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PENNSYLVANIA STATE UNIVERSITY

Weekly Product Report

Energy Sector

Weekly Product Report

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Summary of Weekly Themes

- Crude **prices closed below $69.00 per barrel on Friday**, influenced by Trump's win and downward pressure from surplus reports. Additionally, weaker-than-expected demand from China and predictions of a supply surplus in 2025 are impacting prices. The International Energy Agency has forecasted a surplus of more than 1.00 mm Bbl/d in 2025
- Russia announced the suspension of gas deliveries to Austria on Saturday, signaling an end of Moscow's last gas flows to Europe; this decision stems from **Ukraine's refusal to extend the transit agreement with Russian state-owned Gazprom** (GAZP.MM), aiming to cut off profits that could finance the war. Austria, heavily reliant on this supply, has been preparing for this eventuality and has secured alternative gas sources
- **U.S. retail sales increased 0.40%** in October, slightly above expectations. This data has cast doubt of an interest rate cut by the Federal Reserve in December, following remarks of Jerome Powell, who indicated that the economy is not showing signals that would warrant rushing to lower rates
- **Israel-Hamas war** continued conflict without targeting crude infrastructure. Nearly 90 Democratic lawmakers urged President Biden to sanction members of Netanyahu's government over West Bank violence
- Solar stocks saw a sell-off as clean energy investors priced in Trump's second White House term, fearing that a **potential repeal of the Inflation Reduction Act** could result in decreased clean energy efforts and hinder the progress made in renewable energy investments
- Global attention centered on the **U.S.'s future role in climate policy**, with Donald Trump set to begin his second term in the White House this January, raising questions about how U.S. climate commitments develops

Looking Ahead

Over the last week, the energy market shifted focus away from electoral results and towards U.S. crude inventory forecasts and the lackluster effectiveness of China's stimulus measures. The International Energy Agency's forecast of a 1.00 million barrels per day crude surplus has prevented prices from surpassing the $70.00 level. The Sector believes that the recent increase in surplus forecasts for 2025 is primarily due to Trump's victory in the electoral race. During his previous term, production levels were at record highs as the administration prioritized global energy dominance. Ukraine's attempt to deprive Russia of its profits led to a retaliatory move in the form of suspended deliveries. While shifts in trade dynamics create volatility in natural gas prices, the sector believes that the impact on prices is less significant than the market perceives. Biden's influence over Israeli military decision-making has proven significant, especially following the decision not to target Iran's crude and nuclear facilities. The Sector believes that if sanctions against Israeli government members are passed, a potential shift in power could lead to a change in war intensity as well. With global attention shifting to the U.S.'s future climate policy under Trump's upcoming term, the sector is closely monitoring policy implementation before he takes office. Additionally, the ongoing Israel-Hamas conflict has raised concerns about regional stability. U.S. retail sales rose 0.40% in October, creating uncertainty about the December cut.

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 down 3.49%, the DJIA down 1.39%, and the S&P 500 down 2.30%**
- **Core CPI Inflation fell in line with expectations** for the month of October, **increasing 0.30% m/m and 3.30% y/y.** Increased costs in rent and home prices accounted for more than half of the increase in consumer prices
- **PPI increased 0.20% m/m, as markets anticipated,** with annual wholesale inflation logging the fastest increase in three months. **Goods prices increased 0.10%** after two consecutive decreases and the **price of services rose 0.30%**; service prices remain the largest driver of inflation
- **Bitcoin (BTC) broke $90.00 k on Wednesday, to an all-time high.** The Trump administration has intentions to decrease cryptocurrency regulation and corporate taxes, as well as building a government reserve of bitcoin
- **Fed Chair Powell** expressed that while more rate cuts are coming, **the Fed is in "no hurry".** CME Fedwatch is currently pricing in a 59.90% probability of a 25.00 bp cut in December, down from 72.20% just a day prior
- **Retail Sales rose 0.40% m/m and beat expectations of a 0.30% m/m increase.** Increased vehicle, electronics, and appliance sales contributed significantly to the growth, while core Retail Sales came in below consensus
- **Palantir Technologies Inc. (PLTR) shares rallied on Friday, rising 11.41%.** The company announced that it would be switch its listing from the New York Stock Exchange and begin trading on Nasdaq in late November
- **Moderna Inc. (MRNA) shares dipped 7.30% and Pfizer Inc. (PFE) stock fell 4.70%** after Trump nominated Robert F. Kennedy Jr., a widely known vaccine skeptic, to lead the Department of Health and Human Services

