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

- OPEC+ announced extension in production cuts. The original plans to release 180.00 k Bbl/d worth of production in October have now been pushed back by an additional two months in reaction to decreased prices
- Chinese PMI fell to 49.10, its fifth consecutive contraction since March. The Chinese economy is under significant distress, with declining labor productivity following the real estate crisis in late 2023
- CME Fedwatch Tool reported investors betting on a significantly larger Federal Reserve rate cut of 50.00 bps. Odds are now at 45.00%, up from 15.00% prior to former New York Fed President's speech
- Hurricane Francine hit the Gulf of Mexico on Tuesday, shutting down 42.00% offshore oil and 53.00% of natural gas production. Half of shut down rigs are unable to resume production immediately due to damage
- Libyan oil exports fell 81.00% the past week due to shutdowns in the country's oil producing facilities. This is due to a recent political standoff regarding leadership of the OPEC+ producers central bank
- Following Kamala Harris's proclaimed strong performance in the presidential debate, clean energy stocks have made gains. Solar stocks rallied following the debate with companies seeing double-digit increases
- U.S. sanctions on Russian LNG entities have caused delays in their Arctic LNG 2 project. This project was due to become one of Russia's largest LNG plants, with an estimated output of 19.80 mm MT per year
- Financial institutions including BofA, JPM, and Citi downgraded their brent price forecasts by $5.00 in 2025. Weaker demand forecasts from China continued to negatively impact financial institutions, while offering investors new opportunities in light of the upcoming rate cuts

Looking Ahead

Following recent concerns regarding lack of demand in the oil market, hedge funds have turned net bearish on crude oil for the first time. Production cuts maintained likely due to reduced margins and potential downward pressure on price as a result of increased production. The Sector will closely track economic developments in China and future announcements made by OPEC+. Hurricane Francine caused damages to half of affected productions rigs in both crude and natural gas. Given that natural gas production is at decline, and supply uncertainties are present, the Sector believes that prices may stay inflated for the short-term. Libya's drastic reduction in crude oil exports can be attributed to two factors; Libya's central bank and oil revenue. The National Oil Corporation canceled several cargoes due to conflict between the western and eastern factions of Libya. The Sector believes that weakened crude prices outweigh the domestic conflicts in Libya for any future developments. Markets might be overreacting to Bill Dudley's statements about a 50.00 basis point cut. Although his predictions for rate cuts in July did not materialize, his opinions did influence yields earlier this year. Therefore, the sector believes his impact should still be considered. Financial institutions downgrading forecasts reduces hopes for a price recovery next year. More signals of weakening crude demand will impact production which may prompt OPEC+ to make unprecedented decisions.

Weekly Product Report

Equity Derivatives Sector

Weekly Product Report

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

Anthony Buoscio
Associate | Equity Derivatives Sector
anthonybuoscio1@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 all in the green with **the Nasdaq Composite up 5.04%, the DJIA up 2.07%, and the S&P 500 up 3.38%**
- **The Unemployment rate eased to 4.20%** in a mixed jobs report last Friday. This decrease can be attributed to a shrinking labor force in the U.S.
- **Nonfarm Payrolls came in 18.00 k below expectations** as the U.S. economy **added 142.00 k jobs** in August. This labor report contributed to worst performing week in 2024 for equities, initiating a selloff as uncertainty surrounding the Fed's interest rate decision and market volatility increased
- **U.S. stock futures slipped** on Tuesday evening as a response to **the 2024 U.S. Presidential Debate.** As election season approaches, the candidates' financial agendas may influence markets and cause volatility
- **CPI Core Inflation data increased 0.30% m/m**, slightly higher than its previous report of a 0.20% m/m increase. Markets are now pricing in a 55.00% chance of a 25.00 bp cut and a 45.00% chance of a 50.00 bp cut
- **PPI rose 0.20% m/m**, an improvement from its previous report of 0.00% m/m. The price of services increased 0.40%, driving the overall increase in the report, while the price of goods remained unchanged for the month
- **The Preliminary Michigan Consumer Sentiment report** came out at 69.00, surpassing expectations by 1.00 point and a rebound from the previous report. This increase was led by favorable prices, however, consumers reported concerns about the state of the labor economy
- **Initial Jobless Claims totaled 230.00 k** this week. The current level of claims is above the averages seen earlier in the year, reinforcing the idea that the labor market is cooling, as it aligns with the recent payroll data

