Weekly Product Report

Energy Sector

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Summary of Weekly Themes

- **U.S. energy inventories had greater-than-expected draws across all products.** Crude oil saw a draw of 12.20 mm Bbl, significantly higher than forecasts of a 680.00 k Bbl draw, gasoline saw a draw of 2.20 mm Bbl compared to an expected 1.30 mm Bbl draw, and distillates saw a draw of 1.50 mm Bbl compared to an expected 1.20 mm Bbl draw
- **WTI Crude hit $84.00 per Bbl,** fueled by demand outlooks from institutional investors that suggested an oil demand growth of ~1.50 mm Bbl per day this year, which is above the historical growth rate of 1.20 mm Bbl per day
- Russia's oil producers Rosneft (ROSN.MM) and Lukoil (LKOH.MM) will **sharply cut exports from the Black Sea port of Novorossiysk** this month, **curbing oil loadings by 215.00 k Bbl per day**
- **Saudi Aramco lowered the August departure of crude oil prices to Asia due to the anticipation of weak demand.** July departure prices were $2.40 per Bbl above the Dubai average, whereas August departure is forecast to be only $1.80 per Bbl above the Dubai average
- **Oil demand concerns are raised after recent U.S. economic data.** The ISM Non-Manufacturing Index dipped to a four-year low of 48.80 in June, which was below the consensus of 52.50. Private payroll growth also edged lower in June according to ADP, with 150.00 k jobs added for the month, 7.00 k jobs lower than the previous upwardly revised report of 157.00 in May
- **Hurricane Beryl hit Mexico's Yucatán Peninsula**, **potentially on the pathway to hit Texas and go through the Gulf of Mexico**, where half of America's refining capacity sits. U.S. oil giants Shell (SHEL), Chevron (CVX), and Exxon Mobil (XOM) have undergone some evacuations, but claim oil production will not see any significant changes

Looking Ahead

The draw from crude inventories of a staggering 12.20 mm Bbl was largely driven by strong exporting and refining activity. Consequently, WTI rose ~1.30% to $83.88 before the fourth of July close. Economic data showed signs of slowing, a promising sign for long-term crude oil demand. As the Fed sees more data with this continued pattern, the possibility of two rate cuts this year becomes more likely. The Sector maintains a long-term bullish outlook on crude due to demand drivers drawing down inventories, alleviating supply-side concerns. The market was counting on Nonfarm Payrolls being the deciding factor in two rate cuts this year. While the report of 206.00 k was higher than expected, the gain in the unemployment rate has caused mixed reactions. With this, the Sector believes that the CPI report coming out next week will serve as the next determining figure for confirming Fed decisions. Despite the peak driving season, gasoline inventories have continuously risen with relatively weak demand, causing gasoline prices to fall. A relatively high inventory in the East Coast partly due to increased imports from Europe, and the closure of the Northeast Gasoline Supply Reserve (NGSR) adding a moderate amount of supply may impact prices. However, the Sector believes that due to the smaller size of the sale, price changes may be difficult to distinguish from other market trends. Generally declining crude prices also contribute to the decline in gasoline prices and may continue with adaptations to geopolitical tensions.

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Summary of Weekly Themes

- The major indices ended the week all in the green with **the Nasdaq Composite up 2.58%, the DJIA up 0.73%, and the S&P 500 up 1.43%**
- **Nvidia Corp. (NVDA) stock falls 13.00%** with no clear catalyst causing the rapid decline; some analysts suggest that the stock is overextended
- **Durable Goods Orders** came in **hotter than expected at 0.10% m/m,** but down from the previous report of 0.20% m/m. Increases in motor vehicles, computers, and fabricated metals boosted orders for the month of May
- **Core PCE Price Index met market expectations at 0.10% m/m,** the smallest increase this year. Cooling inflationary data has caused the probability of the Fed easing rates in September to rise to 76.90%
- **ISM Manufacturing PMI unexpectedly fell by 0.20 points,** while forecasts predicted a 0.40 point increase. Production levels decreased m/m and manufacturing employment fell amid high interest rates and prices
- **Fed Chair Powell expressed that inflation is back on a "disinflationary trend",** reiterating that the Fed would still like to see more data showing slowing inflation. Powell also emphasized the importance of careful timing
- **The unemployment rate rose to 4.10%** in June, its highest level since November 2021. Cooling employment trends lifted expectations of a Fed rate cut in the coming months, helping the indices close at record highs
- **Tesla Inc. (TSLA) shares gained 27.00% during its rally this week** following their 2Q2024 vehicle deliveries report, which came in higher than Wall Street estimates; EV sales are now expected to grow throughout 2024
- **Meta Platforms Inc. (META) soared to its highest level close at 5.90%** as optimism regarding increased revenues from their AI development rises

