Weekly Product Report

Energy Sector

Weekly Product Report

Aidan Murphy
Associate | Energy Sector
aidanjm13@gmail.com

Niall Marley
Associate | Energy Sector
niallmarley1@gmail.com

Brigette Bednarek
Analyst | Energy Sector
brigettebk@gmail.com

Gabriel Cantero
Analyst | Energy Sector
gabrielhcantero@gmail.com

Summary of Weekly Themes

- Crude prices **continued a downtrend** through the week with a slight uptick from recent Iran worries. Israeli intelligence services suggest that Iran is preparing an attack on Israel from Iraq within the next coming days
- U.S. EIA reported a **record 13.50 mm bbl/d of oil output** this week ahead of forecasts. August forecasts projected 13.20 mm bbl/d in 2024, and 13.5 mm bbl/d in early 2025, as expected earlier projections suggested
- **Exxon Mobil exceeded third-quarter profit expectations** despite a 5.00% drop in year-over-year profit. The company's earnings were boosted by the acquisition of Pioneer Natural Resources, reflecting broader oil market trends entering the age of rate-cuts in the upcoming year of 2025
- **Venezuela's oil exports hit a 4.00 year peak** on higher output, approaching 950.00 k Bbl/d in October, boosted by higher crude output and sales to the United States and India. The recovery is due to the stabilization of processing operations at the Orinoco Belt, the largest oil region
- Due to the closing of the Lyondell Houston plant, an additional U.S. oil **refinery is to shutdown** its nearly 237.00 k Bbl/d refinery in the first quarter of 2025. This follows the wave of U.S. refinery closures as motor fuel demand is expected to peak within this decade and decline from EVs
- Chinese EV maker **BYD's quarterly sales overtook Tesla's** for the first time, BYD reported revenue for the three months ended Sept. 30 of 28.25 bn, up 24.00% from a year ago. This exceeds Tesla's revenue of 25.18 bn
- Dominion Energy and Amazon are currently in discussion of developing a **small modular reactor** in Louisa County, Virginia in order to advance the next-generation technology. This small reactor would bring 300.00 megawatts of power to Virginia, one of the most nuclear-friendly states

Looking Ahead

Crude oil prices continued to trend downward this week, despite a brief rise due to concerns over potential conflict in the Middle East. Israeli intelligence has indicated that Iran is preparing for an imminent attack on Israel from Iraq, adding geopolitical tension to the market. The Sector will not derive a thesis from talks between countries until concrete plans or escalating tensions arise. Meanwhile, the U.S. Energy Information Administration reported a record oil output of 13.50 million barrels per day, surpassing forecasts. This uptick in production aligns with August projections that anticipated 13.20 million barrels per day in 2024 and 13.5 million barrels per day by early 2025. Crude oil imports from Canada have reached a record high of 4.30 mm Bbl/d following the expansion of the country's Trans Mountain pipeline expansion. This pipeline has tripled the previous 300.00 k Bbl/d capacity when it began operation in May of 2024. This follows the course of Canada steadily increasing their crude oil output, making increasing contributions as the world's fourth top crude oil producing country. Following the ongoing trend of transitioning to renewable fuel and electric vehicles, Chinese EV maker BYD has surpassed Tesla's revenue. This achievement comes as a first for the EV giant as its record breaking performance has come despite the EV downtrend in mainland China. These milestones have come amid higher tariffs on imports of Chinese EVs into the EU, as well as tough competition, highlighting the transition to EVs.

