AMG
PENNSYLVANIA STATE UNIVERSITY

Weekly Product Report

Energy Sector

Weekly Product Report

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Summary of Weekly Themes

- Crude oil **broke a four-day losing streak** after easing fears of a supply disruption in the Middle East. WTI is up 0.40% as well as Brent by 0.31% this week. Year to date, U.S. crude oil fell ~1.00% and Brent fell ~3.00%
- Natural gas futures **declined to $2.35 per MMBtu**, a 0.55% drop, as warmer weather forecasts reduced demand for heating. The EIA reported a 76 Bcf storage injection, which was lighter than seasonal averages. Market analysts noted that this injection marked the second consecutive week of **below-average injections**, influencing traders' strategies
- The Russia-Ukraine conflict escalated this week, with Russian forces seizing territory in the Donetsk region. The Russian Defense Ministry reported **capture of the village Maksymilianivka**, located 8.00 kilometers east of Kurakhove. Ukrainian authorities have yet to comment on the claim and independent verification remains challenging due to ongoing hostilities
- Israeli airstrikes targeting Hezbollah strongholds in southern Lebanon intensified the conflict, causing significant damage and casualties, including a **city mayor's death in Nabatiyeh**. Hezbollah fighters engaged Israeli troops and Israeli military operations also hit **Syria's port city of Latakia**
- Amazon (AMZN), Google (GOOG), and Microsoft (MSFT) invested into modular nuclear reactors, **fueling data centers**. Amazon Web Services (AWS) invested $500.00 mm into reactors as part of their net-zero ambition
- BP plans to **sell a minority stake** in its offshore wind business to share development costs, appointing Bank of America to find partners. This move aims to reduce financial burden while maintaining commitments to other renewable projects like solar and biofuels, potentially stabilizing global crude oil prices by allowing BP to focus more on its core oil and gas project

Looking Ahead

Natural gas futures declined as warmer weather forecasts reduced heating demand. Crude oil prices ended a four-day losing streak due to easing supply disruption fears. Easing tensions have negatively impacted global crude prices. While the market waits on Israel to make a retaliatory move against Iran, tensions between Israel and Hezbollah continue to escalate following the death of major leaders, most importantly Ahmad Kheil, the city mayor of Nabatieh. The Sector believes that while tensions continue to escalate, commentary between the U.S. and Israel begins to point the war away from targeting key energy infrastructure in Iran. Furthermore, U.S. crude inventories remain strong, increasing the potential to soften the blows of oil shocks in the Middle East. Meanwhile, the Russia-Ukraine war continues to escalate similarly, with no added threat to crude supply. The Sector believes that energy sanctions on Russia imposed by numerous countries have significantly priced out the conflict of any impact on crude prices. Aggressive investments into nuclear energy by tech giants have opened a new group of players in the energy market. While Amazon, Microsoft, and Google show no plans to sell energy, the Sector will monitor how natural gas demand may be affected by reduced electricity generation. Overall, the energy sector remains in a state of uncertainty as geopolitical and market dynamics play out, with ongoing developments closely being watched further by investors and global crude players.

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 0.34%, the DJIA up 1.11%, and the S&P 500 up 0.60%**
- **Initial Jobless Claims report** revealed a notable drop of **$19.00 k**, marking the largest decrease in claims after hitting a **14.00-month high**. This significant decline signals a potential improvement in the labor market, reflecting fewer individuals filing for unemployment benefits
- The **U.S. Retail Sales report** released this week showed strong growth, rising by **0.40% m/m**, surpassing market expectations. This uptick highlights continued consumer spending momentum, suggesting resilience in the retail sector despite economic uncertainties
- The **Philadelphia Fed Manufacturing Index** surged to **10.30 this month**, far exceeding **expectations of 4.20**. This sharp rise indicates a strong uptick in business activity and suggests improved conditions in the manufacturing sector. The fed follows this index strongly to make decisions
- **Johnson & Johnson (JNJ)** released earnings this week and beat expectations. Sales were **$22.50 bn**, better than the **$22.20 bn** estimate
- **Procter & Gamble Co. (THE)** released earnings and **beat expectations**, but missed revenue. Revenue missed due to a **weak chinese economy**
- **Netflix Inc. (NFLX) exceeded market expectations** with its latest earnings report, leading to an **11.00%** increase in its stock price at closing
- **Bank of America Co. (BAC)** reported earnings this week with a robust jump with a net income of **$6.90 bn** and revenue of **$25.30 bn**
- **American Express Co. (AXP)** reported earnings and **beat expectations**. Showing increased cardmember spending within this quarter

