,166,831</td>
<td>1,694,545</td>
</tr>
</tbody>
</table>

Liquidity on the French Intraday market has sharply increased, by 28 % from 2011 to 2012. This is due to intensive use of the local market during cold spells as well as to cross-border trading since the launch of FITS, positively impacting neighbouring markets.

To handle the growing share of power from fluctuating renewable energies, EPEX SPOT is offering flexible 15-minute contracts on the German market since 14 December 2011. They allow the members to balance their portfolios every 15 minutes. In 2012, the traded volume from 15-minute contracts amounted to 1,288,883.5 MWh, which represents 8.2 % of the total traded volume on the German Intraday market. By offering these contracts on the German Intraday market, EPEX SPOT contributes to facilitate the German energy transition.

New Products from Interactive Data

Credit Default Swap Curve Data
Our same evaluation service concept applies to curves. We add the following intra-day “market color” Inter-bank CDS Dealer traded data-hourly file, dealer to buy-side parsed indicative CDS trade data, and intra-day (regional end of day) data from 4 major CDS dealers (Tokyo, London, NY). If the “market color” is not available we run daily regression analysis matching CDS to its underlying bond and/or relevant CDS indices to project the CDS curve. Our coverage encompasses approximately 2900 instruments including 2400 single name CDS (global corporate, sovereign and U.S. municipal entities). Curves will be delivered on a daily basis by 4:45pm EST.

NY Close Evaluations for International Fixed Income, Powered by Interactive Data's Fair Value Information Services
Having expanded our Fair Value Information Services to include European fixed income securities, we are pleased to offer you the related client FAQ, which follows on last month’s live webcast with Rob Haddad, Director of Evaluated Services. Click the attached link to view the FAQ http://go.interactivedata.com/rs/idprdiddsidms/images/NY Close Evaluations For EMEA Fixed Income FAQs _12-2012_.pdf. If you missed the live webcast you may view the replay at your convenience via this link http://bit.ly/STLYO2. It describes why fair value for EMEA bonds is important for the industry, and explains the methodology and back-testing concepts There is market activity after local close time that can affect evaluations. That is the activity we capture when we generate a New York close evaluation.
Vantage Enhancements

VantageSM has emerged as the market-leading transparency tool. As you may have read in Global Custody, Interactive Data has upgraded its innovative Vantage platform with visualization and data reporting tools to help clients better understand inputs to fixed income evaluations, increase operational efficiency in the evaluation audit and due diligence process, and support best execution trade analysis.

The Vantage Evaluation Toolkit is a spreadsheet that provides more than 80 data fields containing security-level information about trades, quotes (20 fields for transactional and market data alone), benchmarks, sources, collateral performance, vectors, risk analytics, credit, pool information and evaluation inputs. Vantage now provides enhanced support for EMEA and Asia-Pacific bond evaluations, support for Seasoned MBS evaluations, Numerous enhancements to Vantage Toolkit, and Dozens of user-requested enhancements throughout the site. Contact your account manager to learn more about the Toolkit and join the Vantage test group today: http://www.interactivedata.com/Vantage.

Leveraged Loans

Interactive data is now offering daily evaluations for leveraged loans based on contributed prices from major bracket firms and our proprietary evaluation models. This service provides comprehensive coverage of the leveraged loan marketplace and transparency into the number of contributed prices used as inputs while clearly distinguishing modeled data from composite contributor data.

Single Name Credit Default Swaps and Credit Default Swap Indices

Interactive Data’s Credit Default Swap (CDS) Evaluation Service is the widely-available independent CDS evaluation service for single name corporate and sovereign CDS, as well as select CDS indices evaluations based on these curves. Our coverage encompasses approximately 2,900 instruments including 2,400 single-name CDS based on global corporate, sovereign, and U.S. municipal entities with denominations in USD, EUR, GBP, JPY, AUD, NZD, CAD and CHF. In addition to evaluations for single-name CDS, our coverage includes evaluations for more than 500 CDS indices including the CDX™ and iTraxx® indices. For single-name CDS and CDS indices, we offer both mid and bid/offer evaluations. To learn more visit http://www.interactivedata.com/index.php/Contents/show/content/cds.