AMG
PENNSYLVANIA STATE UNIVERSITY

Weekly Product Report

Equity Derivatives Sector

Weekly Product Report

Anthony Buoscio
Associate | Equity Derivatives Sector
anthonybuoscio1@gmail.com

Sean Cherry
Associate | Equity Derivatives Sector
seancherry0@gmail.com

Mark Ruccio
Analyst | Equity Derivatives Sector
markruccio24@gmail.com

Sasha Iosava
Analyst | Equity Derivatives Sector
sasha.iosava05@gmail.com

Summary of Weekly Themes

- The major indices ended the week with **the NASDAQ Composite down 2.19%, the DJIA down 0.50%, and the S&P 500 down 1.80%**
- **JOLTs Job Openings came out lower than expected at 7.44 mm.** Job openings decreased in health care, social assistance, and government
- **Core PCE Inflation ticked up from 0.20% m/m to 0.30% m/m** in September. As the Fed's interest rate decision approaches, markets are pricing in a **98.10% chance that the Fed will cut by 25.00 bps**
- **Personal Spending increased 0.50% m/m**, beating expectations by 0.10%. Higher spending on both goods and services suggests consumer resilience may continue to support economic growth in the coming months
- **Super Micro Computer Inc. (SCMI) shares plunged 45.00%.** The most immediate catalyst for the drop was the resignation of their auditor, Ernst & Young. The company has been at risk of delisting since September
- **Non-Farm Payrolls fell sharply as the U.S. economy added only 12.00 k jobs**, much lower than the **expected 113.00k.** Workforce upheavals and environmental challenges drove the decline, accounting for an **approximate loss of 100.00 k jobs**, 46.00 k of them being in manufacturing. **The Unemployment Rate remained at 4.10%**, as markets anticipated.
- Despite strong sales and revenue, **Apple Inc. (AAPL) traded down 2.00% on Friday due to a fall in net income**. The company revealed that iPhone demand was especially strong; sales across their products rose by 6.00%
- **Amazon Inc. (AMZN) shares are up almost 7.00%** after the company beat earnings and revenue expectations. Amazon Web Services has driven cloud unit returns and the company reported seeing triple-digit growth in AI

Looking Ahead

In the next week, the U.S. presidential election on Tuesday is poised to be a major focal point, drawing intense attention from investors worldwide as its outcome could shape economic and market policies. Alongside the election, markets will be closely monitoring the Federal Reserve's interest rate decision, with any adjustments likely to signal the Fed's stance on inflation and economic stability. Additionally, critical economic indicators such as the ISM Services PMI, Michigan Consumer Sentiment Index, foreign trade data, factory orders, and non-farm productivity will provide insights into the economy's current momentum and resilience. Meanwhile, earnings season continues, with investors particularly focused on large-cap companies such as, Berkshire Hathaway (BRK.A), Qualcomm Inc. (QCOM), EOG Resources Inc. (EOG), and Duke Energy Corp. (DUK). The Sector looks to profit on semiconductor demand, especially since many companies that have already reported earnings indicated that they will be increasing their AI spending. Over the last three months, there has been significant insider selling at Qualcomm and if the company beats expectations, it may alleviate some of these concerns and potentially lead to a short-term boost for the company. Earnings from EOG Resources and Duke Energy will also be representative of AI demand and electricity usage. As the U.S. economy awaits the presidential election and the Fed's interest rate decision, growth in the AI innovation space will be critical

