Weekly Product Report

Energy Sector

Weekly Product Report

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Summary of Weekly Themes

- **Hurricane Helene has caused 24.00% of oil production in the U.S. Gulf of Mexico to shut down along with 18.00% of natural gas.** Producers withheld 427.00 k bbl/d of oil and nearly 343.00 mm cf of natural gas
- **Baker Hughes reported cuts in oil and gas rigs for the second consecutive week.** Compared to last year, total rigs are down 6.00%
- **India discussed allocating $183.00 mm to raising funds to expand domestic power generation.** The next steps of the newly zero-debt company remain on the market hotseat going into 2025
- **South Korea has delivered its first batch of sustainable aviation fuel to Japan for sale via producer Neste (NESTE.HE).** This fuel is essential for the aviation industry to achieve its net zero carbon emissions target by 2050
- **WTI fell nearly 5.00% this week, along with Brent crude falling 4.00%.** This drop in prices was seen due to potential growth in Saudi Arabia's oil supply, which overshadowed China's efforts to stimulate their economy
- **The U.S. is currently the world's largest gasoline exporter, supplying over 16.00% of total global gasoline exports.** Large gasoline exporters such as Singapore and the Netherlands have never exceeded 700.00 k bbl/d, whereas the U.S. contributed 900.00 k bbl/d in 2023
- **Saudi Arabia is expected to unwind production cuts starting December 1st even if it leads to a prolonged period of lower crude prices.** This action is understood by Saudi Arabia wanting to regain their market share
- **Energy company Constellation announced restoration of the Unit 1 reactor at Three Mile Island, a former nuclear power plant that partially melted down in 1979.** This restoration will result in selling the power to Microsoft to support the power needs of data centers to further fuel AI

Looking Ahead

The southeast coast of the U.S. continues to get battered by poor weather with Hurricane Helene after Hurricane Francine hit a few weeks prior. The sector is seeing significant reductions in operating oil and gas rigs, which may cause volatility in the trade proposed earlier this week. Looking forward, the Sector will monitor whether natural gas inventories will decline which may amplify volatility for the remainder of the year. The investment into India's Reliance Power has promising contributions to future natural gas demand. With ~$183.00 mm going into domestic electricity generation, the Sector is looking to see if the investment would bring more demand into the energy market while waiting for Chinese stimulus to revive their economy. Prior to the weakening global demand, Saudi Arabia set an informal target of $100.00/Bbl. Their announcement to bring back production in December implies abandonment of that price target, accepting a new phase of lower oil prices. However, the remainder of the OPEC+ members are currently expected to extend production cuts going into 2025. The Sector will continue to monitor whether or not other members will follow suit with Saudi Arabia's decision. Infrastructure development to accommodate energy demand from AI data centers continue to be a recurring theme over the last few years. As coming rate cuts begin to fuel investments into industries with large borrowing costs, the Sector is looking to see further infrastructure developments for power generation going into 2025.

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Weekly Product Report

Equity Derivatives Sector

Weekly Product Report

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Summary of Weekly Themes

- The major indices ended the week all in the green with **the NASDAQ Composite up 0.69%, the DJIA up 0.60%, and the S&P 500 up 0.46%**
- **Durable Goods Orders came out at 0.00% m/m**, which was driven by increased orders of electrical equipment, appliances, and components. While this indicated an extreme contraction from the previous 9.80% m/m increase, the reading **beat expectations of a 2.60% m/m decrease**
- **The GDP Growth Rate increased 3.00% q/q** for 2Q2024. The economy saw a **rise in consumer spending**, namely purchases of cars and housing, as well as **increased business and inventory investment**
- **Super Micro Computer (SMCI) shares plunged 15.00%** after markets learned that the company is being investigated by the Department of Justice due to financial discrepancies in their accounting records
- **Core PCE Price Index** came out **cooler than expected, increasing 0.10% m/m.** During their meeting, Fed policymakers suggested that there is a **strong chance of an additional half percentage point cut** this year
- **Personal Income came short of expectations**, **increasing** just **0.20% m/m** with forecasts of an 0.40% m/m increase. **Personal Spending also increased 0.20%** m/m **cooler than the expected** 0.30% m/m increase. These reports were another indication that the economy is slowing
- **Intel Corp. (INTC)** is expected to conclude negotiations with the **U.S. government for $8.50 bn in direct funding** through the CHIPS Act. Intel's **stock plummeted 26.00% in August** due to its failure to keep up with competitors in AI development, making this deal essential for U.S. semiconductor manufacturing as well as Intel's future earnings releases

