Weekly Product Report

Energy Sector

Weekly Product Report

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Summary of Weekly Themes

- **Major Hezbollah leaders were killed in an attack carried out by Israel.** Senior commander Ibrahim Aqil was killed along with other senior members, sharply escalating the ongoing year-long conflict with Israel
- **Oil prices recovered due to supply shocks following hurricane impact.** Over 12.00% of crude production in the Gulf Coast of Mexico remains offline. Stockpiles fell by ~500.00 k Bbls week ended Sept. 13
- **Crude oil fell immediately after the Fed revealed a 50.00 bps cut, then recovered gaining more than 1.00% w/w** with help from a decline in global stockpiles to help offset the weak demand concerns from China
- **China's August credit growth rises to 8.20%, missing 8.60% forecasts.** Weak economic data created mixed reactions, citing possible government intervention but unpromising energy demand forecasts
- **U.S. energy firms resumed cutting the number of oil and natural gas rigs after rising.** This marks the count falling for the fifth consecutive week. This puts the total rig count down 7.00% from the same time last year
- **Development of new fields in the Gulf of Mexico set to offset crude oil and natural gas decline in 2024 and 2025,** with 12.00 fields expecting to begin production later this year and into the following year as well
- **ConocoPhillips signs 10-year supply agreement with German Uniper.** This deal locks the U.S. company into delivering pipeline gas to Germany and Europe on a long-term basis to sustainably strengthen their supply
- **The U.S. dollar slipped after the Fed's supersized interest rate cut in addition to an easing monetary policy stance.** A weaker dollar helped to support oil prices after they fell to a 17.00 week low. In general, the weaker dollar could also boost demand by making the commodity cheaper

Looking Ahead

Major news releases remain aligned with the Sector's outlook, presented at the beginning of the year. Israel's assassination of major Hezbollah leaders grabbed the attention of newly appointed Iranian President, Masoud Pezeshkian. The war continues to bleed into neighboring regions, prompting the Sector to consider how Iran may intervene in the conflict. While tensions in the Middle East continue to rise, demand concerns regarding around China's economy outweigh other factors. Analysts have been monitoring the country's credit growth as an early indicator of potential funding for stimulus measures. Furthermore, the possibility of a weakening dollar may incentivize greater demand for Crude. Given that current crude inventory and production level are low, the Sector is looking to see if a weaker dollar would indeed keep prices afloat. The Sector believes that China may only show small signs of improvement for the remainder of the year. On the supply side, rigs and refineries in the Gulf of Mexico remain offline following Hurricane Francine. The Sector acknowledges supply-side concerns, however, political tensions and demand-side concerns have proved to have a greater impact on markets over the last few weeks. One of China's key economic indicators will be released within the coming week, the NBS Manufacturing PMI. The sector has been closely monitoring this significant metric as it may provide deeper insight into any progress in China's energy demand for the remainder of the year.

Weekly Product Report

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Summary of Weekly Themes

- The major indices ended the week all in the green with **the NASDAQ up 2.13%, the DJIA up 1.52%, and the S&P 500 up 1.56%**
- **U.S. Retail Sales** report showed a 0.10% m/m increase, indicating that consumer spending remains relatively strong for the month of August
- **The Federal Reserve** made its **interest rate decision** with a **50.00 bps** cut which puts the **Federal Funds rate** at **4.75%-5.00%**. This is the first cut in borrowing costs since March of 2020. Cutting by 50.00 bps sets the Federal Reserve up for a soft landing while keeping the economy strong
- **FedEx Corp. (FDX)** recently **reported earnings** that fell short of expectations for **both revenue and profit**. The company's shares dropped 13.00%, driven by disappointment surrounding its earnings miss
- **Meta Platforms (META)** reached a **market capitalization** of over **$1.40 T** for the first time in its history, becoming the sixth U.S. company to achieve this milestone. Alongside this, Meta's stock soared to an **all-time high** of **$561.35 per share**, which was boosted by the recent rate cut
- **U.S. Jobless Claims** dropped by **12.00 k to 219.00 k**, missing forecasts and marking the **lowest level since May**. This highlights the ongoing softening in the labor market which pushed the Fed for a sizeable rate cut
- The **10-year Treasury yield** saw gains for the week following the Fed's rate cut, reaching a **two-week high of 3.76%**. This rise was driven by weaker-than-expected jobless claims and stronger-than-anticipated regional business activity, which **climbed to 1.70**, surpassing forecasts
- **Nike Inc. (NKE)** shares were up 7.00% in premarket trading on Friday after announcing their new CEO, Elliott Hill, a former senior executive

