AMG
PENNSYLVANIA STATE UNIVERSITY

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

- **WTI crude prices jump 4.00%** from mass fuel buying in Florida as a result of **Hurricane Milton.** There are power outages to more than 3.40 mm houses and businesses, and over 17.00% of gas stations without fuel
- The U.S. has **expanded its sanctions against Iran's oil tankers** in response to the missile attack on Israel made by Iran. This move added petroleum and petrochemicals to an executive order that targets key sector's of Iran's economy and denies the government funds to support its nuclear and missile programs amidst the current ongoing conflict
- Nigeria, equipped with vast gas reserves, has **signed a deal to supply gas** to a proposed 3.50 bn Brass fertilizer and petrochemical plant. This agreement including Shell (SHEL.L), Eni (ENI.MI), and TotalEnergies (TTEF.PA) will deliver about 270.00 mm cf/d to the plant in Brass, Nigeria
- **U.S. natural gas futures slipped nearly 2.00%** as forecasts suggested a drop in consumption due to Hurricane Milton. The storm has left millions without power, reducing demand for natural gas from power generators
- **Brent crude futures fell by ~4.00%** on Tuesday after a ~7.00% surge reacting to Iranian attack on Israel. Tensions take a halt as the U.S. and G7 nations talk over retaliatory course of action against Iran
- Last year's **warm winter propped up an abundance of natural gas**, keeping prices low heading into the season. Futures price performances of heating oil, propane, and natural gas reported negative returns heading into this coming winter with natural gas around (50.00%) compared to last year
- **Investments into the Texas port Corpus Christi** set high expectations of efficient exports and larger volume tolerances in the long run. The Texas port accounted for more than half of all output in 2023FY alone

Looking Ahead

Posting its second weekly gain in a row, the rally amongst crude has shown difficulties to sustain amid geopolitical tensions, and the announced Chinese stimulus. Israel's security cabinet met Thursday to discuss the country's response to Iran's attack, which has the sector worried that if they were to hit Iran's oil industry, this could trigger a cycle of escalation causing significant disruption of supply in the Middle East. It is expected that the White House will potentially encourage Israel to abstain from hitting Iran's oil export facilities and target refineries instead to create a more directly felt economic impact on Iran. However, the sector believes that it is possible that the U.S. influence has waned ever since Israel's response to Iran's first missile attack was relatively muted. The market has also been expecting Israeli attacks to focus on military and intelligence sites when they strike back against Iran. Considering the time it takes before the market sees improvement in Chinese crude demand, the lack of escalation in the Middle East has cooled uncertainty, which thus drove crude prices down. The sector believes that the recent dip in crude prices is temporary and will return to the $77.00 per Bbl range as Israel retaliates. Additionally, the sector is also looking forward to the Chinese PMI report that will be releasing on the 31st of this month. The market remains on edge as geopolitical tensions continue to influence crude prices. Investors are closely monitoring these developments to gauge future market movements.

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 all in the green with **the NASDAQ Composite up 1.45%, the DJIA up 1.36%, and the S&P 500 up 1.35%**
- **FOMC meeting minutes showed that there was hesitancy from some Fed officials to cut by 50.00 bp in September.** CME FedWatch is now showing a 95.60% chance of a 25.00 bp cut and 4.40% chance of no cut
- **Alphabet Inc. (GOOG) shares fell 1.60%** in response to the Department of Justice possibly ordering the company to sell off parts of its business. The agency looks to prevent Google from using AI for its "Search" tool, giving **other tech companies a chance to progress in the search space**
- **CPI Core Inflation unexpectedly increased 3.30% y/y** in September, the third straight monthly acceleration. Shelter inflation accounted for 65.00% of total annualized increase. Strong employment data last week and hotter than expected inflation data this week **has driven U.S. markets.**
- **Initial Jobless Claims spiked to 258.00 k**, significantly higher than the **expected 230.00 k claims.** This represents the **highest level in 14.00 months** and was primarily driven by significant increases in states impacted by Hurricane Helene, notably Michigan, North Carolina, and Florida
- **PPI came out cooler than expected at 0.00% m/m,** with the **price of services increasing 0.20% and goods prices down 0.20%.** The decrease was primarily driven by a **2.70% decrease in final energy demand**
- **JPMorgan Chase (JPM) shares rose 4.44%** after reporting higher than expected interest income and **Wells Fargo (WFC) shares also gained 5.61%** after beating expectations. These reports, paired with bullish market sentiment, helped the **S&P 500 Financials Sector climb 1.95% on Friday**