Looking Ahead

In the next week, markets will be looking for the release of important economic data in the form of Durable Goods Orders. Equities markets will also be assessing earnings from GE Aerospace (GE), RTX Corporation (RTX), Tesla (TSLA), Coca-Cola (KO), and Honeywell International (HON). Furthermore, numerous small-cap companies are set to report earnings, such as SPS Commerce (SPSC), South Plains Financial (SPFI), and Tronox (TROX). Analysts are extremely bullish on Industrials companies, such as GE Aerospace and RT. Both companies being heavily involved in aerospace and defense manufacturing, which has seen increased demand due to growing defense orders and a rebound in air travel. With the Sector's recent exposure to Industrials, these earnings, along with positive Durable Goods Orders data, will benefit the portfolio. While Durable Goods Orders are expected to decrease by 0.90% m/m, orders in the defensive sector may beat expectations. Tesla, who had a disappointing Robotaxi event, is set to report earnings on Wednesday. Given recent mixed reports, investors are expecting their profit to fall and earnings to rise. Another company's earnings report that will reflect consumer spending patterns is Coca-Cola. Coca-Cola shares have been resilient, due to volume gains and better pricing. With the Sector's position in Consumer Discretionary and desire to add Consumer Staples these earnings report will be essential to understanding consumer preferences.

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Weekly Product Report

Foreign Exchange Sector

Weekly Product Report

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Summary of Weekly Themes

- **The DXY gained 0.56% w/w** with U.S. retail sales beating analysts' expectations of 0.30% m/m by 0.10% m/m, helping the dollar strengthen. Although, on Friday, the DXY fell 0.30% as T-note yields came in low amid housing starts expecting 1.354 mm and coming in at 1.354 mm
- **USDJPY realized minimal gains during the week of 0.31%.** The Japanese Yen is nearing 11.00-week lows as Japan's headline inflation data came in lower than expected, helping a developing dovish stance on Japan. Headline inflation slowed to 2.40% y/y, down from 2.80% y/y in August
- **EURUSD** fell throughout the week as the ECB cut rates on Thursday. The ECB cut rates by 25.00 bps as weaker-than-expected inflation boosted confidence for a dovish ECB, helping the dollar appreciate against the Euro. Retail sales in the U.S. helped send EURUSD **down 0.59% w/w**
- **GBPUSD** traded relatively flat on the week**, dropping just 0.07%.** After falling Wednesday due to slightly stronger U.S. retail sales, GBPUSD recovered after unexpectedly strong U.K. consumer spending. Retail sales in the U.K. increased 0.30% m/m, beating forecasts of a 0.30% m/m decline
- **AUDUSD** experienced volatility as the dollar gained globally early week, followed by appreciation of the Aussie at the end of the week. The Aussie gained in the week as China released a stronger-than-expected GDP report showing that the economy grew by 4.60% y/y. AUDUSD still **fell 0.50% w/w**
- **CADJPY barely gained 0.01% w/w.** This minimal gain was due to Japan's inflation numbers being disappointing for analysts expecting Japan to hike rates. However, oil prices fell 6.97% during the week, leading to a weaker Canadian Dollar as it has a strong correlation with the price of Crude oil

Looking Ahead

The Sector will continue to monitor various reports coming out this week, especially news regarding EURCAD. The pairing fell 0.23% this week, as the Canadian dollar slightly appreciated against the Euro. On Tuesday, ECB President Christine Lagarde is set to speak. Earlier this past week, the ECB cut rates 25.00 bps and this will be the first chance investors have to hear the respective president speak on the decision. She is set to speak with a Bloomberg journalist at 10am and participate in a panel discussion about the future of cross-border payments during the IMF-World Bank Annual meetings later in the day at 3:15 in Washington, D.C. On Wednesday, Lagarde is set to hold a press conference. Also on Wednesday, Consumer Confidence reports release for the Euro Area. Consumer confidence improved from (13.4) points in August to (12.9) in September, and is expected to rise again to (12.7) for October. This would be the highest reading since February 2022, and if the consumer strengthens rapidly, it may lead to a more hawkish ECB. Thursday comes with the HCOB PMI release for the E.A. A reading of 49.7 is projected for Composite PMI, signaling a slight decline in the European economy from the previous month, another bearish indicator for the Euro. Switching gears to Canada, the BOC interest rate decision is on Wednesday. Expectations are a 50.00 bps cut, which ultimately will depreciate the Canadian dollar against the euro.