Looking Ahead

Next week, the markets will be looking for the release of important economic data in the form of Core PCE Index, Personal Income, Personal Spending, Michigan Consumer Sentiment, GDP Growth Rate, S&P Global Manufacturing PMI, and S&P Global Composite PMI. The equities markets will also be assessing earnings from AutoZone Inc. (AZO), Micron Technology Inc. (MU), Cintas Corp. (CTAS), Paychex Inc. (PAYX), Costco Wholesale Corp. (COST), Sherwin-Williams (SHW), and Jefferies Financial Group Inc. (JEF). Investors are eagerly anticipating Fed Chair Powell's speech at the U.S. Treasury Market Conference. Analysts expect the Core PCE to remain steady at 0.20% m/m, while personal income is projected to rise by 0.10% to 0.40% m/m. With wages and salaries increasing in recent months, this new data could serve as a positive indicator for the market. However, personal spending is forecasted to decline to 0.30% m/m from 0.50% in July, likely reflecting the impact of the weakening labor market. Meanwhile, the Michigan Consumer Sentiment final reading is expected to hold at 69.00, a notable increase from August's 67.90, showing growth in consumer confidence. As the Federal Reserve begins its rate-cut cycle, consumer confidence appears to be on a positive path. On the other hand, GDP growth is predicted to remain flat at 3.00%, reflecting limited movement in key indicators such as personal spending and income. While this data comes out we will be keeping a close look at company earnings.

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Weekly Product Report

Foreign Exchange Sector

Weekly Product Report

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Summary of Weekly Themes

- **The DXY traded down to end the week with losses of (0.26%) w/w.** On Wednesday, the FOMC decided to cut rates by 50.00 bps, resulting in an immediate weakening of the USD. However, comments from Powell in his meeting bolstered the dollar after saying the FOMC doesn't fear a recession
- **USDJPY saw gains of 2.38% w/w** following the BoJ deciding to hold rates constant at 0.25%, allowing the dollar to appreciate against the yen. Jobless claims came in weaker than expected at 219,000 jobs, helping the USD to recover after the 50.00 bps cut by the Fed pushing the Yen down
- **EURUSD gained moderately on the week** after the 50.00 bps cut by the FOMC, weakening the USD. ECB Lagarde's speech for interest rate guidance showed little direction in the ECB's rate cutting helping bolster the EUR against the USD. EURUSD ended the week up 0.77%
- **GBPUSD performed well this week, seeing gains of 1.43% w/w.** After the BoE held rates at 5.00%, the Sterling strengthened against the dollar following the 50.00 bps cut and the market starting to steady out Friday
- **USDCAD fell 0.22% following surprising retail data coming out of Canada.** Retail sales in Canada were expected to come in at 0.30 y/y and surprised analysts with gains of 0.90% y/y helping the CAD appreciate
- **CADJPY saw substantial gains on the week of 2.57%** due to Japan leaving rates unchanged and data released in Canada such as Raw Material Prices dropping by (2.50%) when analysts expected them to rise 4.10%
- **USDAUD depreciated on the week (1.47%).** As expectations for a Fed 50.00 bps cut became reality, the AUD gained value against the USD as Australia has interest left rates unchanged for 10.00 months at 4.35%

Looking Ahead

The Sector will continue to monitor various reports coming out this week, highlighted by the RBA's interest rate decision on Tuesday, followed by Switzerland on Thursday. Fed Chairman Jerome Powell is also set to speak on Thursday at the 2024 U.S. Treasury Market Conference. PMI releases for the Euro Area and the U.S. on Monday, investors are going to be looking at E.A. manufacturing PMI which has remained unchanged since May. The RBA is expected to hold rates for the seventh straight meeting on Tuesday, as they are still concerned about inflation. The RBA's preferred inflation metric, Trimmed Mean CPI, increased 3.90% y/y in 2Q2024. This was the softest rise in over two years and slightly below estimates of 4.00% but remained outside the central bank's target range of 2.00-3.00%. The SNB meets on Thursday and is projecting to make a 25.00 bps cut bringing their policy rate to 1.00%. Switzerland unemployment remained steady at 2.30% for four months before an uptick to 2.40% in August, and with their inflation continuing to fall the SNB is going to implement dovish policy. Later in the day Thursday, Tokyo CPI releases, which is a significant indicator for the BoJ. The projection is a 0.20% percent fall to 2.40%, which is a bearish indicator for the yen. This is significant as the Sector holds USDJPY and yen depreciation boosts the pairing. In the near future, the Sector will be monitoring the U.S. Core PCE release on Friday. If the data comes in higher than expected, the Sector projects positive movement for USDJPY.

