Weekly Product Report

Energy Sector

Weekly Product Report

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Summary of Weekly Themes

- **WTI crude oil rose to $78.00 per Bbl as U.S. economic indicators renewed market optimism.** Retail sales increased 1.00% m/m, significantly above the expected 0.30%, marking the highest figure since January 2023
- **A labor dispute between Canada's two main railroads is unlikely to significantly reduce oil export by rail to the United States.** This is due to excess capacity on Trans mountain as well as other pipelines
- **Global crude oil forecasts have been revised down for the 2024FY and 2025FY.** OPEC+ predicts growth of 2.10 mm Bbl/d in 2024, down from 2.50 mm Bbl/d, and 1.78 mm Bbl/d in 2025, reduced from 1.85 mm Bbl/d. Meanwhile, the IEA estimates growth of just 970.00 k Bbl/d in 2024
- **The U.S. Biden administration sent Middle East officials to Qatar amid fears of Iranian retaliation following Hamas leader Haniyeh's assassination.** The meeting began on Thursday and remains unconcluded
- **Energy firms within the U.S. have cut working oil and gas rigs for the second time in three weeks.** The count fell by two to 586.00 this week. This puts the rig count 8.70% below this time last year. Shale firms continue to grow production using fewer rigs by improving drilling efficiency
- **The IEA raised electricity demand forecasts to 4.00% y/y from 2.50% y/y, higher than the 2.30% y/y growth in 2023.** While electricity generation by coal remains dominant, renewable energy from is expected to meet three-quarters of the accelerated demand growth next year
- **The U.S. has made plans to start the replenishment of the Strategic Petroleum Reserve (SPR)** by planning to buy back millions of barrels of oil for delivery into the new year. The SPR is currently the world's largest emergency stash of oil and is held on the Texas and Louisiana coasts

Looking Ahead

Retail sales rising more than expected has reassured investors of a soft landing ahead of September's expected rate cuts. The sector believes upcoming indicators like 2Q2024 GDP growth, core PCE, and durable goods orders will clarify the economic outlook. Ukraine's invasion of Russian soil was a desperate move to ease eastern-front pressures, potentially leading to higher casualties and a stronger Russian response. After a strong start, China's economy weakened in 2Q2024 and 3Q2024, sparked by the 2020-2021 property crisis, reducing gasoline and diesel demand. While potential stimulus checks from the Chinese government might boost energy demand, the outlook remains bearish. Middle East tensions remain the center of attention in global markets. With Iran including the primary proxy terrorist group Hezbollah and Hamas, the Haniyeh assassination has made conflicts grow into a multi-national war. Renewable energy sources have seen extensive growth this year, however, IEA remains confident that electricity generation from coal will not see a decline. The Sector believes that coal and other traditional sources of energy will remain relevant in the coming years due to its low cost and convenient nature. OPEC has announced a cut in its forecast for global oil demand growth in FY2024 and for the upcoming FY2025. The decrease comes with softer expectations for China, the Sector believes this could be due to slumped diesel consumption and a property crisis that has been weighing on China's economy the last four years.

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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 4.99%, the DJIA up 2.79%, and the S&P 500 up 3.78% w/w
- **ISM Services PMI came out hotter than expected at 51.40**, a 2.60 point increase from the previous report. The rise can be attributed to increases in business activity, new orders, and employment indexes
- **Constellation Energy Corp. (CEG) shares climbed 6.50%** w/w as the company projected annual profit above analyst estimates. Furthermore, the company also expedited its share repurchase program in 2Q2024
- **PPI rose 0.10% m/m as services prices fell (0.20%) m/m** in July. This lower-than-expected reading not only helped stock market futures rally but also opened the door further for the Fed to cut interest rates in September
- **The core CPI inflation rate increased 3.20% y/y, the fourth consecutive decrease in the reading.** Despite decreased inflationary pressures, shelter costs are still the biggest driver of inflation, rising 5.10% m/m in July
- **Retail sales rose 1.00% m/m,** rebounding from the previous report of (0.20)% m/m, and is higher than the expected increase of 0.30% m/m. **The Preliminary Michigan Consumer Sentiment report grew to 67.80**, further enforcing the idea of growing consumer confidence
- Following its 2Q2024 earnings report on Thursday, **Walmart Inc. (WMT) shares surged 6.00% d/d in morning trading.** This report sparked optimism regarding a soft landing for the U.S. economy
- **Building permits fell 4.00% m/m and housing starts declined 6.80% m/m.** Since housing inflation remains increasingly high, uncertainty looms in the housing market and has caused decreased construction activity