Weekly Product Report

Nick Bauco
Associate | Foreign Exchange
nickybauco@gmail.com

Michael McGinley
Associate | Foreign Exchange
michaelmcgin3@gmail.com

Will Hauser
Analyst | Foreign Exchange
willhauser19@gmail.com

Jacob Pausley
Analyst | Foreign Exchange
jpausley32@gmail.com

Summary of Weekly Themes

- **The DXY ended the week perfectly flat, with a 0.00% price movement.** Nonfarm Payrolls rose by only 12.00 k after an estimated 113.00 k. This caused the DXY to plummet in early trading hours, although it slowly gained back up after investors digested unemployment staying at 4.10%
- **USDJPY realized a minimal loss of 0.20% w/w.** This was partly due to DPP leader Yuichiro Tamaki believing the BOJ should not hike rates for at least six months to ensure positive wage growth within the economy. U.S. futures also show a 99.00% chance of only 25.00bps of cuts in November
- **EURUSD** started the week off slower than expected, but started gaining as quarterly Eurozone GDP growth far surpassed analysts' expectations. The Eurozone grew by 0.40% q/q, crushing the expectations of only a 0.20% growth rate, helping bolster EURUSD through the week 0.37%
- **GBPUSD** continued its recent slump**, dropping 0.42%.** The pound dropped to 1.2845 during Thursday's trading day, but started regaining losses as the British Labour's tax-and-spend budget pointed to rising inflation. Also, expectations of a 25.00bps cut solidified, helping strengthen the dollar
- **AUDUSD fell substantially on the week of 0.53%.** This drop was mostly due to uncertainty in Australia with mixed inflationary reports. Core CPI fell slowly in the third quarter down to 3.50%, which is outside the RBA's target zone, while also headline CPI rose slower than expected at 0.20 q/q
- **CADJPY** started the week off flat, then fell as the week progressed due to the BOJ Governor Kazuo Ueda hinting towards the possibility of a rate hike in their December meeting. The weaker yen is putting pressure on households as it raises the cost of imported items. CADJPY **fell 0.61% w/w**

Looking Ahead

The Sector will continue to monitor various reports coming out this week, especially news regarding AUDUSD. The pairing fell 0.87% this week, as the U.S. dollar slightly appreciated against the Australian dollar. There are many significant data releases for Australia this week, starting with their y/y inflation metric, the TD-MI Inflation Gauge, that gets released monthly on Sunday. Australia's primary inflation metric releases quarterly so the TD-MI gauge gives a more recent scope. Markets are pricing in a print of 2.60%. On Monday, the RBA has a monetary policy meeting. It is consensus that the RBA will be holding rates at 4.35%, where they have stayed for ten months. An unexpected cut would depreciate the Australian dollar. On Wednesday, Australian trade balance releases. Markets are pricing in a fall down to 5.25 mm. If a steady demand in exchange for Australian exports is seen, that would turn into a positive growth in the trade balance, and that should be positive for the AUD. It is a major week for the U.S, the Presidential Election is on Tuesday. There will be extreme volatility in the USD in the days leading up to it. A Trump victory is seen as bullish for the USD, and a Harris victory would be bearish. Thursday comes with a highly anticipated FOMC meeting. The Fed is projected to reduce their policy rate 25.00 bps to a range of 4.50-4.75%. An unexpected 50.00 bps cut would bring the U.S. rate below Australia's and ultimately appreciate the USD against AUD.

Weekly Product Report

Alex Micca
Associate | Index Derivatives Sector
alexmicca04@gmail.com

Cole Woolard
Associate | Index Derivatives Sector
colewoolard05@gmail.com

Jennifer Hsu
Analyst | Index Derivatives Sector
jenniferyhsu0@gmail.com

Jasmine Mansourov
Analyst | Index Derivatives Sector
jasminemansourov@gmail.com

Summary of Weekly Themes

- **Benchmark U.S. indices ended positively this week** with the **S&P 500 up 0.41%**, the **NASDAQ Composite at 0.80%**, and the **DJIA with 0.69%**. This is largely attributable to this week of **corporate earnings** as well as economic data from **Core PCE** m/m that came out on Thursday
- **The Japanese Index Nikkei 225, saw an overall gain this week of 0.78%** following a volatile week as **political uncertainty** rose due to the ruling party **losing the majority** in parliament, securing only 215 out of 465 seats, which has led to the **depreciation of the yen** against the dollar
- **The Hang Seng Index ended in the red** this week at **(0.42%)** while uncertain investors are waiting to hear from the results from the **U.S. election** next week as well as the awaited **Fed rate cut decision.** Equities fell as well due to the **awaited legislative meeting in China** next week
- **The Euro Stoxx 600 Index ended negatively this week at (1.71%)** due to **disappointing corporate earnings** from the **mining and technology** companies that the index holds, leading to the **lowest performance** in over a month in the **middle of the week** but **slightly rebounding** on Friday
- **The FTSE 100 saw a 0.87% decline –** the lowest decline in the past three months due to an announced **revision** of the U.K's **budget spending plan** that which **could heighten inflation** and **impact anticipated ECB rate cuts**, leading to a cautious stance from investors
- **India's Nifty Fifty Index ended at (0.36%)** following a volatile week due to many **foreign investors selling off** and **corporate earnings** coming out **dull in India** and in the U.S. technology companies for 2024Q3, leading to **weakening sentiment** by investors for the Indian market index

