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Weekly Product Report

Energy Sector

Weekly Product Report

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Summary of Weekly Themes

- **Brent Crude futures rose to $87.00 per Bbl on Thursday**, reaching new highs for the third consecutive month. These continued price rises are from OPEC+ efforts to further curb supply, and ongoing geopolitical issues in the Middle East and Eastern Europe
- Continued Ukrainian drone attacks on Russian oil plants **are affecting more than 10.00% of Russian oil supply.** The attacks have slowed but are expected to remain persistent going forward
- **The UN security council passed a resolution calling for an immediate ceasefire in Gaza.** This isn't the first time that a ceasefire has been called for, and many analysts predict that this will not be the end of the war. Houthi attacks in the Red Sea are not expected to stop anytime soon even amidst these ceasefire talks
- U.S. natural gas prices rose above $1.70 due to **a larger than expected storage draw** and increased forecast demand. The EIA expects a warmer-than-expected summer following a mild winter where demand remained extremely low across the board
- Large energy firms like **EQT and Chesapeake Energy have reduced output by 3.00% in response to low natural gas prices.** They are delaying well completions and reducing drilling in some areas
- **The EIA reported a 6.00% decline in U.S. crude oil production down to 12.50 mm Bbl/d.** This was mainly caused by the extreme cold, a decline in U.S. oil rigs, and the record high production seen in December. The severe winter storm slashed oil production and caused a shut-down of the largest refining plant in Texas

Looking Ahead

Oil prices followed a similar pattern based on previous price action we have seen during 2024. Brent broke a key resistance level at ~$83.83 per Bbl and rose to a yearly high of ~$87.61 per Bbl. After reaching the high, Brent has consolidated at this new price level. The main drivers behind the recent surge in Brent can be attributed to speculative trading rather than changing fundamentals. Production remains high for non-OPEC+ countries, and the rhetoric of production cuts for OPEC+ countries hasn't changed. Refined product supply has been deteriorating after Ukrainian attacks on Russian refineries. Another catalyst for refined products has been India no longer importing Russian crude to use in their refineries. This represents a stark change in policy, as India provided much of the demand for Russian oil after global sanctions. The sector believes that refined product prices will decline in the long term as these temporary drivers fade. Natural gas remains near historic lows and has been consolidating at those levels. The sector believes that natural gas prices will rise in the medium to long term. Government policies, demand for data centers, and the need for baseload energy sources will be catalysts for a rise in natural gas prices. Near-term catalysts are the recent droughts caused by El Nino, which has limited hydropower's ability to generate electricity. Other catalysts are the limited natural gas pipeline capacity in regions such as the Appalachian region, which will further restrict supply.

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Weekly Product Report

Equity Derivatives Sector

Weekly Product Report

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Summary of Weekly Themes

- The major indices ended the week mixed with **the NASDAQ down 0.05%, the DJIA up 0.08%, and the S&P 500 up 0.23%**
- **Core PCE** for the month of February **increased 0.30% m/m, in line with expectations.** This was down from the January reading of 0.50% m/m, a good sign for inflation. **Core PCE y/y came out as expected,** at a level of 2.80%, down from January's reading of 2.90%
- **PCE released at 2.50% y/y**, up from January's 2.40% reading. However, this 2.50% y/y increase was in line with expectations, largely due to expected increases in gasoline, shelter, and food prices
- **Durable Goods Orders increased by 1.40% m/m,** up from January's reading of a 6.90% m/m decrease. February's release topped expectations, showing strength in what has been an uneasy U.S. manufacturing industry
- **GDP Growth Rate q/q Final topped expectations**, coming in at a rate of 3.40% compared to a forecast of 3.20%. This points to a still strong economy in the face of high interest rates, and marks the sixth straight quarter in which the economy has grown above a rate of 2.00%
- **Personal Income came in slightly below expectations, increasing by 0.30% m/m**. This is after a strong increase in January of 1.00% m/m. **Personal Spending topped expectations by 0.30%,** showing a 0.80% m/m increase, after a cool January reading of 0.20%. The consumer is continuing to spend, a good sign for the U.S. economy
- **McCormick (MKC) rose 10.00%** after their **2024Q1 earnings** came out **beating estimates.** The company was able to offset declining demand, thus leading to better-than-expected revenue and earnings

Looking Ahead

Next week, markets will be getting economic data in the form of ISM Manufacturing and Services PMI, JOLTs Job Openings, Non Farm Payrolls, and Unemployment Rate. The equities markets will also be watching earnings releases from Shinhan Financial Group (SHG), Paychex Inc. (PAYX), Levi Strauss & Co. (LEVI), Lamb Weston Holdings, Inc. (LW), and RPM International Inc (RPM). The ISM Manufacturing PMI is expected to come out at 48.00, 0.20 higher than the previous PMI. If it comes out as expected then we would still see a contraction in manufacturing activity for the 17th consecutive period. ISM Services PMI is predicted to come out 0.10 higher than the previous reading, showing how the services sector is still experiencing slower growth since the last high reading from January 2024 of 53.40. JOLTs Job Openings are expected to come out higher than the previous of 8.86 mm, if this does happen it would indicate that businesses are growing and the economy is expanding. However, this could also signal rising inflationary pressures and influence the Fed's decision on the monetary policy to make sure and prevent the economy from overheating. The Unemployment Rate is expected to remain unchanged next week since it has hit its highest level since January 2022 last month. If it ends up coming out higher than expected, it could reduce consumer spending, lead to businesses reducing investment in projects, and slow economic growth. Leading to negative reactions from investors in the consumer–sensitive sectors.