Looking Ahead

In the coming weeks, markets will be looking at important economic data in the form of Fed Chair Jerome Powell's Speech, new home sales, durable goods orders, personal income, personal spending, and the core PCE price index. Equities will be assessing earnings releases from NVIDIA Corp. (NVDA), Salesforce, Inc. (CRM), and Broadcom Inc. (AVGO). Markets will be extra attention to Jerome Powell's rhetoric in his upcoming speech as the September FOMC meeting nears. With more reports signaling easing inflationary pressures, the expectation of a September rate cut has risen to 100.00%. New home sales are expected to rise from 617.00 k to 630.00 k for July. With recent housing data signaling a major slowdown in the market, an unexpected decrease in this report could solidify some analysts' predictions of a housing market crash. After a dramatic slowdown in the previous month, a rebound in durable goods orders would indicate restored purchasing power for consumers. Personal income and personal savings reports will also be important indicators of consumer confidence, especially after the strong retail sales report this week. With the core PCE price index being the Fed's preferred measure of inflation, this report will provide essential data as it is the last inflation report that will be released before the September FOMC meeting. Considering the recent global stock sell-off, earnings reports from technology companies, especially those involved in the development of AI, will be crucial to watch.

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Weekly Product Report

Foreign Exchange Sector

Weekly Product Report

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Summary of Weekly Themes

- **The DXY fell (0.40%) w/w**, despite retail sales data showing a 1.00% increase, beating market forecasts of a 0.40% increase. The resilience of the U.S. consumer remains stronger than anticipated, which could support the DXY moving forward. Additionally, CPI data released on Wednesday showed prices rose 2.90% y/y, the smallest rise since March 2021
- **EURUSD climbed 0.86% this week and tested 1.10.** Strong economic performance has helped the Euro strengthen against the USD. GDP numbers were both within preliminary estimates as GDP expanded 0.60% y/y and 0.30% q/q in 2Q2024, which is a bullish indicator for the pairing
- **GBPUSD rose this week, trading up 1.29%**. This came after U.K. CPI came out Wednesday at 2.20% for July, an increase from 2.00% in June. Also, the strong U.S. retail sales data boosted investor confidence in the economy, leading to **increased demand for riskier assets like the British Pound, leading to an increase in the GBPUSD exchange rate**
- **USDJPY traded up 0.79% this week** as GDP expanded 0.80% q/q for 2Q2024, above market forecasts of 0.50%. **This was the strongest quarterly growth since 1Q2023.** The pairing had been consistently trading at two-week highs before a slight decline early Friday morning
- **USDCAD traded down (0.28%)** this week as it continues to fall from its 2024 highs. **At 1.37, the pairing is at a four-week low.** This has largely been due to oil trading down, as oil prices heavily influence CAD
- **NZDUSD traded up 0.92% this week**, after a **surprise 25.00 bps cut from the RBNZ**. This rate cut is a bullish indicator for the New Zealand Dollar, which has weakened due to the Official Cash Rate (OCR) being cut

Looking Ahead

The Foreign Exchange Sector will closely monitor several economic reports this week, highlighted by the RBA meeting on Monday and the Jackson Hole Economic Symposium, which begins on Friday. Fed Governor Christopher Waller will deliver welcoming remarks at the 2024 Summer Workshop on Money, Banking, Payments, and Finance in Washington, D.C., on Monday. Regarding the RBA meeting, Australian Governor Michelle Bullock stated on Friday that an interest rate cut is unlikely, as the central bank remains committed to preserving recent gains in the labor market. Traders will also focus on Canada's CPI data on Tuesday morning, with hopes of continued downward inflationary trends. Canada saw a modest 0.10% m/m decline in inflation in June, highly driven by falling gasoline prices as global demand for energy has been lackluster this quarter. Further easing of inflation could lead to a potential rate cut by the BOC. On Wednesday, the release of the July FOMC meeting minutes will be of interest for both consumers and investors, who have already priced a September interest rate cut into the market. Additionally, HCOB PMI data for the E.A. will be released on Thursday, along with the S&P PMI data for the U.S. Friday marks the start of the Jackson Hole Economic Symposium, a significant event for discussing central banking policies, where Fed Chairman Jerome Powell is scheduled to speak. Investors will be listening intently for any new signals regarding the trajectory of future Fed rate decisions.

