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Weekly Product Report

Energy Sector

Weekly Product Report

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Summary of Weekly Themes

- The initial **ceasefire proposals** between Israel and Hamas remain clouded with uncertainty. The three-phase resolution looks to kickstart hostage exchanges and withdrawals of IDF military forces from the Gaza strip
- The **U.S. intensified sanctions against Russia**, which targeted energy exports. Russia's "shadow fleet" was point of focus as oil freight rates have increased while China and India also began to shift to alternative suppliers
- Increased volatility in Brent crude oil caused **a peak at ~$82.00** per Bbl. Imposed Russian sanctions and uncertainty regarding geopolitical developments raised questions surrounding forward looking supply stability
- **Chinese December exports were up 10.70% y/y**, beating expectations. Factories continued to make last-ditch attempts to frontload orders with looming expectations of Trump's imposed tariffs following his inauguration
- **CPI rose to 2.90% y/y**, largely driven by a heated energy sector**.** Prices of gasoline and natural gas rose by 4.40% y/y and 4.90% y/y, respectively, contributing to the spike relative to the cooler Core CPI reading
- The Venture Global IPO reaches ~$110.38 bn valuation as **LNG demand rapidly grows.** The major supplier of LNG to Europe and Asia, based out of Arlington, Virginia, looks to expand and capitalize on favorable incoming energy policies and potential deregulations of the fossil fuel industry
- Futures prices surged caused by heightened concerns of natural gas shortages and rising heating demand. The unexpected frigid weather forecasts quickly pushed natural gas futures **prices above $4.00/mmBtu**
- The Biden administration moved to **prevent issuances of federal land** for crude oil extraction. With Trump's history of energy expansion, the transition of power sees roadblocks created by Biden on his way out of office

Looking Ahead

Disagreements continue to halt progress in the Israel-Hamas ceasefire developments, further stalling the easing geopolitical tensions and supply stability in the Middle East. As this persists, risk premiums and volatility remain elevated while impacts of simultaneous Russian sanctions caused a sharp rise in the price of Brent crude oil. The Sector will continue to monitor the developments of both and the impacts on commodity price movements. Demand concerns also linger regarding the longevity of Chinese export levels as Trump begins his second term in office. Uncharacteristic production growth has come into question as factories exceed recent activity levels in preparation of U.S. tariffs and a potentially escalating trade war. With China's GDP meeting y/y targets in 2024 of 5.00%, the Sector will look for growing positive economic data trends to establish an expectation of the Chinese economy in 2025. Headline U.S. economic data leading up to the first FOMC meeting of 2025 led with CPI coming in alongside expectations with Core CPI reading lower than forecasted. The Sector will lookout for potential rate cuts deeper into 2025 that could stimulate domestic growth and demand, but must be monitored against inflation projections. As Biden leaves the oval office in a matter of days, his last efforts have been directed to protect federal lands from the demand for fossil fuels. The Sector will observe how Trump navigates numerous challenges left by the previous administration to expand operations of energy production.

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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 with **the NASDAQ Composite up 3.92%, the DJIA up 3.63%, and the S&P 500 up 3.71%**
- **PPI came in at 0.20% m/m** while being forecasted at **0.30% m/m.** This was the first period producer prices refrained from rising since July
- **CPI Core Inflation data** also brought a lot of confidence back into the market as it reported at **0.20% m/m and 3.30% y/y.** After the news was reported, the market saw a significant bullish move. Investors are now more confident that we will see at least one rate cut later in the year
- **Retail Sales increased 0.40% m/m**, the least in four months. Despite the slowdown, the figures continue to point to robust consumer spending
- **The 10-Year Treasury pulled back sharply down 3.19% this week,** bringing hope for more possible rate cuts later into 2025
- **Stock earnings from multiple banks also boosted the market this week.** Citigroup Inc. (C) and Goldman Sachs Group Inc. (GS) were **up roughly 12.00% on the week**, while JPMorgan Chase & Co. (JPM) **added 8.00%.** SPDR Financials ETF (XLF) was also **up 6.08% on the week**
- **The S&P 500 posted its best week** since the news of Trump winning the presidential election. President-elect Trump will be inaugurated on Monday beginning his term to take the economy back to what he made it. The price of bitcoin soared this week **up 9.60% reaching $104,638.00**
- **The VIX Index was down 24.78%** this week mainly from the bullish inflation data reported and strong corporate earnings from financials
- **Housing starts in the U.S. surged by 15.80%** from the previous month to a seasonally-adjusted annualized **rate of 1.50 mm units**