Looking Ahead

In the next week, markets will be looking for the release of important economic data in the form of Retail Sales and several Fed officials' speeches. Equities markets will also be assessing earnings from Bank of America Corp. (BAC), Goldman Sachs Group Inc. (GS), Netflix Inc. (NFLX), Procter & Gamble Company (PG). Retail Sales are expected to increase from 0.10% m/m to 0.30% m/m. Strong retail data, paired with higher than expected earnings Procter & Gamble, would benefit the Sector as it looks to gain exposure in Consumer Staples. Netflix's 3Q2024 results will be indicative of their transition from a focus on subscriber numbers to a strategy centered on revenue optimization. Netflix's recent decision to incorporate an advertisement- backed plan may have diversified their earnings streams, especially considering rising demand for Communication Services due to a surge in digital advertising. The Sector will monitor outperformance in interest income when assessing earnings reports from financial companies, like Bank of America and Goldman Sachs. If banks continue to uphold the bullish trend established by JPMorgan Chase and Wells Fargo, the Sector's overweight position in Financials will prove beneficial during this time. Speeches from the Fed will be imperative to monitor as the November meeting approaches. Fed Governor Waller, who has shown strong support for interest rates, will be one of the four speaking. Indication that the Fed will continue to cut will be essential to the portfolio as a whole.

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 traded up on the week as investors digested a week full of economic data. The U.S. CPI report released on Thursday showed a slight increase in both headline and core inflation as both beat analysts' projections by 0.10%, strengthening the dollar. **The DXY gained 0.42% w/w**
- **USDJPY gained minimally of 0.25% w/w** with weaker-than-expected labor market report. Jobless claims for the week came in at 258.00 k which is 28.00 k more than expected. However, this could be due to hurricane Helene causing havoc in the and was quickly realized within the market
- **EURUSD** realized small losses on the week as the dollar strengthened against the euro. The ECB continued with its dovish move this week as expectations of 50.00 bps of cuts will come before the year's end as inflation continues to show deceleration. The pairing **shaved 0.24% w/w**
- **GBPUSD fell on the week 0.42%** amid the surprising U.S. inflation report and mixed U.K. GDP data. U.K. GDP expanded 0.20% m/m in August, although investors await the U.K. inflation report next week. U.S. Inflation coming in at 0.20% m/m helped strengthen the USD against the sterling
- AUDUSD paused a streak of losses as the Fed pares back expectations of a 50.00 bps cut in November and could see signs that inflation is ticking back up in the economy. Australia continues to hold rates helping the Aussie dollar gain strength as the U.S. cut rates. **AUDUSD fell 0.60% w/w**
- **AUDNZD saw gains of 0.23% w/w** after the RBNZ slashed interest rates by 50.00 bps, but shed those gains as investors await more Chinese stimulus news. UBS said fiscal stimulus from China could total between 2.00 T yuan and 10.00 T yuan, which could affect the AUD and NZD drastically

Looking Ahead

The Sector will continue to monitor various reports coming out this week, especially news regarding GBPUSD. The pairing fell (0.42%) this week, as the U.S. dollar continues its rally with 0.42% gains on the DXY this week. Tuesday comes with the release of several significant metrics for the United Kingdom, highlighted by the unemployment rate. British unemployment has been on a steady decline since May, and is projected to hold steady at 4.10%. On Wednesday, inflation data releases for the U.K. CPI has held constant at 2.20% for the last two months, but markets are pricing in a fall to 1.90%. With inflation so low, markets are pricing in a 93.00% probability of a BOE rate cut in November, which would depreciate the pound. As for the United States, Retail Sales data releases on Thursday. In August, Retail Sales grew 0.10% m/m, with markets projecting a release of 0.30% for September. If this reading beats expectations, the Fed may be more hawkish. Strong Retail Sales data indicates high consumer spending, which could implicate inflationary pressures. However, U.K. Retail Sales release on Friday, with a consensus expectation of a decline of 0.30%, compared to the rise of 1.00% for August. If the data comes out as low as projected, the BOE will be more inclined to cut rates faster to bolster the consumer. If these readings are to come out as projected, the Fed will be hawkish as compared to the BOE, appreciating the dollar vs. the pound.