Looking Ahead

In the coming week, markets will be looking for the release of important economic data in the form of Fed Chair Powell's Speech, ISM Manufacturing PMI, Nonfarm Payrolls, and the Unemployment Rate. Equities markets will also be assessing earnings from NIKE Inc. (NKE), McCormick & Company Inc. (MKC), and Conagra Brands Inc. (CAG). The sector looks to increase exposure to small-capitalization U.S. stocks by using a Back Spread with Calls on the iShares Russell 2000 ETF (IWM). Fed Chair Powell will be speaking on Monday; a dovish Fed is favorable for small-cap equities and IWM has historically shown strength following Fed rate cuts. IWM shares rose on Friday, following the release of cooler than expected Core PCE Price Index data, which is consistent with this trend. ISM Manufacturing PMI is expected to remain unchanged at 47.20 points. If manufacturing activity appears to rebound from its 21st monthly contraction, small-cap stocks, especially those in manufacturing-related industries, will benefit. Nonfarm Payrolls are expected to rise from 142.00 k to 145.00 k and the Unemployment Rate is expected to remain unchanged from its current level of 4.20%. If this unemployment data comes out cooler than expected, investors may believe that the economy is expanding and the labor market is recovering, potentially driving more capital into IWM. IWM would greatly profit if these indicators were to suggest that the economy is recovering and interest rates are coming down.

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Weekly Product Report

Foreign Exchange Sector

Weekly Product Report

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Summary of Weekly Themes

- **The DXY traded down moderately this week at (0.31%)** amid dovish U.S. economic reports getting released. The DXY hit a 14.00-month low as Friday's PCE report came in slightly below expectations at 2.20% y/y supporting the chances for the Fed to continuing cutting rates in November
- **USDJPY saw a substantial loss on the week of (1.17%)** after U.S. weak inflationary data and an Ishiba win. PCE coming in lower helped to show support for more rate cuts in future Fed meetings. Ishiba won the election for the liberal party and supports further rate hikes strengthening the yen
- **EURUSD saw minimal gains of 0.08% w/w** as the dollar weakened on the week. U.S. August personal spending rose 0.20% m/m, which was lower than analysts expectations of 0.30% m/m helping weaken the U.S. dollar further. Inflation in the Eurozone continues to fall and sits at 2.20% y/y
- **GBPUSD increased slightly by 0.37% w/w.** The BOE held rates still at 5.00% in their meeting on Thursday. BOE policymaker Megan Greene cautions a steady approach when it comes to easing its interest rate. Economists expect the BOE to lower rates to 3.50% by the end of 2025FY
- CADJPY fell this week, this is a result of Japan's Ishiba showing promise in being elected the next prime minister. His ideology regarding Japan's economy and rate cuts is hawkish for the future which helped the yen appreciate against the Canadian dollar. **CADJPY lost (0.83%) w/w**
- **USDAUD decreased (1.38%) w/w** amid the weaker than expected PCE data out of the U.S. along with U.S. August personal spending realizing weakness m/m. The Reserve Bank of Australia continues not to release rhetoric towards where their rates are heading as they currently sit at 4.35%

Looking Ahead

The Sector will continue to monitor various reports coming out this week, especially news regarding CADJPY. Significant events this week for the pairing include Japan's Tankan Large Manufacturers Index 3Q2024 data coming out on Monday and Ivey PMI data for Canada on Friday. Japan Retail Sales come in on Sunday, and this will give a look into the ever-so-volatile Japanese economy. Retail Sales came in at 2.60% y/y for July and are expected to fall further to 2.30% y/y for this August reading. A surprise increase in Retail Sales could bolster the already climbing yen. As mentioned above, Tuesday is another big day for Japan. The Tankan Large Manufacturing Index published by the Bank of Japan quantifies overall business conditions of the large manufacturing companies in Japan. This release could finally show investors that Japan is re-establishing productivity growth. For Canada, Ivey PMI is a significant indicator. Following a steep drop from 57.60 points in July to 48.20 in August, another weak release could tank the Canadian dollar. In the following week, Japanese Labor Cash earnings release, which is a big metric for the BoJ to monitor wage growth. A higher reading could lead to an October BoJ rate hike, which would further strengthen the yen against the Canadian dollar. As Ishiba's odds of becoming Japan's next prime minister continue to ramp up the Sector will keep a watchful eye on how his rhetoric towards rate hikes and the performance of the economy affect the currency pair.