Looking Ahead

In the coming weeks, markets will be looking at important economic data in the form of Core CPI Inflation Rate, PPI, Retail Sales, and Preliminary Building Permits. Equities will be assessing earnings releases from JPMorgan Chase & Co. (JPM), UnitedHealth Group Inc. (UNH), Prologis, Inc. (PLD), and Bank of America Corp (BAC). Core CPI Inflation Rate is expected to remain unchanged at 0.20% m.m and 3.40% y/y. Inflation data will be important to watch as markets will monitor further commentary from the Fed, especially Powell, as the July meeting approaches. PPI is predicted to rise to 0.10% m/m, up significantly from the previous report of (0.20)% m/m. If this report were to show higher readings, markets may react negatively in anticipation of rising inflation for consumers. Retail sales are expected to increase to 0.30% m/m in June. Consumer spending may be on the rise again, especially in the coming months, as companies hold mid-year sales with lowered prices. Preliminary Building Permits will give more insight into sentiment regarding the real estate market. The report is anticipated to rise to 1.60 mm, a rebound from the last report and a possible recovery from record lows in previous months. As many 2Q2024 earnings releases approach, understanding sentiment in various industries will help markets assess the impact of inflation. Earnings from companies like JPMorgan Chase & Co. (JPM) and Bank of America Corp. (BAC) will show the effect of record-high consumer debt on the financial industry.

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Foreign Exchange Sector

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Summary of Weekly Themes

- **DXY fell (0.87%) this week** as the **ISM manufacturing index came in lower than expected** on Monday. **ADP employment change also came in at 150.00 k new jobs**, **lower than initial forecasts of** 160.00 k. Nonfarm Payrolls exceeded expectations but came short of May's 218.00 k. The dollar fell further on Friday due to elevated unemployment at 4.10%
- **GBPUSD traded up 1.28%** this week **as the USD depreciated against other major currencies**. The GBP had a limited reaction to U.K. elections as the Labor Party won by a landslide. **The GBP strengthened further against the USD on Friday** as **April and May's labor** data were further revised, **indicating that the labor market weakened**
- **USDJPY traded sideways this week** due to **weak U.S. economic data as well as less hawkish FOMC rhetoric**. Fears of a BoJ intervention are present as the pairing reached 161.93, a near all time high for the USD. The BoJ revised down their June PMI reading, further highlighting slow growth
- **USDCAD fell (0.25%)** this week **due to mixed U.S. and Canadian economic data. U.S. Nonfarm Payrolls** came in at 206.00 k, higher than the expected 190.00 k **as well as conflicting unemployment data** which was lower than expected. In Canada, unemployment increased to 6.40% m/m, higher than the expected 6.30%. Also, 1.40 k employees were laid off
- **AUDUSD traded up 0.95% partly due to mixed economic housing data**. **Housing loans increased 3.10% m/m**, beating expectations; however, low consumer sentiment tells another story. **Persistent AUD inflation is expected to delay interest rate cuts**, strengthening the AUD against the USD. Markets show a 10.00% probability of RBA rate hikes

Looking Ahead

The Sector will continue to monitor various economic reports coming out this week, including economic date from the U.K., U.S., China, Germany and Japan. On Sunday, Labor Cash Earnings will be reported in Japan with higher income inflating the Yen and lower income devaluing it. The first round of French general elections will also take place Sunday. On July 9th, Jerome Powell is scheduled to give his semiannual testimony at the Senate Banking Committee where he will discuss the U.S. economy, monetary policy and interest rates. Powell's rhetoric has historically moved markets as he gives direction on future interest rate decisions. After holding rates at 5.50% in May, the RBNZ will make their interest rate decision on Wednesday. Additionally, Chinese CPI reports will also be released Wednesday. These data figures will be essential as the Chinese economy has been struggling with economic growth. On Thursday, U.S. CPI and Core CPI data will be released, which has been steadily declining since March. On Friday, U.S. PPI as well as Consumer Sentiment will be released. Last June's Consumer Sentiment came in above expectations appreciating the dollar. Also on Thursday, German HICP will be released which will gauge inflation in the German economy. Furthermore, on Friday German retail sales are released. Germany is looking for retail sales to trend in the positive direction as the last reading came in at (0.60%) y/y.