Looking Ahead

Going forward into the upcoming week, the Sector will be monitoring the Nifty 50 Index as the Indian markets are navigating a turbulent landscape marked by a fourth consecutive decline in foreign exchange reserves. Now at $648.80 bn, the decline is largely due to capital outflows as heightened geopolitical tensions in the Middle East continue and investors lean toward a preference in Chinese assets after Beijing's stimulus announcements. The tech sector slumped 2.80% w/w, led by HCL Tech (HCLTECH), Tech Mahindra (TECHM), and Tata Consultancy Services (TCS). Infrastructure output in India expanded 2.00% y/y in September, rebounding from a 1.80% contraction in August. The Sector will keep an eye on the Nifty 50 and the overall Indian economy as investors remain cautious during the Diwali holiday and Muhurat Trading session. Friday's data release will be crucial for Indian markets as they reopen after the holiday, with U.S. jobs numbers signaling potential shifts in global risk sentiment. In particular, investors will closely monitor upcoming corporate earnings in sectors such as banking and consumer goods to assess the resilience of domestic demand. With foreign outflows reaching over $10.00 bn, the focus will be on any forward-looking indicators that suggest recovery or stabilization, guiding investor positioning and strategy for the coming weeks. The uncertainty around U.S. presidential elections this coming week will keep Indian markets under pressure and trigger further volatility.

AMG
PENNSYLVANIA STATE UNIVERSITY

Weekly Product Report

Interest Rate Product Sector

Weekly Product Report

Ryan Criste
Co-Associate | Interest Rate Products Sector
ryancriste2@gmail.com

Andre Johnson
Analyst | Interest Rate Products Sector
andretimothyjohnson@gmail.com

Jatin Patel
Analyst | Interest Rate Products Sector
jatinpatel05@yahoo.com

Summary of Weekly Themes

- **U.S. Non-Farm Payrolls gained by 12.00 k, marking the lowest job growth since December 2020.** Jobs in healthcare jumped 52.00 k while manufacturing declined 46.00 k. It's likely some of that unemployment was affected by the hurricane as well as the Boeing worker strikes
- **The U.S. Unemployment Rate remained steady at 4.10% in October 2024, aligning with market expectations.** Permanent job losers rose slightly to 1.80 mm, while temporary layoffs remained steady at 846.00 k
- **ISM Manufacturing PMI fell to 46.50 in October, below forecasts of 47.60 and decreasing from 47.20 in the previous month,** marking the largest contraction since July 2023. Production, inventories, and backlog of orders decreased faster while new orders and employment further declined
- **Fed Reverse Repo use fell to 155.00 bn for the first time since 2021** as banks held onto their cash reserves, reducing their reliance on the Fed
- **U.S. Core PCE jumped 0.30% m/m, matching market expectations.** Services prices rose 0.30%, while goods prices fell 0.10%. Incomes as well as consumer spending continued to grow, showing strength in the economy
- **The U.S. 10-Year Treasury Yield jumped to 4.38% as long-duration bonds** continue to become less attractive despite weaker economic data
- **The U.S. economy grew by 2.80% in 3Q2024, below market forecasts of 3.00%.** Personal spending jumped at the fastest pace since 1Q2023, and service spending remained a strong point in the economy
- **U.S. Job Openings decreased to 7.44 mm in September 2024, below market expectations of 7.99 mm,** as the labor market shows signs of cooling. Job openings dropped in the South by 325.00 k