Looking Ahead

In the coming weeks, markets will be looking at important economic data in the form of Retail Sales, Preliminary Building Permits, the Fed Interest Rate Decision, and FOMC Economic Projections. Equities will be assessing earnings releases from General Mills Inc. (GIS) and FedEx Corp. (FDX). Retail sales are expected to increase 0.20% m/m, a substantial decrease from the previous rise of 1.00% m/m. Retail sales will provide markets with insight regarding consumer purchasing patterns, which will be beneficial in understanding the impact that inflation has had on consumers, especially in the current state of the labor market. Preliminary building permits are expected to be 4.00 k higher than the previous report. With interest rates expected to come down, the housing market could benefit from lower mortgages. This report will be critical in understanding financial stability of consumers as they anticipate lower rates and may start driving up demand for new homes. The FOMC meeting on Wednesday will provide the most crucial information for the Sector as it will not only reveal the Fed's decision regarding the September rate cut, but also provide context for the Fed's plans through the end of the year. Since markets are relatively evenly divided about the extent of the cut, 25.00 bps or 50.00 bps, this meeting will clarify the Fed's strategy and if they plan to take a more aggressive approach to cutting rates. If the earnings release from General Mills Inc. is perceived well by markets, the strength of Consumer Staples companies amidst high inflation and a weak labor economy will be reinforced.

AMG
PENNSYLVANIA STATE UNIVERSITY

Weekly Product Report

Foreign Exchange Sector

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 gained early in the week,** amid U.S. Treasury 2Y yield rising by 2.30 bps to 3.67%, helping cancel out four sessions of decline, along with U.S. indexes gaining. These early gains were erased after talk of a 50.00 bps rate cut rose overnight on Thursday driving the **DXY down (0.07%)**
- **USDJPY traded down (1.12%)** throughout the week as a hawkish BOJ sentiment continues to be released and the USD loses steam amid a potential 50.00 bps cut. BOJ policymaker Naoki Tamura released thursday he believes interest rates must increase to at least 1.00% by June 2024FY
- **EURUSD showed a late week recovery ending down (0.02%)**. The Euro gained value vs. the dollar as former New York Fed President made a case for a strong rate cut of 50.00 bps by the FOMC in the September meeting
- **GBPUSD is trading flat on the week at (0.00%)** due to British Labor data coming in better than expected, with unemployment tate staying stable at 4.10% and the claimant count came in well below forecasted at 23.70k
- **USDCAD gained moderately on the week of 0.13%** after the Bank of Canada is now under pressure to ease interest rates in larger steps such as analysts forecast inflation to slow to an annual 2.10% from 2.50% in July
- **NZDUSD fell (0.29%) as New Zealand's economy continues to struggle with high interest rates.** Speculation that the RBNZ will drastically cut rates after reports that 133.60 k migrants left the country in July and unemployment remains elevated around 4.60% with no signs of easing
- **AUDUSD saw gains of 0.57% this week** as the Australian Dollar gained amongst higher commodity prices and rhetoric by RBA Governor Michele Bullock that inflation remains high at 3.80% and it's too early for cuts to start

Looking Ahead

In the upcoming weeks, the Sector will continue to monitor the FOMC as they meet Wednesday, September 18th to determine the state of U.S. interest rates. The sector believes the Fed will only cut 25.00 bps, but will keep an eye out after the potential of a 50.00 bps cut. The release of retail sales should have a major impact on rate cuts as it is the last substantial piece of economic data until the FOMC meeting. The Sector will monitor the release of Canada's CPI on Tuesday morning as analysts are forecasting a decrease to 2.30% from 2.40% in July. If the Sector sees a cooler than expected report we expect the BoC to take a hawkish approach with cutting their rates. In Japan, Core Inflation Rate releases on Thursday and is forecasted at 2.80% showing a slight increase from July and would be the 24.00 consecutive month in a row where Core Inflation is above the BoJ's target. With a 50.00 bps rate cut in the U.S. the USDJPY is likely to fall below the ¥140.00 threshold for the first time since July 2023FY. The sector could look to add short positions as the threshold below ¥140.00 shows a very bearish currency exchange rate. UK CPI releases next week and is forecasted to come in at 2.20% as investors watch intently towards the UK as low growth and troubling interest rates continue to rattle the economy. The sector believes the BOE will remain conservative with rate cuts this year as inflation remains persistent, so the sector could benefit from low volatility plays with the GBP this semester.