Looking Ahead

In the next week, markets will be looking for the release of important economic data in the form of Preliminary Building Permits. Equities markets will also be assessing earnings from Target Inc. (TGT), Walmart Inc. (WMT), Lowe's Inc. (LOW), and Nvidia Corp. (NVDA). Retail Preliminary Building Permits are expected to rise from 1.43 mm to 1.44 mm in October. Considering the consistent pressure that increases shelter costs have had on inflation, a lower than expected report may indicate that housing prices have become unsustainable. UBS analysts have also highlighted that Trump's proposal to turn federal land into housing and tax incentives may actually drive up both mortgage rates and housing costs. Earnings from Consumer Discretionary companies will provide further insight into the health of the retail economy. While goods prices have not been the leading cause of wholesale inflation, October's PPI report revealed that carbon steel scrap prices rose 8.40% and costs for food items also increased. As a result, Target and Walmart's grocery goods and Lowe's steel products earnings may be reduced. Nvidia's earnings will provide an update on the strength of the industry and wrap up big tech earnings season. Given the future administration's strong support of decreased AI regulation, Nvidia's earnings will be critical in identifying potential growth. The Sector looks to monitor inflation patterns and how they are impacting the consumer.as it decides where to allocate funds in future pitches.

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Weekly Product Report

Foreign Exchange Sector

Weekly Product Report

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Summary of Weekly Themes

- **The DXY** continued to gain steam throughout the week **ending up 1.57%.** After an in-line CPI report showing prices rising 2.60% y/y, the dollar strengthened as inflationary fears from Trump are still present. A hotter than expected retail sales report will help the dollar continue gains into next week
- **USDJPY climbed 0.99% w/w** but fell 200.00 pips on Friday. This 200.00 pip drop can be attributed to Finance Minister Katsunobu Kato speaking to the public saying that government authorities may have to step in to prevent the yen from continuing to depreciate against other major currencies
- **EURUSD carried losses from last week falling 1.51%.** The dollar continues to strengthen against the euro as weak data out of the Euro Area continues. On Thursday, Euro Area employment ticked up growing 0.20% q/q, but this number still shows relatively weak growth in the labor force
- **GBPUSD** fell throughout the week hitting a 19.00-week low at $1.26. The pound is under pressure as fears about Trump's new tariff policies continue to hurt the pairing. U.K. service sector GDP grew in Q3 by only 0.10% which put a damper on the outlook for their economy. GBPUSD **fell 2.23% w/w**
- **AUDUSD had a volatile week but ended up sinking 1.85%.** Mixed data out of China has sunk the Australian dollar as industrial output shows the new stimulus isn't working as planned. The U.S. Dollar got a boost after Powell said the Fed is in no rush to cut interest rates come December
- **CADJPY** gained steadily throughout the week, but shed those gains on Friday. Much like USDJPY the loss on Friday was attributed to Japan's finance minister speaking on the weakening yen and hinting towards possible interventions to boost the currency. CADJPY **fell 0.21% w/w**

Looking Ahead

The Sector will continue to monitor various reports coming out this week, especially news regarding GBPJPY. The pairing fell 1.21% this week, as the yen significantly appreciated against the pound. On Wednesday, CPI data will be released for the United Kingdom. Inflation has been ticking down in the U.K., all the way down to 1.70%, but a jump to 2.20% is projected for the October reading. If the print comes out higher than expected, it is a bullish indicator for GBP. Two BOE deputies are also set to speak on Wednesday, Sarah Breeden and Dave Ramsden. Any hawkish rhetoric is going to be a bullish indicator for the pound. Friday is a huge data day for the U.K., as Retail Sales and PMI data comes out. Retail Sales have been quite strong for the U.K., as they increased 3.90% y/y for September. The projection for October is 3.40%. Any reading lower than this is going to have a bearish effect on the pound. Composite PMI was 51.80 for October, which signals slight growth from the previous month. Any reading lower than 50.00 would indicate a shrinking economy and be a bearish indicator for GBP. As for Japan, BoJ governor Kazuo Ueda is set to speak on Sunday and Thursday. There is a lot of uncertainty within the Japanese economy and any hawkish rhetoric is going to appreciate the yen. Japanese CPI data releases on Thursday. Japan is well past their days of deflation, and any surprise high inflation reading will appreciate the yen against the pound.