Looking Ahead

In the coming week, markets will be looking for the release of important economic data in the form of Existing Home Sales and Initial Jobless Claims. Equities markets will also be assessing earnings from Netflix Inc. (NFLX), GE Vernova Inc. (GEV), and American Express Co. (AXP). Due to the sector's recent increased exposure to the SPDR Communication Services ETF (XLC), we will be monitoring Netflix Inc. (NFLX) and Verizon Communications Inc. (VZ), as they are large holders in the sector. Existing Home Sales are expected to decrease from 4.15 mm to 4.10 mm, which is much stronger than the past five months. Initial Jobless Claims are expected to increase from 217.00 k to 219.00 k, but better-than-expected results would help support the currently low unemployment rate. With the inauguration of Trump taking place on Monday, it is important to monitor the policies he implements. One of the most important is his proposed tariffs, which could have large impacts on inflation. With the Fed already expected to slow rate cuts in 2025, they will be focused on tariffs and how inflation is effected. The financials sector is looking to benefit from the hesitation to cut rates. While many banks and the financial sector as a whole had a week of strong growth, the sector is going to monitor inflation expectations and Fed policy. As the sector plans for the coming weeks, we will monitor the earnings and performance of the communication services and financial sectors, as well as the effects of the Trump administration.

Weekly Product Report

Foreign Exchange Sector

Weekly Product Report

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Summary of Weekly Themes

- **The DXY** reeled in minimal gains throughout the week as various economic reports were released, hitting highs early in the week on Monday of 110.18. **Jobless claims came in at 1.86 mm** and are down 0.55% from the previous report last week. The U.S. inflation report came in at **2.90%** y/y which fell in line with forecasts. **The DXY has risen 0.21% w/w.**
- **EURUSD traded down 0.27% w/w**, due to dovish sentiment surrounding the ECB. The German inflation rate increased by 0.70% m/m, due to a price increase of transportation services by air of 20.40% m/m. German Industrial production underperformed expectations by 0.10% m/m
- **GBPUSD declined this week 1.14%**, despite inflation dropping under expectations. Retail sales came in at (0.30%) m/m, underperforming expectations by 0.70%. PPI slowed down 0.10% m/m from 0.40% m/m in November, meeting expectations of this expected decrease
- **USDJPY dropped 1.16%**, despite PPI coming in at 0.30% m/m, which fell under expectations of 0.40% m/m. Current account increased by 895.60 bn m/m, exceeding expectations by 661.5 bn. Foreign bond investment had a large increase to 756.70 bn w/w, up from (332.30 bn)
- **AUDUSD experienced a minimal decrease of 0.04%.** The TD-MI inflation gauge dropped to 2.60% y/y. Employment increased by 56.30 k m/m from last month at 28.20 k, exceeding expectations by 41.30 k
- **CADJPY increased 0.11%**, which mainly contributed to a strong net change in employment of 90.90 k, exceeding expectations by 60.90 k added jobs. Unemployment was expected to rise to 6.90% but instead dropped by 0.10% m/m, currently sitting at a lower-than-expected 6.70%

Looking Ahead

In the upcoming week, our sector is poised to react to President-elect Donald Trump's inauguration on January 20, 2025. Investors are now aware of the increase in speculation of a rate cut administered by the Federal Reserve. With expectations of the rate hikes by the BoJ, we could see consecutive weeks of downwards movement of the USDJPY pairing, which previously reached a near one-month low at ¥154.98. We could see this trend continue into the next week because of this expected hike. The Indian rupee has experienced increased volatility, declining 2.11% against the USD since the new Reserve BoI chief took over in December. Overall, the dollar is expected to maintain its strength, supported by U.S. economic growth, new tariffs, and higher Treasury yields. Our sector should monitor these developments closely, as they may influence currency valuations and market dynamics in the near term. Additionally, the U.S. Energy Information Administration, scheduled to present its weekly Crude Oil Stocks Change report, is usually indicative of oil supply levels that may impact the U.S. dollar and all commodity-linked currencies. The DXY index is predicted to range between roughly 109.50 and 111.00 next week, this increase would be supported by strong labor market reports and good outcomes of Trump’s inauguration speech.