AMG PENNSYLVANIA STATE UNIVERSITY

Weekly Product Report

Index Derivatives Sector

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 surged this past week, as **the S&P 500, the Nasdaq Composite, and the Dow Jones Industrial Average gained 3.34% w/w, 4.99% w/w, and 2.04% w/w, respectively.** U.S. inflation decelerated for the fifth consecutive month to 2.50% in August. Despite expectations of 160.00 k, the economy added 142.00 k jobs in August
- **Japan's Nikkei 225 Index surged 2.17% this past week.** Producer Prices in Japan rose by 2.50% y/y in August, below market expectations of 2.80% and down from a 3.00% growth in July, which provided additional support to the equity market despite concerns of a stronger yen affecting exporters
- **The STOXX Europe 600 Index increased 1.69% w/w** as stocks reacted positively to the ECB's decision to cut rates by 25.00 bps. As for future monetary decisions, the ECB has not signaled any future rate moves and has reaffirmed that decisions will be heavily data dependent
- **The U.K.'s FTSE 100 Index ended the week up 1.12%** supported by U.S. Producer Price Index and inflation data, which bolstered expectations for a 25.00 bps cut by the Fed. U.K. economic growth remained stagnant in July, at 0.00% m/m, below expectations of a 0.20% m/m growth from June
- **Hong Kong's Hang Seng Index rose 0.62% w/w** as Chinese exports grew more than expected, exceeding forecasts of 6.50% and increasing to 8.70% y/y in August, despite growing trade tensions in the U.S.
- **India's Nifty 50 Index rallied 2.44% w/w.** The inflation rate increased from 3.60% in July to 3.65% m/m in August, but remained below the RBI's target rate of 4.00% for the second consecutive month since August 2019, further contributing to stable investor sentiment and confidence

Looking Ahead

Movement in the global markets this week has been largely due to central bank monetary policy decisions from the ECB and speculation on how large cuts will be for the Fed next week. The Sector will continue closely tracking these global developments in the next week from the BoJ, BOE, and the Fed. Speculation around the Fed's rate cuts have intensified, contributing to heightened market volatility. Investors are primarily looking at how large the Fed's cuts will be, either 25.00 bps or 50.00 bps, and the potential ripple effects on both equities and fixed income markets. The BoJ is expected to maintain its current rate at the next meeting to prevent any shocks to their equities markets. However, the potential strengthening of the yen, driven by the last rate hike this year, continues to pose as a downside risk for the Nikkei 225 (NKY). The BOE, which is meeting next Thursday, is likely to hold rates, to stay in line with the Fed's upcoming rate decisions. After they cut rates in August, the BOE has maintained a cautious stance especially because of factors like their elevated services inflation, as services make up 80.00% of the U.K. economy. Economic data that the Sector will monitor this coming week is the ZEW Economic Sentiment Index for Germany and the Eurozone, which is crucial for monitoring optimism from financial analysts over the next six months. For Germany, this index dropped to 19.20 in August from 41.80 in July, pointing to a potential economic breakdown that the Sector will continue to monitor next week.

AMG
PENNSYLVANIA STATE UNIVERSITY

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

- **Gold** prices hit an all-time high on Friday as economic data released earlier this week helped increase bets of a more aggressive rate cut from the Fed. Initial jobless claims this week increased by 2.00 k to 230.00 k, signaling a cooling labor market. This helped the metal end the week up **3.81% w/w**
- Similarly to gold, **silver** prices were able to capitalize on the increased sentiment towards a more aggressive rate cut and were able to secure gains of **9.75% w/w.** The odds of a greater rate cut seemed to have jumped on Friday, as analysts now predict a 49.00% chance of a 50.00 bps cut
- **Copper** prices were able to hit a one-week high of $4.18/lb, after data showed signs of decreasing copper inventories in China, potentially due to increased Chinese EV sales. The metal was also able to benefit from expectations for greater rate cuts and ended the week up **3.70% w/w**
- **Palladium** prices hit their highest levels seen in the past five months at around $1,055.00/oz, and saw gains of **17.47% w/w.** This has been mainly due to decreased EV sentiment in Europe as many top European automakers have recently been scaling back their EV efforts
- News of new Chinese stimulus measures helped slightly lift **iron ore** prices as the industrial metal is up **1.93% w/w.** China is looking to cut roughly $5.00 T worth of outstanding mortgages starting as early as this month in an attempt to reduce borrowing costs and help stimulate their ailing economy
- **Aluminum** prices ended the week up **5.86% w/w,** after Russian President Vladimir Putin proposed potential sanctions on some of their raw material exports. While aluminum wasn't specifically named, it is one of Russia's top exports and potential sanctions could drastically impact global supply