Weekly Product Report

Index Derivatives Sector

Weekly Product Report

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Summary of Weekly Themes

- Benchmark U.S. indices saw gains this week with **the S&P 500, Nasdaq Composite, and Dow Jones Industrial Average rising 0.60%, 0.34%, and 1.11% w/w, respectively.** Strong U.S. retail sales data boosted all these index's performances, along with strong earnings from banks
- **India's Nifty Fifty Index ended the week in the red at (0.71%)** due to **poor earnings reports** coming out for 2024Q2 that stated its most valuable company, **Reliance Industries (RS),** saw a **drop in profit** due to its oil-to-chemicals business which makes up two-thirds of its total revenue
- **The CAC 40 French Index saw volatile movement this week,** ending positively at 0.24%. Volatility was sparked on mid-week when **LVMH (LVMHF)** came out with 2024Q3 earnings showing a **decline in sales by 3.00%.** The index rebounded following the ECB cuts on Thursday
- **The German DAX Index saw positive gains this week, ending at 1.08%**. This is attributable to the weakening euro post-ECB rate cute, as well as **Germany's economic sentiment improving** following the ZEW Economic Sentiment data rebounding to 13.10 compared to the previous 3.60
- **Hong Kong's Hang Seng Index ended weaker at (2.00%)** this week following China posting **lower** than expected **trade data** for September that highlighted **exports rose** by **2.40%** while **imports** only by **0.30%**
- **The Nikkei 225 Japanese Index ended in the red as well this week at (1.65%),** largely due **to disappointing earnings** reports coming from **ASML** which impacted global chip stocks and caused **a ripple effect in Asian markets** this week, as well as investors' economic concerns in China as the trade data raised doubts about the sustainability of China's recovery

Looking Ahead

The global markets saw many moves this past week surrounding ECB cuts that happened on Thursday, where they cut 25.00 bps. The DAX index saw a relatively large gain this week due to that as their inflation has also gone down, and economic sentiment is now higher than previously. In September, Germany's ZEW Economic Sentiment Indicator came out at 3.60, showing a drastic drop from August data of 19.10. However, this sentiment turned around this past week as sentiment rebounded back to 13.10 due to expectations of stable inflation rates and the prospect of future ECB rate cuts in the future. Trade data for Germany also came out stronger than expected for their export market, mainly driven by its exports in the U.S. reaching new highs. More sentiment has also come from investors due to more dovish rhetoric coming from the ECB that drove the DAX to record highs. Throughout the Eurozone there has been softer inflation as well as slower economic growth which is raising bets on a December rate cut, which further drove demand up for the DAX. Going into the week, important economic data for Germany comes out such as PPI and HSCOB PMI Flash data for Manufacturing and Services. PPI m/m is expected to come out a little lower at 0.10% compared to the previous month of 0.20%. Manufacturing PMI in Germany is projected to slightly decline to 40.50 from the previous 40.60, following a steep drop over the summer. This suggests a continued contraction in the country's manufacturing sector.

Weekly Product Report

Interest Rate Product Sector

Weekly Product Report

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Summary of Weekly Themes

- **International Trade for China showed decreased growth** as y/y export and import readings came in weaker than expected. Exports increased by 2.40% while imports increased by 0.30%, below a forecasted 1.00%
- **The Unemployment Rate for the U.K. showed positive signs as it decreased to 4.00%** for August after a previous reading of 4.10%
- **Average Earnings increased by 3.80% in the U.K**. following a higher reading of 4.10% in July as wage growth continues to slow in the U.K.
- **Inflation in France continued to decrease as the y/y Inflation Rate came in at 1.10%,** while the ECB will look to continue its quantitative easing
- **Industrial Production increased in the EU coming in at 1.80%** following a contractionary reading of 0.50% for the month of July
- **The ZEW Economic Sentiment Index surged to 20.10 points** as the ECB continues to cut rates, lessening the financial strain on consumers in the EU
- **The Inflation Rate In Canada reached its lowest level since Covid, falling to 1.60%,** as the BOC continues to cut interest rates
- **The New York Manufacturing Index dropped to its lowest reading since May 2024FY**, falling to (11.90), as new orders decreased heavily
- **Import and export prices in the U.S. stayed in contractionary territory** coming in at (0.70) and (0.40), respectively, both lower than forecasted
- **The Unemployment Rate in Australia stood unchanged at 4.10%**, as the RBA continues to hold interest rates at their decade-high 4.35%
- **Initial Jobless Claims decreased in the U.S. by 241.00 k** as the labor market continues to show signs of resiliency amid still-high lending rates