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Index Derivatives Sector

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Summary of Weekly Themes

- Benchmark U.S. indices rallied this past week, with **the S&P 500 and Nasdaq Composite reaching new record highs, climbing 1.18% and 2.39%, respectively.** Despite experiencing high volatility, **the Dow Jones Industrial Average ended the week with a gain of 0.43%**. U.S. jobs report showed 206.00 k added jobs while unemployment rose to 4.10% m/m
- **Hong Kong's Hang Seng Index ended the week up 1.23%** driven by recent financial reforms, specifically in the property market, and bolstering investor confidence. Tensions in mainland China and Taiwan remain high
- **Japan's Nikkei 225 continues strong, rising by 2.69% w/w.** The surge was driven by significant buying in automaker shares and other export-oriented stocks, propelling the index to a record high. Conversely, household spending unexpectedly declined by (1.80)% y/y in May, missing market forecasts of a 0.10% growth and decelerated from a 0.50% increase in April
- The **FTSE 100 Index displayed resilience amid external pressures, ending the week with a 0.49% gain.** This upward movement was largely driven by positive investor sentiment following the U.K. Labour Party's landslide victory, reassuring investors of political stability and the potential implementation of economic policies associated with the new government
- **India's Sensex climbed 0.95% w/w,** setting two consecutive days of record highs surpassing 80.00 k, followed by a slight profit-taking session
- **France's CAC 40 experienced minimal movement, ending the week with a slight increase of 0.03%.** The Construction PMI fell to a three-month low of 41.00 in June, down from 43.50 in May, signaling a sharper decline in the country's construction sector activity, reflecting broader economic concerns

Looking Ahead

Movement in global equity indices this week was largely driven by the release of various economic indicators, including employment data from the U.S. as well as Jerome Powell's remarks earlier in the week. The jobs report showed a growth of 206.00 k jobs for June, slightly beating expectations of 190.00 k and continuing a strong run. On the other hand, the unemployment rate ticked up to 4.10% m/m, one of the several indicators of a cooling labor market. The jobs report confirms investors' views that the economy is decelerating, but not drastically enough to prompt more aggressive rate cuts. Jerome Powell has stated that he sees progress on inflation and the data for April and May suggest the economy is getting back on a disinflationary path. Central banks and economies worldwide are closely monitoring the Fed's decisions on rate cuts as it directly influences global financial conditions, setting a benchmark for borrowing costs and economic strategies. The Sector will pay close attention for the release of June CPI and PPI data as well as Powell's semiannual testimony on monetary policy at the Senate Banking Committee happening next week. Key data to watch out for in the coming week includes inflation data for Mexico, China, and India, as well as GDP data in the U.K. Looking forward, the Sector will monitor PBOC economic data in China, as the spotlight will be on the trade balance data for June after previous data highlighted the world's largest manufacturing sector's heavy reliance on foreign demand for sales.

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Interest Rate Product Sector

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Summary of Weekly Themes

- **U.S. Nonfarm Payrolls rose to 206.00 k beating forecasts of 190.00 k.** June figures continue to signal a strong yet cooling labor market
- **The U.S. Unemployment rate rose to 4.10% in June 2024** surpassing estimates of 4.00%, the highest increase since November 2021. Meanwhile, the labor force participation rate increased slightly to 62.60% from 62.50%
- **The Fed's preferred gauge of inflation, the U.S. Core PCE, increased by 0.10% m/m**, aligning with market expectations. This suggests that the contractionary monetary policy is effectively curbing inflation
- **U.S. Job Openings rose by 221.00 k from the previous month to 8.14 mm in May 2024, beating market forecasts of 7.91 mm.** Job openings increased in government while decreasing in food services, highlighting a shift in labor demand across sectors as spending power is limited
- **U.S. Durable Goods orders rose by 0.10% m/m in May 2024, matching market forecasts**. This marks the fourth consecutive monthly advance in durable goods orders. This consistent growth suggests ongoing strength in manufacturing as well as healthy consumer confidence
- **The Fed left the fed funds target range steady at 5.25%-5.50% for a seventh consecutive meeting**, in line with forecasts. Fed Chair Powell continued to outline that rates will remain unchanged until they can gain greater confidence that inflation is moving sustainably toward 2.00%. The market is now pricing in a 77.60% chance of a rate cut in September
- **The U.S. economy expanded an annualized 1.40% in 1Q2024, slightly higher than 1.30% in the second estimate**, but continuing to point to the lowest growth since the contractions in the first half of the 2022FY