Weekly Product Report

Foreign Exchange Sector

Weekly Product Report

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Summary of Weekly Themes

- The DXY is up 0.53% w/w, this is mainly from a **strong 4Q2023 GDP which came in at 3.40%,** GDP was expected to come in at 3.20% which shows significant strength in the U.S. economy despite heightened rates. PCE also caused the index to trade up this week, **PCE came in at 2.50% y/y for February which was up slightly from January which was 2.40% y/y**
- EURUSD traded down (0.66%) w/w, despite a relatively **strong E.A. Consumer Confidence report for March coming in at (14.90). Business climate in the E.A. came in at (0.30) for March** which indicating improving business conditions. CPI for Italy and France came in below expectations which could indicate a cut from the ECB in their next meeting
- GBPUSD declined slightly this week, this was largely due to 4Q2023 U.K. GDP data not being revised up along with strength from USD and the U.S. economy. **The U.K. is now officially in a technical recession after 3Q2023 coming in at (0.10%) q/q and 4Q2023 coming in at (0.30%)**
- USDJPY traded sideways this week, **CPI for Japan came in at 2.60% y/y for March which is the third month in a row that CPI has increased**. Retail Sales for Japan came in very strong at 4.60% y/y for February, expectations were 3.00%. **Unemployment also rose to 2.60% in Japan**
- AUDUSD traded down (0.80%) w/w, this was mainly due to strength from USD. **Australia had consumer confidence fall to (1.80%), CPI remained steady at 3.40% y/y.** Retail Sales also came in below expectations at 0.30% m/m for February showing weakness in Australia's consumer
- USDCHF traded up slightly due to strength from USD and **continued weakness from CHF due to last week's rate cut by the SNB**

Looking Ahead

The sector will monitor numerous countries in the coming week, including the E.A., the U.S., and Switzerland. While most of the influential data in foreign exchange has been released in the past two weeks, there are still some important releases to look at. Firstly, in the U.S., Manufacturing PMI will be one of the most important releases that can help the sector to better understand the strength of the economy and in turn the future strength of the USD. There are also numerous Fed speeches towards the end of the week. With one of the biggest debates in the market being when the Fed will cut rates, learning more about certain Fed officials' outlooks is important for the sector to understand. In the E.A., HICP, which is an inflation metric, is set to be released. This will be incredibly influential in the ECBs decision. Considering the sector's outlook that the ECB will cut rates in the near future, this could potentially confirm that thesis. Additionally, the Unemployment Rate will be released which is another important economic indicator in determining both current and future economic health of the E.A. Further, just like in the U.S., Composite and Services PMI will be released. Again, with the sector's outlook on the ECB, this could potentially push a cut to occur at the next meeting or the meeting after, negatively impacting the Euro. In Switzerland, Retail Sales will come out, which is important considering the SNB became the first G10 country to cut rates.

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Index Derivatives Sector

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Summary of Weekly Themes

- Benchmark U.S. indices remained flat throughout this past shortened trading week, as **the S&P 500 climbed 0.23%, the Dow Jones rose 0.08%, and Nasdaq fell (0.05%)**, respectively. U.S. Corporate Profits rose by 3.90% and GDP grew 3.40% q/q in the 4Q2023, beating forecasts. Rate cut bets continue to shrink amid sticky inflation and a strong labor market. Wall Street is beginning to predict just one rate cut for the remainder of 2024
- **France's CAC 40 jumped 0.69% w/w**, as preliminary inflation data showed positive signs dropping to 2.30% in March, beneath a forecasted 2.80% y/y
- **Germany's DAX defies weak economic data, climbing 1.81% w/w**, despite Retail Sales figures coming in negative and beneath forecasts at (1.90%) m/m against a predicted 0.50% and (2.70%) y/y falling short of the (0.80%) forecast. Equities rally amid an upcoming ECB rate cut
- **The STOXX Europe 600 continued to rally 0.79% w/w** to new all-time highs on growing bets on ECB rate cuts coming in the near future. The index reached 512.68 points and has returned 6.88% YTD
- **China's Hang Seng fell (1.22%) w/w.** Stocks were volatile this week, as foreign investors sold off a net $996.00 mm in Chinese shares on Wednesday, the largest daily outflow since January. Investor sentiment rose on Friday amid potential stimulus to inject liquidity into the economy
- **Japan's Nikkei 225 tailed off of last weeks spike as the index fell (0.87%) w/w**. Japan's unemployment increased 2.60% y/y in February above forecasts of 2.40%. Retail Sales y/y came out strong at 4.60% above a forecasted 2.90%. The JPY slumped to a 34.00-year low, and equities ticked down amid government intervention in the strength of the JPY