Weekly Product Report

Index Derivatives Sector

Weekly Product Report

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Summary of Weekly Themes

- **Benchmark U.S. indices ended negatively this week** with the **S&P 500 down 2.30%**, the **NASDAQ Composite down 3.49%**, and the **Dow Jones Industrial Average down 1.39%**. This is largely attributed by the post-election rally losing steam and investor concern over Powell's hawkish remarks on interest rates, which led to reduced expectations of rate cuts
- **China's Hang Seng Index plummeted 4.11% this past week.** Retail sales in September increased 0.39% m/m, exceeding expectations and signaling resilience in consumer spending. PBOC allocated $135.64 bn in seven-day reverse repos, marking the largest single-day cash injection since 2020
- **India's Nifty 50 Index ended the week down 2.35%.** India's trade balance narrowed less than expected, at $27.10 bn in October, compared to $31.50 bn gap in October 2023. Inflation rose more than expected, rising 2.36% y/y in October, after a 1.84% gain in September and estimates of a 2.20% gain
- **The U.K.'s FTSE 100 Index dipped 0.11% this past week.** Labor productivity in the U.K. fell 0.80% in 3Q2024, following a 0.20% rise in 2Q2024. The GDP in the U.K. expanded by 1.00% y/y in 3Q2024, marking the strongest quarter in seven quarters, and in line with market expectations
- **Japan's Nikkei 225 fell 1.96% w/w.** Japan's 10.00-Year bond yield rose above 1.07%, reaching its highest level since late July, as investors reacted to the latest GDP data. Japan's economy grew by 0.20% q/q, slowing from a 0.50% increase in 2Q2024 yet expanding for a second consecutive quarter
- **Australia's ASX 200 remained flat, only declining 0.12% w/w.** Employment rose by just 15.90 k, short of expectations while unemployment remained unchanged at 4.10% for the third consecutive month in October

Looking Ahead

Going forward into the upcoming week, the Sector will be monitoring the Hang Seng Index amid a wave of economic signals and China's stimulus efforts. The index has faced recent volatility, primarily impacted by reports highlighting softer-than-expected industrial output and persistent decline in new home prices, marking the steepest drop since April 2025. The recent drop in the Hang Seng Index has been driven primarily by losses from major stocks such as China Fortune Holdings (0110.HK). Additionally, market sentiment remains cautious as investors gauge the effectiveness of China's largest single-day cash injection since 2020, amounting to CNY 981.00 bn through reverse repos. The offshore yuan fluctuation to CNY 7.23 has added pressure amid a strong U.S. dollar environment. In the coming week, key indicators such as fixed-asset investment data and the PBOC lending rate decision will be crucial in determining market momentum, while investors continue to weigh the impact of China's policy acceleration. Unemployment rate fell to 5.00% m/m in October, lower than expectations of 5.10% m/m. China's retail sales increased by 4.80% y/y in October, accelerating from a 3.20% rise in September and surpassing market expectations of 3.80%. September marked the fastest growth in retail turnover since February, boosted by a week-long holiday, Beijing shopping festival, and China's stimulus announcement. In the coming week, the Sector will look for any shifts in the Loan Prime Rate to gauge impact on the market.

Weekly Product Report

Interest Rate Product Sector

Weekly Product Report

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Summary of Weekly Themes

- **U.S. Retail Sales increased 0.40% m/m, above market forecasts of 0.30%.** Sales increased the greatest at appliance stores, auto dealers, and food services. This data continues to suggest the underlying resilience in the U.S. economy, raising concerns for a pause in rate reductions
- **U.S. CPI jumped to 2.60% in October 2024, up from 2.40% the previous month, matching market forecasts.** This report marked the first increase in inflation in seven months, suggesting the Fed might need to pause rate cuts in their December meeting. While energy costs declined overall, natural gas prices saw a 2.00% uptick. Meanwhile, shelter inflation, which has been persistently elevated over the past year, held steady at 4.90%
- **U.S. PPI increased 0.20% m/m in October 2024 after an upwardly revised 0.10% rise the previous month and matching expectations.** Prices for services went up 0.30% compared to 0.20% in the previous month, and costs also jumped for machinery and vehicle wholesaling
- **U.S. Initial Jobless Claims fell by 4.00 k from the previous week to 217.00 k** below market expectations of 223.00 k. This data continues to underscore that the U.S. labor market remains relatively strong
- **China Retail Sales jumped by 4.80% y/y, increasing from 3.20% the month before and above market expectations of 3.80%.** This report marked the fastest growth in retail sales since February, largely boosted by holiday shopping as China looks to see a rebound in their economy
- **The 10-Year Treasury yield rose to 4.44% as investors continued** to shift towards a hawkish sentiment following strong economic data the past week
- **U.S. Core PPI rose by 0.30%** up from a 0.20% increase in September

