

SO₂ Markets July 2005

evomark	END OF MONTH SETTLE	MONTHLY AVERAGE
7/29/05	\$840.00	\$811.50
6/30/05	\$755.00	\$757.73

In response to requests from market participants for a monthly market index, Evolution Markets publishes the EvoMark, a price index that gives the settle price for the last day of the month as well as a monthly average of all the daily settle prices.

Market Activity » Allowances

SO₂ started the month trading at 765 which was the low for the month. The market tested the 800 resistance level several days later and settled above 800 on July 14th and 15th. As expected, on the break above the 800 level, the market rallied strongly up to 875 on July 25th, just shy of the all time high of 880. The fundamental impetus of the run up seemed to be the fact that some supply from several utilities had been taken unexpectedly out of the market. This prompted buyers who had been trying to accumulate tons below 800 to start buying more aggressively.

Speculative sellers couldn't resist the opportunity to take some money off the table at 865 to 875 levels, just under the all time highs. This selling pressure seemed to put a stop to the buying frenzy as the market was trading in the 830 to 840 levels for the balance of the month, settling the month at 840.

The months high was 875 on July 25, the low was 765 on July 8, and the close was 840; volume was 150,000 tons traded.

The market tone is still bullish long term; but will likely consolidate between 830 and 880 until end users come in to buy or sell in good quantity. Market participants do not expect the market to trade below 800 anytime soon. The market may remain quiet until after August since many utility participants are on holiday.

▼ TERM	▼ BID	▼ OFFER	▼ LAST	▼ DATE
2005	\$830.00	\$850.00	\$840.00	7/29/05
2006	\$825.00	\$845.00		
2007	\$815.00	\$835.00		

Market Activity » Options

Two or three SO₂ options traded in the 35%–45% volatility range in July. The strikes were around the 800 level. Trading was sluggish at best.

▼ TYPE	▼ TERM	▼ STRIKE	▼ EXPIRY	▼ BID	▼ OFFER
call	2005	\$900.00	9/15/05	\$20.00	\$30.00
put	2006	\$650.00	9/15/05	\$25.00	\$35.00