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Weekly Product Report

Index Derivatives Sector

Weekly Product Report

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Summary of Weekly Themes

- Benchmark U.S. indices rose heavily this week, marking the stock market's best week of the year, as economic data calmed investor concerns of a potential recession. **The S&P 500 gained 3.78% w/w, the Nasdaq Composite surged 4.99% w/w, and the Dow Jones Industrial Average climbed 2.79% w/w.** U.S. producer prices increased less than expected in July, indicating a softer-than-expected U.S. inflation rate and further boosting investor confidence in a September interest rate cut by the Fed
- **Japan's Nikkei 225 Index rallied 7.91% this week**, recovering from a sharp sell-off earlier in the month. Political uncertainty emerged as reports that Prime Minister Fumio Kishida will not seek reelection as party leader in September surfaced. Japan's economy beat expectations by expanding 0.80% q/q in 2Q2024, reversing from a 0.60% q/q contraction in 1Q2024
- **The U.K.'s FTSE 100 Index ended the week up 1.75%**, benefiting from improved investor sentiment. British retail sales rose by 0.50% m/m in July, rebounding from a downwardly revised 0.90% decline in June and aligning with market expectations. The GDP data showed the economy expanded by 0.90% y/y in 2Q2024, marking the highest annual growth rate since 3Q2022
- **The STOXX Europe 600 Index gained 2.33% w/w.** The Euro Area logged a trade surplus of EUR 22.30 bn in June, exceeding market expectations of 13.30 bn and surpassing the 18.00 bn surplus recorded for June 2023
- **Hong Kong's Hang Seng ticked up 1.91% w/w**, largely driven by strong corporate earnings from tech stocks. Industrial production in China grew by 5.10% y/y in July, missing market expectations and easing from 5.30% in June, fueling concerns about the strength of China's economic recovery

Looking Ahead

Movement in global indices this week was largely driven by improved investor sentiment from strong economic data and corporate earnings. In July, the U.S. CPI edged up 3.20% y/y, aligning with market forecasts, while the PPI increased by 2.70% y/y, slightly below expectations of 2.30% y/y. Both softer-than-expected CPI and PPI data suggest an easing inflationary trend. This deceleration in inflation is fueling market optimism for a potential September rate cut by the Fed, as the data indicates inflation is gradually easing under control. The drop in initial unemployment claims to 214.00 k further supports the view that the economy remains resilient. These factors bolster a positive market outlook, with investors increasingly confident that the Fed will adopt a more dovish stance in its upcoming monetary policy decisions. Globally, European and Asian markets have already reacted positively to the U.S. economic data, with the STOXX Europe 600 and Japan's Nikkei 225 posting significant gains this week. However, concerns remain about China's economic slowdown, particularly after weaker-than-expected industrial production figures, which could dampen the outlook for global growth. In Europe, the upcoming PMI data for the Eurozone will be crucial for gauging economic momentum as the ECB signals a cautious stance amid ongoing inflationary concerns. The release of FOMC minutes next week will provide further insight into the Fed's September decision, which could set the tone for central banks worldwide.

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Interest Rate Product Sector

Weekly Product Report

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Summary of Weekly Themes

- **U.S. CPI slowed to 2.90% in July, coming in below the forecasted 3.00% y/y and marking the lowest rate since March 2021.** This suggests that the economy is increasingly feeling the impact of high interest rates. Following this data, odds shifted up to 72.50% for a 25.00 bps cut in September
- **U.S. core inflation gained by 0.20% m/m in July, aligning with market expectations** and marking the softest rise since February 2021. Shelter costs remained sticky at 0.40%, compared to 0.20% in the previous month
- **U.S. nonfarm payrolls came in cooler than expected, with the economy adding just 114.00 k jobs in July**, well below the forecasted 175.00 k and marking the lowest level in three months. This data suggests the labor market is cooling, sparking concerns among investors that the Fed may be falling behind the curve, potentially leading to a hard landing
- **The U.S. unemployment rate rose to 4.30% in July, exceeding expectations of 4.10%** and marking the highest level since October 2021
- **U.S. ISM Services PMI rose to 51.40 in July, surpassing market expectations of 51.00** and indicating a modest rebound in services activity
- **U.S. retail sales surged 1.00% in July, well above the expected 0.30% m/m increase**, marking the largest rise since January 2023. This strong gain eased recession fears as the U.S. economy continues to show robust growth
- **The BoJ raised its benchmark interest rate to 0.25%, the highest level since 2008, in an unexpected policy shift**. The BoJ also announced a plan to reduce monthly purchases of Japanese government bonds to approximately 3.00 T yen. This news led to a significant strengthening of the yen against the dollar, prompting an unwind of the popular carry trade