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 to determine the future path of Fed monetary policy due to past pitches on Three-Month SOFR Future Contracts and the iShares Investment Grade Corporate Bond ETF. To start this upcoming week, there are multiple Fed officials scheduled to speak and give further guidance on the Fed's perception of the slowing inflation coupled with the resilient labor market data. On Wednesday, Multiple housing data releases are set to give investors a picture of the health of the real estate market as Existing Home Sales m/m and y/y are both forecasted to show a decline due to high mortgage rates and stagnant housing prices despite 50.00 bps cut by the Fed. In addition, New Home Sales are expected to show a decline following a reading of 716.00 k in October. Labor market data should also help economists and investors alike predict how much the Fed will cut rates in the November meeting as Initial Jobless Claims are expected to increase from a previous reading of 241.00 k to 247.00 k. Manufacturing and Global Services PMI will also be released on Thursday as the previous contraction in the Manufacturing sector worried investors concerned about the manufacturing sector's health. This week should help the Sector determine what direction to go with in future pitches as the Sector's Three-Month SOFR Future Contracts move closer to profitability.

Weekly Product Report

Metals Sector

Weekly Product Report

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Summary of Weekly Themes

- **Gold** prices reached **all-time highs** and surpassed the $2,700.00 per troy oz mark after the **ECB cut rates** on Thursday, lowering the opportunity cost of investing in non-yielding assets. Gold's safe-haven qualities also helped the metal reach all-time highs after the Israeli military confirmed that they had killed another Hamas leader. This helped the metal **end up 2.44% w/w**
- **Silver** prices approached **12-year highs** due to increased safe-haven demand as well as better than expected economic data coming out of China. Chinese 3Q2024 **GDP rose slightly higher than expected** at 4.60% compared to 4.50%. This helped silver prices end the week **up 6.11%**
- **Copper** prices were also able to capitalize on better than expected Chinese economic data on Friday but still ended the week **down 2.21%**. Chinese **industrial production grew at its highest pace in four months** in September and was up 5.40% y/y compared to an estimated 4.60% y/y
- Disappointing economic stimulus news in China caused iron ore prices to **drop 0.43% w/w,** despite stronger than expected GDP and industrial demand reports. A drop in new home prices in China also led to losses as new home prices decreased 5.70% y/y, the largest decline since May 2015
- Like many other industrial metals, **aluminum** prices were able to increase on Friday after strong Chinese GDP, industrial demand, and retail sales reports helped boost outlook for the Chinese economy. Despite seeing these gains on Friday, aluminum prices still **fell by 0.83% w/w**
- Dovish acts from global central banks helped **platinum** prices **increase 2.83% w/w.** Both the ECB and CBoC cut their interest rates this week, benefiting both platinum's precious and industrial metal applications

Looking Ahead

In the upcoming weeks, the Sector will continue to monitor copper prices and how they continue to be impacted by changes in global central bank policies as well as further developments with Chinese economic stimulus measures. This week, both the ECB and CBoC lowered their interest rates by 25.00 bps. The CME FedWatch tool is also now predicting over a 90.00% chance that the Fed will cut by 25.00 bps at their next meeting. Lower borrowing costs help increase investment in infrastructure and manufacturing activities which supports demand for the industrial metal. The CBoC lowering rates is also important for copper prices since Chile is the top global producer of copper. The Sector will continue to monitor global central bank policies and their impact on copper prices. The Sector will also continue to monitor news regarding further Chinese economic stimulus measures, after a special briefing on Thursday left many investors disappointed. In the briefing, top Chinese officials restated that they would put in roughly ¥4.00 T into their economy to help support their slumping property sector, but many investors were expecting a greater amount of stimulus. Since the first batch of recent stimulus was announced a few weeks ago, many industrial metals like copper have seen very volatile price movements and this is projected to continue to occur as more news is announced. The sector will continue to monitor copper prices and potentially try to capitalize on the price swings through various options strategies.