Whole Loan Evaluations

Interactive Data’s Residential Whole Loan evaluation service leverages our expertise in mortgage securities evaluations, and transfers it to the whole loan market. The approach we use for valuing these instruments draws on our evaluations of 1.2 million residential mortgage securities.

ZEMA Adds More Data Sources

ZE is constantly expanding its data coverage. ZEMA’s flexible structure facilitates the collection of any electronically stored data from any source and at any frequency. New data reports have been added to ZEMA since the DataWatch December 2012 issue. They are:

<table>
<thead>
<tr>
<th>Data Source</th>
<th>Report</th>
<th>Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>AESO</td>
<td>ETS Constants Ramp Rate</td>
<td>North America</td>
</tr>
<tr>
<td>AESO</td>
<td>ETS Outage Scheduling</td>
<td>North America</td>
</tr>
<tr>
<td>Argus</td>
<td>Petroleum Coke</td>
<td>Global</td>
</tr>
<tr>
<td>Atlas</td>
<td>Petroleum Price</td>
<td>North America</td>
</tr>
<tr>
<td>CEPEA</td>
<td>Monthly Ethanol Price</td>
<td>South America</td>
</tr>
<tr>
<td>Clark-sons</td>
<td>Fuel Oil Rate</td>
<td>Global</td>
</tr>
<tr>
<td>Fertecon</td>
<td>Sulphur Report</td>
<td>Global</td>
</tr>
<tr>
<td>Ginga</td>
<td>Petroleum Daily Value</td>
<td>Global</td>
</tr>
<tr>
<td>ICAP</td>
<td>Closing Run</td>
<td>Europe</td>
</tr>
<tr>
<td>LCH. Clearnet</td>
<td>Clearnet Fertilizer</td>
<td>Global</td>
</tr>
<tr>
<td>NEISO</td>
<td>Blackstart Station-specific Rate Payment Detail</td>
<td>North America</td>
</tr>
<tr>
<td>NEISO</td>
<td>Blackstart Operations and Maintenance Payment Detail</td>
<td>North America</td>
</tr>
<tr>
<td>NEISO</td>
<td>Blackstart Settlement Summary</td>
<td>North America</td>
</tr>
<tr>
<td>NEISO</td>
<td>Blackstart Payment Summary</td>
<td>North America</td>
</tr>
<tr>
<td>NEISO</td>
<td>Real Time Energy Market Locational Summary (Local File)</td>
<td>North America</td>
</tr>
<tr>
<td>NEISO</td>
<td>Blackstart Standard Rate Payment Detail</td>
<td>North America</td>
</tr>
<tr>
<td>PJM</td>
<td>eDataFeed Ancillary Services</td>
<td>North America</td>
</tr>
<tr>
<td>TFS</td>
<td>US Domestic Crude Oil</td>
<td>North America</td>
</tr>
<tr>
<td>USDA</td>
<td>AMS Weekly Distillers Grains Summary</td>
<td>North America</td>
</tr>
<tr>
<td>Weatherzone</td>
<td>Half Hour Forecast</td>
<td>Global</td>
</tr>
<tr>
<td>Weatherzone</td>
<td>Half Hour Actual</td>
<td>Global</td>
</tr>
<tr>
<td>Weatherzone</td>
<td>Daily Forecast</td>
<td>Global</td>
</tr>
</tbody>
</table>
Despite the relatively sideways trading range and declining volatility that the last few months of 2012 has brought the oil markets, underlying developments have remained fairly dynamic. The November election in the U.S. and change of power in China will have strong impacts on price direction, as will the developments on the production and transportation sides made earlier in the year.