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Index Derivatives Sector

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Summary of Weekly Themes

- Benchmark **U.S. indices ended the week in the green** with the S&P 500, DJIA, and Nasdaq Composite increasing by 1.56%, 1.52%, and 2.13%, respectively, with gains primarily caused by the Fed's decision to cut rates
- **The Nikkei 225 Index ended the week with a 2.28% increase,** largely due to the 50.00 bps cut as well as the recent **BoJ decision to keep rates steady** at 0.25%. **Dovish rhetoric** from the central bank has led to speculation that there will be **no more hikes** from Japan by year-end
- **The FTSE 100 Index declined (0.52%)** following the most recent **BOE** meeting with the **decision to pause rates at 5.00% .** This decline can be largely attributed to recent economic data from the U.K. indicating that the **public sector net borrowing cost increased by £13.70 bn last month**
- The **STOXX Europe 600 Index** ended the week with mixed sentiment from investors**, decreasing by (0.12%).** This result is due to post-central bank decisions this past week coming mainly from the Fed and BOE
- The **Nifty 50 Indian Index ended positive at 1.55%, outperforming most global indices** following the Fed cut. The index gained momentum due to India's strong economic outlook, driving the **12.00-month forward PE ratio** of the index to **24.40**, the highest among emerging market indices
- **The Hang Seng Index** hit its second-highest level YTD, **increasing by 5.55% this week,** fueled in part by the Hong Kong Monetary Authority cutting rates by 50.00 following the Fed decision on Wednesday
- **The German DAX Index finished** the week **positively at 0.59%,** following a mid-week surge post-Fed meeting and the release of **ZEW Economic Sentiment** data coming out at **3.60** compared to the previous 19.20 points

Looking Ahead

Movement in global indices this week was largely driven by the Fed's interest rate decision to cut by 50.00 bps, igniting rallies in U.S. markets with global markets following. Chair Powell emphasized that the U.S. economy remains robust and that the Fed is in no rush to loosen monetary policy, despite the aggressive 50.00 bps cut, as U.S. data showed that the labor market is slowing but not deteriorating. The Dollar weakened on fears that other major central banks could ease policy less aggressively than the Fed, with both the BOE and BoJ holding rates steady this past week. The Fed's cut heightened expectations of growth in foreign markets, driving liquidity into them. BSE Sensex Index ended the week up 1.73%, hitting a new all-time high, while the Nifty 50 Index traded up 1.55% w/w. Both indices remained flat early in the week but surged after the Fed's cut, reinforcing beliefs that the RBI will reduce rates sooner. This anticipation is further supported by the fact that the annual inflation rate in July and August have stayed below the RBI's target rate of 4.00% for the first time in nearly five years. The Sector will watch the Information Technology and Pharmaceuticals sectors, which stand to benefit from a U.S. economic soft landing, as they earn a significant share of their revenue from the U.S. In the upcoming week, the Sector will be on the lookout for U.S. PCE prices, personal income and spending reports, the final reading for 2Q2024 GDP growth, and speeches from Fed members, including remarks from Chair Jerome Powell.

Weekly Product Report

Interest Rate Products Sector

Weekly Product Report

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Summary of Weekly Themes

- **The ZEW Indicator of Economic Sentiment decreased to 3.60 points in September 2024.** This was the lowest reading since October 2023, and gives further evidence to support future cuts from the ECB
- **The Inflation Rate In Canada slowed for the third consecutive month, reaching 2.00%.** This drop in inflation was headlined by a significant drop in gasoline prices and retail wear. Investors await further decision from BOC
- **Retail Sales in the U.S. increased 0.10% m/m in August 2024, after they rose 1.10% in the month of July**, a sign investors are still spending strongly amidst the record interest rates set by the Fed. We wait to see how the 50.00 bps rate cut by the Fed will affect Retail Sales in the future
- **Most notably, the Fed slashed interest rates by 50.00 bps, bringing the target range to 4.75-5.00%.** This was the first rate cut by the Fed since March 2020. While many investors anticipated a rate cut by the Fed, speculation regarding a 25.00 bps vs 50.00 bps cut had economist conflicted all week. We await to see future rate policy from the Fed
- **The BOE left its interest rate unchanged at 5.00% during their September 2024 meeting.** This was following a 25.00 bps cut in their most recent August meeting. The Committee plans to decrease their holdings of U.K. government bonds over the next 12 months by roughly $111.660 bn
- **The Inflation rate for Japan increased to 3.00% for the month of August.** Investors will look BoJ to give further guidance on monetary policy, as Japan is one of the only major economies in a hiking cycle
- **Retail Sales for the U.K. rose 1.00% m/m in August 2024,** following a 0.70% rise in July, mainly due to warmer weather and end of season sales