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 rallied this week with **the S&P 500, Nasdaq Composite, and Dow Jones Industrial Average rising 1.35%, 1.45%, and 1.36% w/w, respectively.** Strong earnings reports from banks propelled both the S&P 500 and Dow Jones Industrial Average to hit new record highs
- **India's Nifty 50 Index traded sideways, ending the week down 0.46%**. India's industrial production declined for the first time since October 2022, edging down 0.10% y/y in August, following a revised 4.70% rise in July
- **Japan's Nikkei 225 Index rose slightly, seeing a 0.93% w/w rise.** Japan's 10.00-year yield hits a two-month high, rising to 0.94% as U.S. Treasury yields climbed on expectations of a stronger-than-expected jobs report
- **Hong Kong's Hang Seng Index retreated 3.47% w/w** after a profit-taking session and concerns about the effectiveness of monetary stimulus measures in boosting growth grew. To continue driving the strong rally, the PBOC opened a swap facility worth 500.00 bn yuan to fund stock purchases of financial institutions as the stimulus rally began to sizzle out
- **Europe's STOXX 600 also moved sideways but ultimately saw gains of 0.55% w/w.** Investors await further Chinese stimulus updates over the weekend and digest the hotter-than-expected inflation figures from the U.S. Minutes from the ECB showed that a gradual reduction in interest rates would be appropriate if upcoming data aligned with current projections
- **U.K.'s FTSE 100 fell 0.33% w/w,** led by poor investor sentiment after China failed to report specific measures to stimulate its economy during the conference held by the NDRC. U.K. house price balance jumped to 11.00% m/m in September, exceeding expectations of 4.00%

Looking Ahead

Movement in the global markets this week has been largely driven by the strong corporate earnings while investors continue to monitor the Fed and any new rhetoric regarding upcoming monetary policy meetings. The FTSE 100 remained relatively muted, falling (0.33%) w/w as global markets digested key economic updates and awaited critical data releases. A stronger-than-expected U.S. inflation report raised concerns over the Fed's next move, causing a ripple effect across global indices. Investors in the U.K. are also cautious of the upcoming release of GDP figures. The FTSE 100 faced additional headwinds form rising bond yields, as the U.K. 10.00-year hovered around 4.20%, tracking an uptick in global bond markets driven by expectations of a dovish Fed. Healthcare and energy led gains, with GSK (GSK) standing out due to a 3.00% rise following a legal settlement. Vistry Group (VTY) saw a sharp decline, falling nearly (5.00%) after underestimating building costs. Manufacturing output rebounded 1.10% m/m in August, while industrial production rose 0.50%, contributing to a more optimistic outlook for the U.K.'s economic growth. The U.K. trade deficit narrowed to its smallest in six months, signaling an improvement in the balance of trade that will further support market sentiment. In the coming weeks, the Sector will closely watch for further updates from the BOE on upcoming rate cuts, which will provide additional market direction in the coming weeks as markets are currently pricing in two more cuts in 2024.

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

- **Core inflation in the United States rose by 0.30% m/m,** above market expectations of a 0.20% increase. Costs continued to rise for shelter at 0.40% and for transportation services, which increased by 1.40%
- **The U.S. Inflation rate slowed for a sixth consecutive month to 2.40% y/y in September 2024, above forecasts of 2.30%** and the lowest since February 2021. Prices increased for food while prices rose less for shelter, and energy costs declined by 6.80% as gasoline prices fell by 15.30%
- **The Canadian unemployment rate eased to 6.50% in September from the three year high of 6.60%** the previous month, missing expectations of 6.70%. This marks the first monthly decrease in unemployment since January and helps alleviate concerns about a softening labor market
- **U.S. PPI came in flat at 0.00% below forecasts of a 0.10% rise m/m.** Prices for services increased 0.20%, Meanwhile, prices for goods were down 0.20%, led by a 5.60% drop in gasoline prices
- **The University of Michigan consumer sentiment for the U.S. decreased to 68.90 in October 2024** from a five-month high of 70.10 in September, and below market forecasts of 70.80 as investors worry about a hard landing
- **U.K. GDP expanded 0.20% m/m in August 2024**, after showing no growth in both July and June, and in line with expectations. Services edged up 0.10%, led by gains in accounting while wholesale declined
- **The number of individuals filing for unemployment benefits in the U.S. rose by 33.00 k, reaching a total of 258.00 k** and surpassing market expectations of 230.00 k. This marks the highest level in 14.00 months, largely driven by substantial increases from Hurricane Helene