Uncompromising leadership in the U.S. and drags from increased regulation and taxes will be countered by potential recovery in the Chinese and European economies as well as a possible euphoric bounce after a fiscal cliff and/or debt ceiling agreement early in the year. A challenge will be made to escape the long-term bullish mindset that has dominated oil markets in recent years and revert to an environment of higher production and potentially downward trending prices. As peak oil was a main factor offering support five years ago, increasing shale production and slowing demand growth are offering pressure now. Signs of oil shortages were a bullish driver a few years ago, but increasing domestic production and potential exports could put the Keystone XL pipeline from Canada into question. While the market may see a generally downward trend in 2013, it may also see short-term bouts of support if OPEC were to reduce production quotas, Israel struck Iran's nuclear capabilities, or if the economy grows strongly.

Our bias for 2013 suggests that the downtrend that began in May 2011 in both WTI and Brent is likely to continue and that a breach of the 2011 low in WTI at $75/bbl is possible. The market may exhibit wide trading ranges as it did in 2011 and 2012, with WTI expected between $75/bbl-$105/bbl, an average price of $90/bbl, and a year-end objective at $85/bbl. Brent may see its premium to WTI shrink toward $5-$10/bbl by year-end from the low-$20's as the Seaway pipeline expansion opens and BP's Whiting refinery completes its upgrades. Brent could range between $95/bbl-$125/bbl, with an average price of $110/bbl and a year-end objective at $105/bbl.

2012 in Review

The year 2012 brought a continuation of the downward trend in oil markets which began in May of 2011. The market peaked at that time after the first four months of 2011 brought the Arab Spring and reduced oil output from Libya. The shortfall was partially made up for by the third ever IEA storage release and the ramp-up of output from Saudi Arabia. The disruption would have been greater were it not for the slowdown in economic growth in Europe. An earthquake in Japan in March 2011 brought a solid increase for LNG shipments due to shutdowns of nuclear capacity, while oil demand only increased marginally.

A similar start was seen for 2012 where strength occurred early in the year before a peak in March/April. A continuation of the late-2011 rally helped, as did the second bailout of Greece on Feb 21st. U.S. economic data showed improvement early in the year, but received sobering news starting in early-May when payroll data began falling short of expectations. Both jobs and economic demand were brought forward to the winter months from the early-summer months, and made Q1 2012 economic data appear artificially better than it was. Expectations of a double-dip recession increased by summer as data slowed. The 2012 peak in prices was formed in March/April in WTI and Brent but that trend accelerated to the downside with the early-May payroll report. Worries about Greek debt resurfaced, as did concerns
about Spain. It was a relaxation of conditions on emergency loans to Spain and Greece on June 29th that helped put in a bottom in oil prices. That was solidified later with a speech by ECB President Draghi on July 26th in which he promised to do whatever it takes to save the Eurozone. On Sep 6th, he launched the Outright Market Transaction plan which could buy bonds from distressed countries in order to lower their interest rates. The dollar has weakened since that time and offered support to oil prices. There were oil supply disruptions in Brazil and Yemen in 2012, but they didn’t matter in face of increased shale production in the U.S. OPEC boosted production 1.14 mb/d from January through August, but cut back output by 0.99 mb/d between August and November.

2013 Outlook

The Economy

November 6th brought the U.S. election and a glimpse into the effect that Washington will have on the energy markets. It may offer a negative impact as opposed to China which picked new leadership on November 8th, and Europe which worked out a framework for common banking regulation on December 13th. The U.S. should be bogged down with headwinds caused by continued slow-growth conditions, quantitative ease, uncertainty about taxes, the debt ceiling, and ongoing Washington partisanship. Economic growth is expected to improve slightly from 2012’s 2.1% average. The fiscal cliff negotiations and the lack of progress in them in late-2012 showed that lawmakers are still unable to reach across the aisle. Corporate spending decisions are being delayed due to uncertainty about tax rates, and could be duplicated in late-February when the debt ceiling will need to be raised. The last battle in July-August 2011 resulted in S&P cutting the U.S.’s AAA credit rating and oil prices falling 25% in just a few weeks.