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 and impact major global markets. Following a volatile past two weeks, market sentiment has shifted significantly. As concerns about a potential hard landing grow, the market will remain highly sensitive to economic data. Although we should have a quiet week with data, any extreme economic data in the future could heighten volatility and recession fears or drastically alter rate cut expectations. We'll receive FOMC minutes on Wednesday and a speech from Jerome Powell during the Jackson Hole Economic Symposium next Thursday, with both being crucial for insights into Fed policy. We'll watch for any hawkish or dovish signals that could indicate whether the September rate cut will be 25.00 bps or 50.00 bps. Japan remains a key focus after the BoJ's recent rate hike, which occurred despite less-than-favorable data and was followed by the BoJ walking back hawkish statements eight days later after markets plunged and U.S. bond yields fell. Japan's stance will be important to track, as any renewed hawkishness could impact the yen and the carry trade. While the dollar has strengthened back against the yen, volatility may resurge if the BoJ takes a more aggressive stance. If the BoJ returns to a hawkish stance, the yen would likely strengthen against the dollar, which could negatively affect the carry trade as investors face losses when they need to buy back a stronger yen.

Weekly Product Report

Metals Sector

Weekly Product Report

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Summary of Weekly Themes

- **Gold** prices started the week strong and continued to **gain, ending the week at 3.40% w/w**. Gold demand increased on Monday as investors awaited the PPI and CPI reports. The dollar softened on Friday as single-family homebuilding saw a fall in July, causing gold to reach an all-time high
- After an in-line CPI report, **silver** plummeted as hopes of a 50.00 bps cut in September waned, but it was able to shed off losses to **gain 4.18% w/w.** Thursday, silver broke the $28.50/oz resistance line and continued to make gains through the day as investor confidence for the sterling metal returns
- **Copper** prices reacted well to news of copper strikes within the metals top producing country, Chile. Escondida, one of the worlds largest copper mines, reported that a powerful workers union of 2.40 k employees is on strike due to inadequate pay with rising COL in Chile. Copper **prices rose 2.36% w/w**
- **Iron ore** prices reached a 52.00-week low amid the continued struggle of China's economy. Excess supply concerns have hurt the iron ore market as major steel mills within China have been cutting back on output due to continued concerns over demand for the metal. Prices **sank 1.54% w/w**
- **Platinum** prices had a strong end to the week, **up 1.87% w/w,** after higher-than-expected retail sales data showed that motor vehicle and parts dealer sales rose 3.60% m/m. This helped raise platinum prices as the majority of platinum demand is for catalytic converters used in gas-powered vehicles
- Despite a market surplus and continued weak economic data coming out of China, the world's top **zinc** consumer, Zinc **prices are up 1.45% w/w.** Similarly to platinum, zinc prices saw a large jump on Thursday after strong retail sales data showed motor vehicle and parts dealers increasing sales

Looking Ahead

In the upcoming weeks, the Sector will continue to monitor key economic data releases in the U.S. as a September interest rate cut looks promising amongst cooler inflationary data. Many analysts were already pricing in a 100.00% chance of an interest rate cut in September even before the release of this week's PPI and CPI reports. The main discussion amongst analysts now is whether the cut will be 25.00 bps or 50.00 bps. The PCE release later this month will provide further insight into this decision. The Sector will also continue to monitor the Chinese economy as weakened demand and its continued property slump have dragged down the prices of many industrial metals. Data released early Thursday showed that investment in real estate dropped 10.20% y/y and unemployment rose for the first time since February to 5.20% compared to 5.00% in June. Geopolitical tensions in the Middle East continue to flare as Iran vowed vengeance on Israel after the deaths of Ismail Haniyeh, a Hamas leader, and Faud Shukr, a Hezbollah leader supported by Iran. Along with these tensions in the Middle East, Ukraine launched a full-scale incursion into Russia in hopes of pressuring Vladimir Putin into a peace treaty situation. The Sector believes these tensions have the potential to escalate overnight, helping drive the demand for precious metals upwards. The Sector will continue to monitor the release of important economic data in the U.S. and China, along with continuing geopolitical tensions.