Looking Ahead

In the coming weeks, the Interest Rate Products Sector will closely monitor key macroeconomic indicators from the U.S, U.K., and Canada to help determine the direction of future Interest Rate Products pitches. To start off this upcoming week, Services PMI will be released and is projected to decrease to 54.40 from 54.90 in September. Along with that reading, the presidential election results will be released, which will most notably change markets and future inflation expectations due to each candidates differing policies on fiscal policy and how it will best affect the economy. Trump is viewed as a more inflationary president due to his policies centered around lower taxes, increased tariffs, and heightened government spending, while a Kamala Harris win would move investors to forecast further slowing within the economy as prices continue to decrease. In addition, the BOE will have its November meeting to further determine whether to continue their rate cutting cycle or hold rates after U.K. inflation most recently fell to 1.70%, the lowest rate in three years. Lastly, the Unemployment Rate for Canada will be released on Friday in addition to to the U.S. Michigan Consumer Sentiment releases. The Sector currently holds a more hawkish outlook in terms of future fed policy and will look for economic data to come out stronger then expected to further substantiate this view. As mentioned before, the presidential election will be the most closely watched event this week as it could have short and long term implications for the U.S. economy.

Weekly Product Report

Metals Sector

Weekly Product Report

Sougi Akurathi
Associate | Metals Sector
sou.akuathi@gmail.com

Matthew Hoban
Associate | Metals Sector
matthoban12@gmail.com

Max Lee
Analyst | Metals Sector
maxlee71704@gmail.com

Summary of Weekly Themes

- For a third consecutive week, **gold** prices reached **record-highs** at just over **$2,790.00 per troy oz**. The precious metal has been able to hit these highs due to uncertainty regarding the U.S. presidential election and continued speculation about future Fed rate cut decisions. Prices came down from these highs later in the week and the metal ended down **0.41% w/w**
- **Silver** prices came back **down from record-highs** seen last week after rate cut expectations for the U.K. were lowered due to concerns that their new budget would boost inflation. This caused prices to drop **3.76% w/w** even after U.S. payrolls data showed that the economy only added 12.00 k jobs
- **Copper** prices traded relatively flat on the week and saw **minimal loses of 0.50%** as investors await further announcements of Chinese stimulus. The National People's Congress will meet next week for a four-day conference as markets are expecting them to discuss future debt and fiscal policies
- Earlier in the week, **platinum** prices rose to their highest levels since May at just over $1,040.00 per troy oz due to news of mining issues in South Africa as well as increased demand for safe-haven assets. Despite this, prices of the metal **fell 3.30% w/w** after some investors decided to cash in on profits
- **Palladium** prices hit their highest levels since December 2023 after news of potential U.S. sanctions on Russian palladium caused concerns for future supply. The combination of weakened demand as well as easing concerns of supply disruptions later in the week caused prices to **drop 8.54% w/w**
- **Nickel** prices hit a **six-week low** earlier in the week due to concerns of an oversupply of the metal after nickel was discovered in Papua New Guinea. Prices rebounded later in the week but still ended **down 0.98% w/w**

Looking Ahead

In the upcoming weeks, the Sector will continue to monitor iron ore prices and how they continue to be impacted by Chinese stimulus measures and future Fed rate cut decisions. The Caixin General Manufacturing PMI rose to 50.30 in October, growing at its fastest pace since June and also signaling an expansion in the manufacturing sector after three consecutive months of contraction. This seems to be a result of the current round of stimulus measures which began at the end of September. Investors will closely monitor China's National People's Congress conference next week, as the content for this meeting will likely highlight further news of additional stimulus. The results of this meeting will likely have huge implications for future industrial metal demand, with iron ore being the most affected. The sector will also continue to monitor further developments with Fed rate cut expectations and their effect on iron ore prices. This week's labor market data showed conflicting results after weekly jobless claims on Thursday hit their lowest levels since May but then Friday's jobs report showed that the U.S. economy only added 12.00 k jobs in October compared to an estimated 110.00 k. Expectations for future rate cuts initially increased but came back down as investors digested the reason behind the massive drop. Uncertainty for rate cuts continue to impact iron ore prices, and the Sector could look to add iron ore to the portfolio through volatile options plays to capitalize on potential price swings.