The composition of the Fed may become more dovish, as the hawkish loyal dissenter Jeffrey Lacker won’t hold a vote. Fed Presidents Evans and Rosengren will vote this year and are both considered doves. Both argued for the 6.5% unemployment threshold adopted by the Fed at its December 12th meeting. KC’s George will replace the hawkish President Hoenig, but she’s been less critical of easy Fed policy than Hoenig has. President Bullard could be hawkish too, but he did not dissent at any time during his previous votes in 2010. A dovish Fed hasn’t necessarily been good for oil prices like it has for markets like gold and equities (chart below). Oil may focus more on the Fed’s adverse economic outlooks such as promises to keep rates low through 2015 than where easy money will be invested.

Europe is improving, with leaders there showing commitment to debt problems in Greece and Spain. Their resolve is unlikely to waiver, and the euro now appears likely to make it through this crisis without breaking up. China is a bright spot as well, and is showing improvement from a slowdown in FH ’12. On May 24th, it said that banks would not meet their 2012 lending goals due to the slow economy. Manufacturing PMI data reached a bottom in November 2011, but stagnated until a second bottom made in August 2012. Several injections of cash were made into the economy over the summer, and a $150B infrastructure project was announced on September 7th. The official measure of PMI has increased 1.4 points since its August low, while the HSBC measure has gained 3.3 points. Oil demand correlates to the HSBC measure as seen in 2009 when demand recovered as manufacturing activity bounced back (chart).
Production Gains Change Oil Supply/Demand Dynamic

Peak oil was a main factor cited in offering support to oil prices in 2007 and 2008 as WTI went from a low of $50/bbl in January ‘07 to a high of $147/bbl in July ‘08. Growth in Chinese demand had outstripped most of the excess supply and OPEC’s spare capacity began to dwindle as producers ramped up output to meet demand. The financial crisis in 2008 and the losses in oil demand that it caused forced prices from $147/bbl to $32/bbl in the second half of 2008, but oil has never recovered more than the $115/bbl price level in the four years since. Part of the reason is that the economy is still struggling to regain pre-2008 strength, but it is also explained by growth in supply and OPEC spare capacity.

The growth rate of Chinese imports soared in the early-2000’s and was still a relatively high 10.6% y/y in 2007 and 2008. The inability of supply to keep up with the new demand growth was a feature of the price surge in 2008, and essentially created an element of “growing pains” in the market at that time. Producers just couldn’t keep up with the extra demand, and prices had to rise. That doesn’t seem to be the case as much now, as the rate of Chinese import growth has slowed to 6.8%. Despite the slowdown in the growth rate since 2007 and 2008, the overall level of imports is much higher and yet global oil supplies are more plentiful. China’s level of imports has increased to 5.26 mb/d in 2011 and 2012 compared to 3.43 mb/d in 2007 and 2008. Despite higher demand, suppliers are better able to cope with it and stocks are building globally. Oil stocks that are able to be measured such as OECD stocks fell to 53.2 days of demand cover in 2007. The level of cover increased sharply in 2008 and has averaged a steady 59 days in the last four years. Oil stocks in the U.S. are the highest above their five-year average since April ’09 and are close to moving to the highest since at least 1990.

In addition to elevated inventories and high demand cover, the supply/demand balance and OPEC spare capacity also show the market loosening. The first chart below shows that prior to early-2008, the EIA’s supply/demand balance ranged from -2.7 mb/d to +1.2 mb/d with an average 1.1 mb/d deficit. Between 2008 and 2011, the average was a 0.55 mb/d deficit largely because of Libya’s civil war in 2011. In 2012, however, the balance averaged a surplus of 0.2 mb/d. The second chart below shows another comparison to the 2007-2008 period, where OPEC spare capacity has grown to 6.0 mb/d in late-2012 from a low of 2.2 mb/d seen in mid-2008 at the peak in prices. From 2007 to 2012, global demand has increased 4.3 mb/d while non-OPEC output has gained 3.2 mb/d and OPEC 2.9 mb/d for 6.1 mb/d combined. The EIA’s forecast for 2013 demand growth is 0.96 mb/d while supply is expected to grow 0.85 mb/d. OPEC will play a deciding role in balancing the market again, but may have to cut production sometime in 2013. The bottom line is that supply growth has outpaced demand growth since 2007, which should add pressure to prices.