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Weekly Product Report

Index Derivatives Sector

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Summary of Weekly Themes

- **Benchmark U.S. indices remained relatively flat** until PCE figures released Friday signaled cooling inflation, further supporting the Fed's aggressive cutting cycle. **The S&P 500, Nasdaq Composite, and Dow Jones rose 0.46% w/w, 0.69% w/w, and 0.60% w/w, respectively**
- **Japan's Nikkei 225 Index surged 5.61% w/w.** Minutes released from the BOJ meeting revealed board members plan on hiking in a "timely and gradual" manner to avoid last resort rapid hiking in the future
- **Hong Kong's Hang Seng skyrocketed by 13.13% w/w** as the PBOC laid out plans to cut banks' reserve requirement ratio by 50.00 bps and trimmed the seven-day reverse repo rate by 20.00 bps to 1.50%. The PBOC also assembled a stimulus package aimed to inject liquidity into the economy, estimating to allocate up to CNY 1.00 T ($142.39 bn) into its biggest banks
- **India's Nifty 50 Index rallied by 1.09% w/w,** driven by expectations of higher foreign direct investment after the Fed's aggressive rate cut last week. The rebound of the yen and yuan also drove the RBI to prioritize the competitiveness of Indian exports, leading the RBI to purchase a new record high of foreign exchange reserves of $692.30 bn in September
- **The U.K.'s FTSE 100 Index ended the week up 1.10%,** largely supported by investor optimism surrounding China's stimulus package announcement. Retail sales in September increased to 4.00% m/m, significantly above expectations of (19.00%), reversing three months of decline
- **France's CAC 40 Index rallied 3.89% w/w.** China released stimulus measures earlier in the week which effectively drove gains in the luxury industry, as China is a leading market for French luxury goods

Looking Ahead

The Nifty 50 Index (NIFTY) has seen gains of 1.09% this past week following the Fed's rate cut decision. As the dollar weakened, investors shifted their capital into the index, seeking to capitalize on the higher yields offered by this emerging market. Notably, China's recent stimulus measures, while anticipated to impact the index significantly, resulted in a neutral-positive outcome as investors shifted away from consumer and banking sectors, with the metals sector seeing substantial gains. This past week, India saw its Manufacturing and Services PMI Flash data indicate slower growth than expected for September.The Manufacturing PMI came in at 56.70, while Services PMI was at 58.90, reflecting continued expansion, although new order growth slowed, and input cost inflation increased more than expected. The Sector will be monitoring the Republic Bank of India's monetary policy decision on Wednesday, where it is expected that they keep rates steady as they have the past 17.00 consecutive months at the repo rate of 6.50%. Additionally, India's industrial and manufacturing production data, scheduled for release on Friday, is forecasted to show a September decline of 3.40% and 3.10%, respectively, driven by weaker demand growth and inflationary pressures. The anticipated slowdown is raising concerns about the sustainability of India's recent economic momentum. Where investors will be looking for cues from these data points to gauge potential shifts in market sentiment going forward.

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Weekly Product Report

Interest Rate Product Sector

Weekly Product Report

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Summary of Weekly Themes

•**U.S. PCE rose by 0.10% m/m in August,** after a 0.20% increase in July and in line with market expectations, as inflationary pressures continue to ease. Services prices rose by 0.20% while goods prices decreased (0.20%)
•**U.S. PCE increased 2.20% y/y below forecasts of 2.50% in August,** marking the lowest growth since February 2021 as inflation eases
•**U.S. Personal Spending in the U.S. went up by 0.20% m/m in August**, below forecasts of 0.30%, marking the smallest increase since January
•**U.S. Personal Income increased by 0.20% m/m in August,** below market forecasts of 0.40%, as the consumer slightly weakens but remains strong
•**France CPI fell to 1.20% y/y in September,** significantly below forecasts of 1.60%, and marking the lowest level since July 2021
•**U.S. Durable Goods came in at 0.00% m/m** compared to market forecasts of (2.60%), as the manufacturing sector proves resilient
•**The U.S. economy grew at an annualized rate of 3.00% in 2Q2024,** more than a 1.60% upwardly revised increase in 1Q2024, as private inventory investment and federal government spending remain strong
•**The U.S. Case-Shiller Home Price Index increased by 5.90% y/y in July**, slightly surpassing market expectations of a 5.80% rise. While this represents the slowest home price growth since November 2023, it still marks the ninth consecutive month of gains exceeding 5.00%.
•**U.S. Initial Jobless Claims dropped to 218.00 k,** below market expectations of 225.00 k, as the labor market shows signs of strength
•**U.K. Retail Sales increased by 1.00% m/m in August** above forecasts of 0.40% as the U.K. consumer remains strong with high disposable income