Looking Ahead

In the coming weeks, the Interest Rate Products Sector will closely monitor key macroeconomic indicators from the U.K. and the U.S. to gauge how the Sector's recent SOFR and Sonia Rate Future contracts will play out as they expire. For the U.S., the last CPI report before the election was received, with market implied odds sitting at a 96.50% chance of a 25.00 bps cut after the blowout jobs report last Friday. Going forward for the next two weeks, there isn't any significant economic data set to be released, but if strong economic data is released towards the end of the month, markets could see a rate cut priced out all together as the 50.00 bps cut proves to be enough. In China, economic data like the inflation report, balance of trade data, GDP growth rate, industrial production, and retail sales will be released. Inflation and retail sales data will be the most important in assessing the Chinese economy going forward after they just injected stimulus. In Japan, next week an inflation report and balance of trade data will be released. The inflation report will be the most important as it will carry the most weight on the BoJ for rate hikes going forward. Across the Atlantic, the U.K. will release inflation and the unemployment rate, with the unemployment rate expected to remain the same. If the unemployment rate varies significantly from forecasts, rate cut odds could shift as the labor market comes more into focus in the U.K. If the BOE adopts a dovish stance, it will hurt the Sector's trade as the Sector holds a hawkish stance on the BOE.

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

- Similar to last week, **gold saw very little price movements** after investors digested last Friday's nonfarm payrolls report as well as this week's economic data. CPI y/y came in 0.10% higher than expected while initial jobless claims also came in 28.00 k higher than expected. This had little effect on rate cut expectations and caused gold prices to **rise 0.17% w/w**
- **Silver** prices were also negatively impacted by last week's strong nonfarm payrolls report as well as a lack of Chinese stimulus announced earlier in the week, causing prices to **fall 2.03% w/w**. Silver was able to gain back some of these losses on Friday, due to hopes that Chinese officials will be announcing more stimulus measures during a meeting this Saturday
- **Copper** prices also saw losses due to the lack of stimulus measures being announced in China earlier in the week. Like silver, prices slightly rebounded based on hopes that China will announce more stimulus measures over the weekend, potentially increasing demand. Prices still **fell 1.59% w/w**
- After seeing huge upward swings in prices last week, iron ore **fell 2.31% w/w.** Iron ore prices have seen increased volatility with news regarding Chinese stimulus measures. Since China is the top consumer of the industrial metal, further stimulus news will continue to impact prices
- **Platinum** prices saw little changes over the week and ended down **0.17% w/w.** Most of platinum's loses can be attributed to the hotter than expected CPI report and last week's nonfarm payrolls report dampening dovish sentiment. Prices were able to avoid greater losses due to expectations for lower supply for the rest of 2024FY due to a decline in refined production in top producers South Africa, Zimbabwe, Russia, and North America

Looking Ahead

In the upcoming weeks, the Sector will continue to monitor iron ore prices and how they continue to be affected by the recent Chinese economic stimulus measures as well as further developments with the Fed's next rate cut decision. Earlier in the week, iron ore prices saw declines after investors were disappointed with the lack of new stimulus measures announced during a briefing on Tuesday. Prices were able to slightly rebound later in the week due to news of a potential ¥2.00-¥3.00 T stimulus package that could be announced by Chinese officials during a conference on Saturday. The Sector will continue to monitor news regarding further stimulus measures as they have created increased volatility with iron ore prices. The Sector will also continue to monitor the Fed's next rate cut decision following the release of this week's higher than expected CPI and initial jobless claims reports. CPI y/y came in at 2.40% compared to an expected 2.30%, while jobless claims came in at 258.00 k compared to an expected 230.00 k. With the odds of a 50.00 bps cut being seemingly wiped out after last week's high nonfarm payrolls report, the release of this week's data seems to further support a 25.00 bps cut at the next meeting. While a higher cut would be more beneficial for iron ore prices, any cut at all would still help support prices. The Sector will continue to monitor iron ore prices and look to potentially add exposure to our portfolio through an options play to try and capitalize on the metal's volatility.