The increase in non-OPEC production of 3.2 mb/d since 2007 has seen 1.5 mb/d come from the US. Rig counts in North Dakota’s Bakken shale formation have surged from 33 in May 2009 to over 200 in 2012 (chart 1). As a result, production from the region has increased from 100 kb/d at the start of 2009 to nearly 700 kb/d in 2012 (chart 2). Imports from Canada are still averaging around 2.4 mb/d. However, the increase in domestic output may call into question the need for the Keystone
XL pipeline given environmentalists opposition to the rerouting of the pipeline over the Ogallala Aquifer in Nebraska. A decision on the pipeline is expected sometime in early-2013 and meanwhile, the rail trade from North Dakota continues to grow. Increasing discussion regarding oil exports may help to get oil out of the landlocked Midwest, but won’t help the pipeline’s cause.

Demand Growth Slowing

The EIA’s prediction of 0.96 mb/d in global demand growth equates to a 1.08% increase and compares to 1.2% growth in 2011 and a 3.0% increase in 2010. The 2000-2007 pre-recession average was 1.6%. The first chart below shows the oil market’s response to the overall level of crude oil demand, while the second chart illustrates the effect of the growth rate of demand vs. the y/y change in prices. A regression since 1993 implies that a 1.08% growth rate in 2013 would equate to around a 10.86% increase in oil prices. Given 2012’s average through Dec 24th, it would suggest that a gain of $10.22/bbl is possible, which would put WTI at an average of $104.19. That’s a bit high in our view, as we expect the global economy to be slower than the 1993-2011 average, and we also anticipate less commodity index investment than what was seen in the 2000’s.

Natural Gas Outlook and Forecast For 2013

Following a tumultuous 2012 and a price decline to 10+ year lows at $1.90/mmbtu in mid-April, the market will start 2013 with only a slightly more optimistic view. Pressure may be applied early in the year from coal prices, which have kept pace with recent gains in gas prices and limited the attractiveness of coal-to-gas switching. Weather has also been a disappointment so far this winter, and could result in further reductions in demand. Prices could begin to rebound in Q2 or around mid-year based on falling natural gas rig counts and by
stabilization in US production growth. In the longer-term, the market will gain support from increasing retirements of coal plants in 2014 and from the eventual operation of LNG export facilities in 2015.

Our bias in prices for 2013 suggests that the long-term bottom near $1.90 will remain intact, however, the market may still struggle to maintain its upside momentum. A range of $2.75-$4.25 is possible, with a year-end rebound reaching a target at $4.00/mmbtu. Prices may average $3.50/mmbtu.

2013 Supply/Demand Outlook

The biggest issue pushing prices lower through April 2012 was the excess of inventories caused by increasing production and weak winter-related demand. Inventories reached levels that were 60% above the five-year average by late-March before falling and ending the year around 10% above the average. The EIA's monthly US production figures showed an increase of 4.6% y/y in 2012 over 2011 levels while demand increased 4.7%.

Going into 2013, production is forecast to increase 0.5% while demand may fall 0.4%. As a result, the imbalance appears as though it will continue through 2013 which could weigh on prices. The EIA's full-year forecasts for 2013 have only gotten worse over the course of 2012. The forecast for 2013 demand growth began with its January 2012 report expecting a decline of 0.8%. Despite growing discussions of transportation-related demand increases throughout the year, the November EIA report showed an expected demand decline of just 0.4% (chart 1). And despite production stoppages and declines in rig counts, supply forecasts went from -1.7% to +0.5%. The projected supply/demand balance is now a surplus in 2013 of 1.12 bcf/day compared to 0.85 bcf/day projected for 2012. The only upshot from the forecasts is that the rate of supply growth is slowing, as shown in the second chart.