Looking Ahead

In the coming weeks, the Interest Rate Products Sector will look closely for key macroeconomic indicators from the U.S. as the focus shifts to pitching a Long Iron Condor on 3-Month SOFR Futures. With many important releases in the upcoming week, the Sector hopes for economic data to come out weaker than expected to further substantiate a dovish view on future Fed policy as the dust from the presidential election settles. To start the week, Chicago Fed President Austan Goolsbee is set to speak on Monday and offer further insight into where he forecasts monetary policy as the 2024FY ends and his long-term expectations for the neutral rate. NAHB Housing Market Index readings for November will be released as economists and investors are still digesting past economic data showing an increase in New Home Sales and a sharp decrease in Existing Home Sales. In addition, Housing Starts and Building Permits should help the Sector anticipate future growth or contraction in the housing markets, with mortgage rates still at record highs despite multiple interest rate cuts. The Sector will also look for slowing within the labor market as recent resiliency has hindered hopes for more aggressive Fed rate cuts. PMI and Initial Jobless Claims will be released later next week and should confirm if the recent job reports were, in fact, due to recent hurricanes and job strikes. If these economic releases continue to surpass expectations, it could hurt our upcoming trade.

Weekly Product Report

Metals Sector

Weekly Product Report

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Summary of Weekly Themes

- **Gold** prices continued to decline and hit an **eight-week low** of just under $2,545.00 per troy oz. The losses have mainly been attributed to a stronger USD as a result of Donald Trump's election victory. October's rising PPI report also highlighted the importance of continued monitoring of inflationary data for future rate cut decisions. This caused prices to **drop 4.59% w/w**
- Like gold, **silver** prices also continued to decline this week and are nearing their lowest levels seen since September. This has been due to strengthening of the USD as well as **concerns for demand in the Chinese economy**. Chinese solar panel makers have already begun cutting production due to fears of future tariffs, causing prices to **drop 3.36% w/w**
- **Copper** prices were also hit hard this week and dropped to their **lowest levels seen in the past three months**. Similarly to silver, a stronger USD and fears for future Chinese demand have been the main drivers for losses. Results from China's National People's Congress meeting failed to help the future demand outlook for the metal, causing prices to **drop 5.54% w/w**
- Like other precious metals, **platinum** prices also saw losses on the week and **fell 3.53%**. Platinum prices have fallen to a one-month low due to uncertainty with U.S. green energy policies as a result of the U.S. presidential election, dampening the future demand outlook for the metal
- Despite potential tightening of future supply due to mining issues and export bans in Indonesia, **nickel** prices have dropped to a nine-month low of just under $15,700.00 per ton. The losses have been mainly due to investors reacting to a lack of stronger stimulus aimed directly at boosting the Chinese manufacturing sector. This resulted in prices **dropping 5.08% w/w**

Looking Ahead

In the upcoming weeks, the Sector will continue to monitor iron ore prices and how they will be impacted by recent supply news as well as Chinese demand for the metal. Australia, one of the largest producers of iron ore in the world, recently reported an increase in shipments of roughly 45.60 mm tons for October. This brought the YTD total to 472.30 mm tons, which is the largest amount of shipments seen in the past four years. Stockpiles of iron ore in Chinese ports have also been increasing recently, further contributing to a potential oversupply of the metal. The Sector will continue to monitor further supply news with iron ore and its impact on prices. The Sector will also continue to monitor Chinese demand for the metal as China is the top global consumer of iron ore. On Wednesday, Chinese officials introduced new tax incentives for home and land transactions with the hopes of lifting up their ailing property sector. Despite this, investors continued to be disappointed with new stimulus measures as they have been looking for stimulus directly targeted at boosting their manufacturing sector. Chinese Industrial output also only increased 5.30% y/y in October compared to an estimated 5.60% y/y, showing further weakness in the Chinese economy. The combination of a potential oversupply of the metal as well as continued weakened demand from top consumer China could result in prices dropping in the future. The Sector could look to capitalize on this by pitching a bearish options play.