Looking Ahead

In the upcoming weeks, the Interest Rate Products Sector will closely observe vital macroeconomic indicators that reflect the track of the U.S. economy. As we continue to approach a rate cut, our focus will be on upcoming inflation data releases, which are crucial for assessing the timing of monetary policy adjustments. The forthcoming reports on U.S. PCE, CPI, and Personal Spending will be especially significant. An uptick in inflation toward the end of the year could dramatically change market expectations. PCE holds particular importance as it is the Fed's preferred gauge of inflation. The sector will also closely monitor Fed Chair Jerome Powell's remarks, who is scheduled to give his semiannual testimony on monetary policy on July 9 at the Senate Banking Committee. This is important because Powell's rhetoric is very significant, given his selective choice of words. Additionally, we will be watching other factors that will affect the FOMC members' decisions, such as the labor market and the health of the consumer, as cracks in either could force the Fed to move on from higher interest rates. Furthermore, our attention will be on other important U.S. economic indicators, including Durable Goods Orders and the GDP Growth Rate q/q as these also affect the Fed's outlook. If we were to see a significant slow down in GDP growth, we could also see more rate cuts as well as sooner. In terms of the bond market, while it has been quiet, the sector will continue to monitor how the 10-Year Treasury yield trades as it responds to economic data.

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Weekly Product Report

Metals Sector

Weekly Product Report

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Summary of Weekly Themes

- Following the release of cooler economic data, **gold saw increases of 3.05% w/w**. The release of employment data showed a cooling labor force with unemployment ticking up to 4.10% after projected to be 4.00% for the month. ISM services cooled down to 48.80% after a 53.80% reading in May
- The release of labor market data has helped **silver** rally above the $31.00 mark. U.S. Nonfarm Payrolls came in slightly hotter than expected at 206.00 k, but still showed a slowdown from May's release of 218.00 k. Silver jumped after unemployment ticked up to 4.10% and silver **gained 7.97% w/w**
- **Platinum prices jumped 6.78% w/w**. Platinum reacted well to cooler labor market reports and unemployment ticking up to 4.10%. Wage growth data fell from May to June to show a weakening labor force lifting platinum prices
- **Copper** prices jumped as the Yangshan Copper Premium climbed into positive territory after two months of low Chinese copper demand. Increasing Chinese demand showed by the Yangshan coupled with copper stockpiles falling in June after rising in May helped **lift prices 5.59% w/w**
- **Palladium** prices reached a six-week high of around $1,012.00 and **are up 6.23% w/w**. Above-ground stock levels have reached their lowest levels since 1980. Increased sentiment for hybrid vehicles is helping raise palladium prices as the vehicles are very dependent on the precious metal
- Hopes for ongoing Chinese stimulus measures have driven **iron ore** prices to one-month highs, with the industrial metal **rising 6.10% w/w**. Investors are betting on continued policy support for the property sector which has helped raise prices. Recent cool U.S. economic data has also helped boost bets of a Fed cut coming in September which supports demand for iron ore

Looking Ahead

In the upcoming weeks, the Sector will look to continuously monitor key economic data releases and their relationship to both the industrial and precious metals market. The CPI release next week is a crucial reading for the Fed as Chairman Powell continues to take a wait-and-see approach with interest rates. A cooler-than-expected CPI report would help support a potential rate cut in September as inflation continues to decelerate and unemployment ticks up. Next week's PPI release will also be an important indicator for the Fed, alongside CPI. Geopolitical tensions continue with the Russian-Ukrainian War as Hungary's leader, Orbán, meets with Putin on his so called "peace mission," that is heavily criticized by EU leaders. The Sector will keep an eye on Hungary's involvement in the war and any further escalations. Cease-fire talks between Israel and Hamas are showing promise according to the U.S. This potential breakthrough between the two nations could end months of fighting in Gaza and lead to the release of hostages. This will be a major event the Sector will continue to monitor as these Middle East tensions have greatly influenced the price of precious metals. China's inflation rate comes out next week as concerns over the nation's economy continues to be a burden to the metals market as Chinese demand for metals have fallen drastically. The Sector will continue to monitor the Chinese economy as we expect a rebound and an increase in demand of industrial metals.