Weather's Impact on Inventories

The possibility of warm winter weather may help inventories build at a faster rate than the five-year average again in early-2013. Winter temperatures usually continue falling through the third week of January. With that marking the mid-point of meteorological winter, both observed temperatures thus far and forecasted January temperatures will generally be above-normal up to that point. Beyond that point, the most recent CPC outlook published on December 20, 2012 showed
forecast temperatures in the upper Midwest and Northeast near-normal, while temperatures across the South may be above-normal. Such observations could cause gas inventories to rebound again with respect to the five-year average (chart 2).

Longer-Term Support

The longer-term upside will focus on power plant retirements and LNG exports. Despite courts vacating the Cross State Pollution Rule in August 2012 that limits the amount of air pollution that can cross state lines, there are still retirements of coal-fired power plants scheduled. They accelerate in 2014 to around 6 GW and in 2015 to 12 GW, which could result in an extra 0.7 bcf/day and 1.4 bcf/day in incremental gas demand.

Exports of LNG have been held up by inaction on the part of the DOE, which licenses them to countries that are not part of free trade agreements. FERC approves terminal and pipeline construction. On December 5, the DOE issued a report saying that the U.S. would become a natural gas exporter by 2020 and that exports would provide as much as $30B per year in trade revenue. It added that the cost of gas would rise but that its effect on consumers would be minimal. The report created a notion that exports would be approved fairly soon and that construction on new facilities could begin.

Cheniere Energy’s Sabine Pass terminal is the only one approved so far. Cheniere received approval for its facility on April 17, just two days before gas prices reached bottom. There are still political headwinds that need to be addressed, including Congressman Ed Markey who has suggested that the administration not rush to export gas abroad. Ron Wyden from Oregon is incoming chairman of the Senate’s energy committee and is worried about the effect on consumers. However, the increased likelihood of exports could open the gas market up to comparisons with price action from April 2012 and create longer-term support.
About ZE PowerGroup Inc
ZE is an experienced software and strategic consulting firm that combines energy industry expertise with advanced software development capability. The company possesses deep industry knowledge and comprehensive operational experience. ZE is the developer of ZEMA Suite, a sophisticated Enterprise Data Management and Analysis solution built to meet the specific challenges of energy and commodity market participants.

About ZEMA
ZEMA is an enterprise data management suite designed for collecting data and performing complex analysis. ZEMA replaces fragmented data collection and analysis processes with a sophisticated, unified and automated data management system. Each ZEMA component can perform as an independent product; this means greater flexibility when integrating ZEMA into your organization. ZEMA is consistently ranked #1 for preferred system, #1 for ease of system integration, and #1 for customer service. ZEMA is easy to use and backed by our support team around the clock.

Disclaimer
ZE DataWatch is a report, comprised of data updates and expectations for energy and commodity markets and powered by ZEMA. The information contained in the ZE DataWatch is for information purposes only. Although ZE PowerGroup believes the information in this report to be correct and attempts to keep the information current, ZE PowerGroup does not warrant the accuracy or completeness of any information. Information in this report is not intended to provide financial, legal, accounting, or tax advice and should not be relied upon in that regard. ZE PowerGroup is not responsible in any manner whatsoever for direct, indirect, special or consequential damages, howsoever caused, arising out of the use of this report.

About OTC Global Holdings

Formed in 2007, OTC Global Holdings is headquartered in Houston and New York, with additional offices in Chicago, Jersey City, London and Louisville. It is a leading independent interdealer broker in over the counter commodities and the largest liquidity provider to CME ClearPort and ICE Clear U.S. Through its subsidiaries the company holds a dominant market share in the U.S. and Canadian natural gas markets, the U.S. power markets, crude oil and crude oil options, crude oil products and crude oil product options, agricultural and soft commodities, as well as structured weather and emission derivatives. The company serves more than 250 institutional clients, including 45 members of the Fortune 500, and transacts at over 150 different commodity delivery points. To learn more about the company, please visit www.otcgh.com or go to http://bit.ly/OTCY ouTube.