Looking Ahead

In the upcoming weeks, the Sector will continue to monitor key economic data releases as well as results from this month's FOMC interest-rate decision meeting on September 18th. On Friday, CME Group's FedWatch tool was pricing in a 49.00% chance of a 50.00 bps cut compared to a 28.00% chance just the day prior. Precious metals have been rallying behind the increased probability of more aggressive rate cuts and if this happens we could see precious metals such as gold and silver continue to hit all-time highs. Some industrial metals may also benefit from this as well, as lower interest rate environments typically support industrial processes. The Sector will also continue monitoring current geopolitical events such as developments in the Russia-Ukraine war as well as the Israel-Hamas war. On Friday, Russian President Vladimir Putin warned that there would be risks of war with the United States and its allies if they decided to lift restrictions on Ukraine's use of long-range Western missiles. This comes after NATO allies appear increasingly open to Ukraine's use of these long-range missiles as Ukraine continues their month-long push into Russia. The Chinese economy also continues to be a key focus for the Sector as news of $5.00 T worth of stimulus measures look to help boost their declining economy. Past stimulus measures had helped lift some industrial metals prices for a short period of time, but in the end have had no real long-lasting effect.

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. CPI slowed to 2.50% in August 2024, coming in below the forecasted 2.60% y/y and marking the lowest rate since February 2021.**
- **U.S. Core Inflation increased by 0.30% m/m in August, above market expectations of 0.20%.** Prices increased significantly for transportation services and shelter as they continue to be sticky points in the economy
- **U.S. Nonfarm Payrolls came in cooler than expected, with the economy adding just 142.00 k jobs in August**, well below the forecasted 160.00 k but more than the downwardly revised 89.00 k in July. 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 slowed to 4.20% in August, matching market forecasts** as the labor market continues to gradually cool
- **U.S. ISM Services PMI rose to 51.50 in August, surpassing market expectations of 51.10** as the services sector continues to show resilience
- **The Fed's preferred gauge of inflation, Core PCE, held at 2.60% for a third straight month in August** and remains above the Fed's 2.00% goal
- **The ECB cut their interest rate by 25.00 bps to 3.50% in line with market expectations,** as inflation continues to slow amidst high rates
- **U.S. ISM Manufacturing PMI increased to 47.20 in August,** missing market expectations of 47.50 as manufacturing continues to contract
- **U.S. Personal Income increased to 0.30% in August,** up from 0.20% the previous month and above market expectations of 0.20% m/m
- **United States Job Openings fell to 7.63 mm in July, reaching the lowest level since January 2021** and below market forecasts of 8.10 mm

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 other major markets. Following a volatile past two months, market sentiment has shifted significantly as the labor market, a key part of the Fed's dual mandate, has shifted into focus. As concerns about a potential hard landing grow, the market remains sensitive to economic data. Next week will be quiet in terms of economic data, but on Tuesday, we'll receive retail sales data, which will be the final data release ahead of the Fed's interest rate decision. On September 18th, both the Fed's interest rate decision and the FOMC Economic Projections will be crucial for fixed income and equities going forward. All eyes will be on hawkish or dovish signals that could hint at whether the September rate cut will be 25.00 bps or 50.00 bps, with the market currently pricing in an even chance for both. Japan's monetary stance will also be important as the sector looks to add a Japanese fixed income product, as any renewed hawkishness could impact fixed income and the Yen. The Yen has shown continued strength against the dollar over the past two months, and further hawkish moves from the BoJ could drive additional strength in the Yen. In the bond market, we saw the yield curve normalize earlier this month. This shift is key to watch, as normalization ahead of rate cuts can signal growing economic concerns, with investors adjusting expectations toward a hard landing.