

# SO<sub>2</sub> Markets – September 2007

## Monthly Market Update

evomark	END OF MONTH SETTLE	MONTHLY AVERAGE
9/28/07	\$559.00	\$529.92
8/31/07	\$510.00	\$529.20

### Market Activity » Allowances

SO<sub>2</sub> prices floundered in the first half of September trading in the \$515-\$530 range on low volume. Once the mid-month options expiration date passed, the market methodically ticked higher closing at its monthly high of \$560.00. The market felt strong towards the end of the month but sizable offers around the \$565 level stopped the rally. Total volume for the month was light with 175,000 - 200,000 allowances trading in the spot 2007 vintage.

As summer ends and the fourth quarter begins, many more participants should be entering the market. Companies are finalizing their summer burn calculations and will look to year end for compliance. Current conditions in which compliance buyers are combined with some new participants could trigger healthier volume and possibly slightly more robust prices.

Evolution Markets is hosting an auction of future vintage year SO<sub>2</sub> allowances. The auction includes 11,181 allowances per vintage year for the years 2015-2036 for a total of 245,982 allowances on offer. Bids are due October 18. Please call 914.323.0255 for further details, or [click here for a formal announcement](#).

▼ TERM	▼ BID	▼ OFFER	▼ LAST	▼ DATE
2007	\$555.00	\$560.00	\$557.50	9/28/07
2008	\$554.00	\$559.00		
2009	\$551.00	\$556.00		
2010	\$280.00	\$285.00		

### Market Activity » Options

The option market's trading volume corresponded to the underlying trading volume, as roughly 100,000 options traded for the month of September. The activity was once again dominated by near-term September - November exercise dates, with strikes ranging at the \$600-\$650 levels for calls. Volatility also rose as Calls and Puts were both trading at approximately 45% implied volatility.

▼ TYPE	▼ TERM	▼ STRIKE	▼ EXPIRY	▼ BID	▼ OFFER
call	2007	\$600	11/15/07	\$15.00	\$20.00
put	2007	\$500.00	11/15/07	\$8.00	\$12.00