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Weekly Product Report

Index Derivatives Sector

Weekly Product Report

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Summary of Weekly Themes

- **U.S. indices performed strongly this week** with the **S&P 500 up 3.71% w/w**, the **NASDAQ Composite up 3.84% w/w**, and the **DJIA up 3.73% w/w**. The **Core Inflation Rate** came out at **3.20% y/y** for December, **below expectations of 3.30% y/y**, raising expectations of further cuts in 2025
- **The FTSE 100 ended the week up 3.11% w/w**, **surpassing its previous record closing high. The Core Inflation Rate** dropped 30.00 basis points in December, **coming in at 3.20% y/y, which was lower than expectations of 3.40%.** This growth in the index was due to weaker economic data, indicating a less aggressive approach by the **BOE** on controlling inflationary pressures
- **The French CAC 40 Index ended the week gaining 4.05% w/w** with the **Inflation Rate coming in at 1.30% y/y**. This was expected by analysts, allowing for reduced market uncertainty. **New Car Registrations surprised with a report of 1.50% y/y** after being **forecasted to fall 11.50% y/y**
- Japanese markets fell this week with the **Nikkei 225 Index down 2.78% w/w** and the **TOPIX down 1.88% w/w**. This fall was due to near certain expectations of an interest rate hike by the **BoJ** at their meeting next week.
- The **IBOVESPA Index ended the week gaining 2.94% w/w**, driven by increased Wall Street sentiment, rising metal commodities, and a softer-than-expected U.S. Core Inflation Rate. The **Inflation Rate came in slightly lower than predictions, at 4.83% y/y**. Business Confidence made its fourth consecutive monthly decline, coming in below expectations at 49.10
- **Canada's S&P/TSX Index** ended the week in the green**, rising 1.78% w/w.** This gain was driven by Canada's **Unemployment Rate** coming in under expectations and **Manufacturing Sales** beating their forecast by **0.30% m/m**

Looking Ahead

Going forward into the upcoming week, the Sector will closely monitor the global market as the U.S. approaches the presidential inauguration of Donald J. Trump on January 20th . With the strong job reports and slower-than-expected inflation reports, the Sector is also very confident that there will not be a rate cut by the Fed at their next meeting in late January. The Sector will also keep a close eye on key macroeconomic indicators in Brazil, keeping in mind that the Sector recently pitched a 3.00-month Bear Put Spread on the IBOVESPA. Brazil is expecting their GDP Growth Rate to come back at 4.00%, which continues to signal their optimism as their forecasts have increased for the last three quarters. The Sector will also be looking over the U.K. Unemployment Rate coming out next week, forecasted to stay at 4.30%. The BoJ has its first meeting of the 2025FY next week at which the Sector is almost certain of a rate hike. The Sector is predicting a hike of 25.00 basis points, which will likely result in a stronger Japanese yen down the line as higher interest rates tend to attract foreign investments, increasing demand for the currency. The Sector will also be monitoring Canada's inflation rate reports next Tuesday, which are forecasted to come back lower than before at 1.80%. A close eye will also be kept on what follows for the SPY/TRX Index, as a weakening CAD could potentially lead to a boost in the index due to improved competitiveness for export-driven companies, particularly in sectors like energy, mining, and manufacturing.

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Weekly Product Report

Interest Rate Products Sector

Weekly Product Report

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Summary of Weekly Themes

- **U.S. Non-Farm Payrolls gained 256.00 k,** beating forecasts by 56.00 k and increasing from 212.00 k in November. This signals a strong jobs market, which was the overarching theme in the December jobs report and supports expectations of slowed rate cuts through 2Q2025
- **The U.S. Unemployment Rate decreased to 4.10% from 4.20%,** beating forecasts by 20.00 bps. Following the report, rate expectations were shifted to a more hawkish stance. Prior to the report, markets expected higher chances of a rate cut within the next two Fed meetings. In the next FOMC meeting, markets are firmly expecting rate holds
- **Michigan Consumer Sentiment came in 1.80 points lower than expected at 73.20.** This is also a decrease from the previous month by 0.80 points. This metric measuring consumer confidence signals a decline in overall sentiment and potential spending. This supports the thesis for rate cuts later in 2025FY to keep up if this trend continues
- **The U.S. 10-Year Treasury Yield has decreased to 4.63%,** coming after both y/y and m/m CPI data came out in line with expectations, and core CPI came in at 0.20% m/m, forecasted at 0.30%. Yields in the belly of the yield curve have declined slightly because of this information
- **PPI came out in line with projections at 0.20% m/m,** down 0.20% m/m from November, with final demand service prices unchanged
- **Retail Sales for December 2024FY missed expectations by 10.00 bps,** coming in at 0.40% m/m and decreasing from November by 40.00 bps. Weaker-than-expected holiday spending is in line with Consumer Sentiment being weaker-than-expected due to a less-confident consumer