Looking Ahead

In the upcoming week, IRP will be focusing on a multitude of macroeconomic releases from the U.K. indicators to gain a clear picture of the state of the economy due to our upcoming bear put spread on 3-Month Sonia Futures. There will be a number of indicators that show how the U.K. economy is withstanding still decade-high interest rates. S&P Global Composite, Manufacturing, and Services PMI will be released on Sept 23rd. All releases are expected to show contraction, a negative sign for the U.K. labor market. In terms of economic growth, GDP Growth Rate y/y will be released next week as well. GDP is forecasted to increase to 1.20% after a reading of 0.90% for 2Q2024. The BOE is extremely cautious about cutting rates too soon as inflationary pressures and consumer spending have kept the economy growing despite high rates. U.K. Consumer Credit increased, while the annual growth rate for credit card borrowing fell to 10.30%. Regarding the housing market, which is a significant indicator of Inflation, U.K. Nationwide Housing Prices y/y are expected to decrease to 1.50% after a reading of 2.40%. This would be detrimental to our trade as we hope for inflation to stay elevated, as it causes the BOE to hold rates higher for longer. Another indicator of the trajectory of the housing market will be released in the following week, which is the Halifax House Price Index y/y growth. It is forecasted to decrease to 1.80%. These releases will give the Sector guidance for future pitches.

Weekly Product Report

Metals Sector

Weekly Product Report

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Summary of Weekly Themes

- For the second week in a row, **gold** prices were able to reach **all-time highs** after the Fed's decision to cut interest rates by 50.00 bps helped the metal end the week **up 1.63%**. Gold prices rose above $2,620.00 per troy ounce due to the reduced opportunity cost of investing in non-yielding assets
- **Silver** prices were also able to capitalize on the Fed's decision to cut interest rates by 50.00 bps, as the metal ended the week **up 1.30%.** The weakening of the USD was also a main driver for price increases, since a weaker dollar helps make silver cheaper for investors using other currencies
- **Copper** prices hit their highest levels in the past two months at just over $4.30/lb due to the weakening of the USD and **supply concerns in Zambia.** Energy shortages in Zambia, one of the world's main copper suppliers, disrupted mining activities and helped the metal end the week **up 2.20%**
- After the release of disappointing economic data from top consumer China, **iron ore** prices ended the week **down 1.10%**. Chinese **retail sales came in lower than expected at 2.10% y/y** compared to 2.70% y/y in the month prior. Urban unemployment also rose to a six-month high of roughly 5.30%
- **Palladium** prices had a volatile week after briefly rising over the $1,100.00/oz level on Wednesday. Earlier gains this week were associated with the Fed's rate cut decision as well as news of **a potential 200.00 k oz cut in annual supply**. Despite this, prices dropped **0.71% w/w**
- Like many other metals this week, **aluminum** prices continued to rise as a result of the Fed's rate cut decision. **Aluminum prices were also impacted by news coming out of Russia,** pointing to potential depletions of many key natural resource deposits. This caused the metal to rise **0.77% w/w**

Looking Ahead

In the upcoming weeks, the Sector will continue to monitor both key economic data releases as well as any updates surrounding current geopolitical tensions as these tend to have the largest impact on the precious metals market. Next Friday's PCE report will look to provide further insight on how many bps the Fed will cut by at their next meeting. Analysts are currently predicting an increase of 2.70% y/y for core PCE while headline is projected to increase 2.20% y/y. The Sector will also continue to monitor the conflicts going on in the Middle East, as increased tensions tend to help the performance of precious metals with safe-haven qualities, such as gold and silver. Earlier this week, at least 32.00 people were killed and thousands more were injured after communication devices throughout Lebanon suddenly exploded on Tuesday. While it is currently unknown how the explosives were implemented into these devices, Israel has acknowledged that they were responsible for the attacks. Escalations continued to rise on Thursday and Friday, as it was reported that Israel carried out approximately 52.00 strikes in Lebanon, killing at least 14.00 people, including one top Hezbollah leader. Hezbollah leaders have announced that they have entered a "new phase" of war, while Israel's Prime Minister vowed to do "whatever it takes" to secure the nation. Overall, with geopolitical tensions escalating outside of Gaza, the Sector will closely monitor any further developments.