Looking Ahead

In the coming weeks, the Interest Rate Products Sector will closely monitor key macroeconomic indicators that reflect the trajectory of the U.S. economy due to a significant part of our portfolio being allocated to 3-Month Short Term Bank Futures and other U.S. interest rate products. IThe sector will be following speeches from Fed Chair Jerome Powell and other Fed officials as they are set to speak next week and help markets predict future rate policy by the Fed amid cooling inflation and weakening labor market data. Markets are currently pricing in a 50.00% chance of both a 50.00 or 25.00 bps cut in the November meeting. A 25.00 bps cut in the upcoming meetings would help our bear put trade on 3-Month SOFR Futures move closer to profitability by bringing the price down. In terms of labor market data, JOLTs Job Openings will be released next week for the month of August. Trading economics predicts the labor market will continue to cool as job openings are expected to decrease to 7.65 mm after a previous reading of 7.67 mm. In addition to JOLTs Job openings, ADP Employment Change, Unemployment Rate, and Initial Jobless Claims will be released next week. ADP Employment Change is set to decrease from 99.00k to 90.00k, while Initial Jobless Claims are expected to increase from 218.00k to 220.00k. If these numbers turn out to be true it will give the Fed more evidence to support a 50.00 bps cut. Finally, and most notably,, the Unemployment Rate is expected to increase from 4.20% to 4.30% in September.

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Weekly Product Report

Metals Sector

Weekly Product Report

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Summary of Weekly Themes

- Earlier in the week, **gold** prices were able to hit **another all-time high** at $2,685.15 per troy ounce. The gains have been mainly due to the Fed cutting rates last week as well as the release of recent Chinese stimulus. Investors took profits on Friday but prices still ended **up 1.17% w/w**
- **Silver** prices also had a good week and hit a **12-year high** at $32.71 per troy ounce. Since silver has many industrial uses, the announcement of stimulus in China was a main driver for price increases. Like gold, investors cashed in on some profits, but the metal still ended the week **up 1.53%**
- **Copper** prices, which are heavily influenced by Chinese industrial demand, were able to hit their **highest levels since July** at around $4.60/lb. This comes after the PBOC released economic stimulus measures throughout the week, boosting the demand outlook. Prices ended **up 5.84% w/w**
- **Iron ore** prices saw some gains during the week as the potential outlook for industrial demand in China ticked up while new data also showed declining supply. Iron ore **inventories in Chinese ports decreased** to 146.60 mm tons, pointing to potentially weakening supply. Prices ended **up 0.55% w/w**
- **Platinum** prices saw gains of **2.44% w/w** after further news of potential **supply shortages**. According to the World Platinum Investment Council, platinum production in South Africa, Russia, Zimbabwe, and North America is expected to decline. This news helped platinum prices hit two-month highs
- Similar to many other industrial metals this week, **aluminum** prices rose due to new Chinese stimulus releases and hit their **highest levels in the past three months**. Supply concerns also helped prices as increased risks in Chinese supply contributed to potential deficits. Prices ended up **6.12% w/w**

Looking Ahead

In the upcoming weeks, the Sector will continue to monitor key developments across various central banks as well as further news regarding Chinese stimulus measures and their impacts on silver prices. On Friday, PCE for August came in lower than expected at 2.20% y/y, the lowest level seen since February 2021. This helps support the Fed's current rate cutting agenda as inflation seems to be under control. In Japan, the election of new prime minister Shigeru Ishiba looks to help silver prices as well. Ishiba has been labeled as more hawkish compared to other candidates, so this election will most likely put more pressure on the BOJ to hike rates again. The Sector will also continue to monitor the effect of this week's release of Chinese stimulus measures as they will continue to impact the industrial outlook for silver. Earlier in the year, many industrial metal prices increased after the first round of Chinese economic stimulus was announced. After the economy saw little change as a result of the stimulus, those same industrial metals dropped in price drastically over the next few months. This could happen again if no real economic change is seen, which is why it will be important to continue to monitor the Chinese economy. The Sector will look to capitalize on these recent drivers and add more silver to our portfolio as we are currently underweight compared to the benchmark. This will most likely be through option plays as well as futures contracts later in the semester.