Looking Ahead

In the coming weeks, the Interest Rate Products Sector will look for the Fed rate decision, although consensus is a hold. Personal Income m/m and Personal Spending m/m come out on January 31st, which will show consumer activity during the holiday season. On the same date, the Core PCE Price Index m/m releases. This report is highly anticipated due to the Fed using this data as their preferred inflation metric. Donald Trump will be inaugurated on January 20th and he plans to implement his executive orders starting on that day. Trump's rhetoric on policies such as tariffs, tax cuts, and mass deportations comes with a lot of uncertainty. Tariffs will play a large role in interest rates as the Fed will be keeping a close eye on inflation in deciding whether to cut, maintain, or potentially even raise rates in the coming months. Tariffs have been known to raise inflation, however in March 2018 when Trump initially imposed tariffs on Chinese goods, we saw a decrease in both core PCE and CPI. The FOMC will meet on January 29th and rates will not be moved. Due to recent Core CPI data coming in lower than expectations, a hawkish Fed in 2025FY is unlikely. This benefits the recent Long Iron Condor pitch on 3-month SOFR futures. This trade should expire with maximum profit with room for the Fed to cut roughly 50.00 bps by expiration. Other interest rate products held by the sector affected by short term rates should experience minimal change in the next six months. The Japanese Bond yields are expected to rise with the BoJ hiking rates.

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Weekly Product Report

Metals Sector

Weekly Product Report

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Summary of Weekly Themes

- **Gold prices are near a monthly high this week** after the latest U.S. economic data caused **the 10-year yield to fall 13.00 basis points d/d.** The soft core inflation reading of 0.20% m/m, down from a 0.30% m/m reading in November, caused more dovish Federal Reserve outlooks. Gold's inverse relationship with the 10-year yield caused prices to **rise 1.60% w/w**
- Similar to gold prices, **silver** was on track for its third consecutive w/w gain supported by softer inflation data. On Thursday, **Taiwan Semiconductor Manufacturing Co. was up 7.50%** pre-market after beating earnings expectations. Despite bullish momentum, lingering concerns of overcapacity in China's solar panel industry, silver's largest industrial user, has driven uncertainty around demand, causing prices to fall **0.33% w/w**
- **Copper prices are up 1.85% w/w,** reaching a two-month high and extending gains for the second consecutive week. On Friday, China announced that its industrial output grew **5.80% y/y,** and as copper's largest consumer this spiked pricing. Additionally, **China's imports of unwrought copper reached a 13-month high** in December, increasing 17.80% y/y
- **Iron ore prices surged to $100.00/MT** on Friday, reaching a two-week high driven by optimism of potential stimulus measures from Beijing. China's import of the metal also reached a record 1.24 bn tons in FY2024
- **Palladium prices were down ~0.36% w/w**, while **platinum** prices were **down 1.75% w/w.** Between 2.00-7.00 grams of either metal are used per catalytic converter, accounting for over 90.00% of demand. Although there is an expected 1.20% increase in automobile sales in 2025, expected growth in the electric vehicle market has sparked concerns over future demand

Looking Ahead

In the coming weeks, the Sector will continue to monitor silver prices as the gold-to-silver ratio remains elevated above 80.00 at 88.80 to end the week. When the ratio has previously topped 80.00, it has signaled that silver is vastly underpriced in relation to gold. The last three times this has occurred silver has gone on to see enormous rallies of 40.00%, 300.00%, and 400.00%. The Sector will also continue to monitor geopolitical tensions in the Middle East. Earlier this week, President Joe Biden announced a ceasefire deal in Gaza that would potentially end 15.00 months of fighting in the Gaza Strip by starting a six-month truce. Yet, there has been dissent from members on both sides of the agreement, and after this deal was announced, Israel airstrikes killed 71.00 people overnight. Some tension was eased this morning, as the Israeli security cabinet approved of the ceasefire and hostage deal and it is expected to take effect on Sunday. If upheld, it would likely weaken demand for silver and gold as a safe haven asset. The Sector will also be monitoring President-elect Donald Trump, who will be taking office on Monday. President Trump has expressed ambitious plans to end conflicts and implement new policies quickly. Increased tariffs on imports, possible sanctions, and a rollback of the Inflation Reduction Act have all been mentioned, and each could affect supply and demand dynamics in the metals market.