

# Coal Markets – December 2009

## Monthly Market Update



### Powder River Basin Coal

Powder River Basin coal ended the year on a bullish uptick as all terms appreciated to some extent across the board. Volumes were anemic this month, however, as many traders and naturals were less active going into the holidays. Prompt 8800 saw the biggest upward move as Feb'10 8800 traded as high as \$9.15 and settled at \$9.20, \$0.85 higher than the previous month on a settle basis. The Q1'10 8800 traded \$8.85 and Q2'10 8800 traded \$9.15 and \$9.20, both terms settled roughly \$0.50 higher on the month. The Cal '11 and Cal '12 8800 strips went untraded and were both higher by ~ \$0.25. PRB 8400 spec saw some trading activity as FH'10 8400 traded \$8.00 and \$8.15, and Q3'10 8400 traded \$8.65. The 8800 vs 8400 spreads are now marked between \$0.75-\$1.25.

### Central Appalachian Coal

December was a quiet month for the Eastern Rail contracts as the year comes to an with less than two million tons trading. Price volatility was limited as well as the whole curve remained in a \$1-\$2 range. Spot January tonnage started the month valued at the \$52.75 level, but dropped \$2 over the course of the month. The Cal '10 saw a \$0.25 decrease down to \$56.00 on light volume. The Cal '11s and Cal '12s saw a slight increase as the Cal '11s went from \$68.25 to \$69.00 and the Cal '12s appreciated from \$76.1 to \$77.00. The financial swaps continue to gain traction and liquidity as we enter the new year.

### NYMEX Quality Coal

NYMEX trading ended the year with a whimper as prices showed little movement in below average volume. The markets seemed to shrug off rising gas and crude prices as well as an extremely cold start of the winter. Many traders seemed to scale down their activity during the month before the Holiday season lull. Prices were up between \$1.15 and \$1.75 for the month. The NYMEX curve remained in steep contango. Prompt month was again the cheapest part of the curve with Dec'09 trading in a \$45.50 - \$46.25 range. Q1'10 traded in a narrow \$1.50 range before closing the year at \$48.75 or up \$1.35 for the month. However, the spread between the back-half '10 and front-half '10 NYMEX narrowed a bit from \$7.15 to \$6.45. Q4'10 closed the month up \$1.20 at \$59.25. Cal'11 NYMEX showed renewed strength during the month. The Cal'11s were up \$1.65 to close at \$66.85. The Cal'11/Cal'10 spread widened from \$12.55 to \$12.91. Cal'12 rose the most during the month, closing up \$1.75 to \$75.45 in light activity. NYMEX volatility continued to be 29% in Cal'10 and about 26 in Cal'11, although option trading was limited during the month.

### Commentary

The market had a relatively quiet month of trading to end the year. In retrospect, 2009 will be for many the year they'd rather forget. Prices were weak throughout the year as poor economic fundamentals, mild weather, and competition from competing fuel sources (gas) led to a year-over-year decline in power generation. Demand levels were at their lowest in 35 years, off close to 4% and resulting in a 10% decrease in overall coal burn. Coal inventories are close to 200 million tons, which represents 75 days of burn at current rates.

The second half of the year, and more specifically the last quarter of the year, saw a gradual price rise from 2009 lows. Renewed global coking coal demand for crossover coals, production cuts, higher natural gas prices, and a very cold December have caused the rebound in power demand and pricing. Let's hope this provides a more positive backdrop for 2010.

PRB 8400		
▼ TERM	▼ BID	▼ OFFER
Jan '10	\$7.80	\$8.50
Q2'10	\$8.05	\$9.05
Q4'10	\$8.40	\$9.40

PRB 8800		
Jan '10	\$8.95	\$9.45
Q2'10	\$9.05	\$9.55
Q4'10	\$9.65	\$10.15

NYMEX		
Jan '10	\$47.90	\$48.40
Q2'10	\$51.65	\$52.15
Q4'10	\$59.00	\$59.50

CSX <1%		
Jan '10	\$50.00	\$51.00
Q2'10	\$54.60	\$55.60
Q4'10	\$61.40	\$62.40

CSX 1.2#		
Jan '10	\$53.50	\$54.50
Q2'10	\$58.10	\$59.10
Q4'10	\$64.90	\$65.90

NS <1%		
Jan '10	\$50.80	\$51.80
Q2'10	\$53.85	\$54.85
Q4'10	\$61.20	\$62.20

NS 1.2#		
Jan '10	\$54.30	\$55.30
Q2'10	\$57.85	\$58.85
Q4'10	\$64.85	\$65.85

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