Looking Ahead

Movement in global equity indices this week was largely driven by a variety of market-moving economic data. The U.S. economy continues to remain strong and investors are expecting few rate cuts, if any at all, in 2024. European equities are at all time highs as the ECB is expected to cut benchmark interest rates anywhere between 75.00 and 100.00 basis points by the end of 2024, to lower borrowing costs and stimulate European economies currently experiencing disinflationary periods. The ECB will likely cut before the Fed due to much weaker economies, depreciating the Euro against the U.S. Dollar. The STOXX Europe 600 is reaching its second quarterly gain and its fifth consecutive monthly rise. The index has returned 7.14% YTD. E.A. annual inflation has ticked down to 2.60% from 7.00% in April of 2023. The Sector may look to capitalize on future monetary policy shifts and construct a bullish outlook on the STOXX Europe 600 Index. However, the Sector will additionally take into account hawkish U.S. monetary policy and overvalued equities that have performed defensively in economies that have experienced weak economic data and recessionary signals. The ECB and the Fed typically follow similar hawkish and dovish cycles, so higher for longer U.S. rates could weigh on equity performance and the index could experience a correction. The current rally of the STOXX Europe 600 started with the Fed's dovish pivot back in late October of 2023. Prices and wages will continue to be key indicators.

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Interest Rate Products Sector

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Summary of Weekly Themes

- **Headline PCE was released at 2.50% y/y** for the month of February. This met market expectations and increased 0.10% from January's reading
- **Core PCE was released at market expectations of 2.80% y/y** for February. This showed slight disinflation of 0.10% from January's reading
- **Personal Spending increased to 0.80% m/m for February**. This beat market expectations and increased significantly from January's 0.20%
- U.S. 4Q2023 GDP was **revised to a reading of 3.40% q/q**, up from an initial reading of 3.20% **but down from 3Q2023's reading of 4.90%**
- U.K. 4Q2024 GDP was revised **to confirm a recession at the end of 2023FY**. Both y/y and q/q were revised to the same numbers
- Fed's Raphael Bostic spoke at a press conference, **stating he believes there will only be one cut from the Fed this year**. He cited sticky inflation and strong economic growth as reasons for pushing back cuts
- **Durable Good Orders was released at 1.40% m/m** for February. This is a massive increase from January's reading of (6.90%)
- Fed's Christopher Waller also came out with hawkish rhetoric saying the **Fed should be in no rush to cut** rates this year as a result of hot inflation
- **Core Durable Good Orders increased to a reading of 0.50% m/m** for February. This is a big increase from January's reading of (0.30%)
- Michigan Consumer Sentiment increased to **a reading of 79.40 for the month of March**. This beat expectations of the index decreasing by 0.40
- **Fed Chair Jerome Powell reiterated that there is no hurry to cut interest rates**. He stated that the Fed is waiting for more consistent positive inflation reading to be confident that inflation is down for good

Looking Ahead

In the upcoming week, the Interest Rate Products Sector will be following a multitude of economic data to gain a clearer picture of the economy and gauge whether a rate cut in June is of high probability. U.S. jobs report such as ISM PMI, Non-farm payrolls, Unemployment Rate, and Monthly Wage growth will all be released next week. Multiple Fed officials are also expected to make statements on the current and future state of the economy and their plans for monetary policy. Fed Chairman Powell will be speaking at the 2024FY Business, Government & Society Forum at the Stanford Graduate School Of Business. In terms of global data, Inflation readings will be reported for the Eurozone, France, Italy, Germany, and Spain. The ECB minutes meeting will give investors further insight into when the ECB intends to start slashing interest rates as inflation continues to trend downward. Economic data from Asia will also be analyzed, as the March PMI for China will be published. PMI for South Korea will also be released in addition to its readings for trade balance. Transitioning back to America, Canada will be releasing PMI, trade balance, and employment readings. Mexico's business and consumer confidence indicators will give investors further insight into the state of Mexico's economy and the strength of the labor market. JOLTS job openings, ADP employment, foreign trade data, and S&P Global PMI Figures for the U.S. will be released and will either confirm or dispel hopes of a rate cut in the coming months amid hot economic and sticky inflationary figures such as CPI and PCE.

Weekly Product Report

Metals Sector

Weekly Product Report

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Summary of Weekly Themes

- **Gold** has had a historic week, surging to all-time highs and returning **2.64% w/w**. Prices remained underpinned by consistent geopolitical tensions and the Fed maintaining its stance for three cuts throughout 2024
- Much like Gold, **Silver** prices were largely supported by global tensions, as the metal saw a **1.50% increase in prices w/w**. Markets continuing to bet on a rate cut in June has also contributed to the metal's recent gains
- **Copper traded relatively flat, falling 0.12% in prices w/w,** as uncertainty surrounding China's economy triggered a pullback from recent highs experienced last week. Copper premiums are set to close out March significantly lower than previous months, reflecting weak Chinese demand
- A grim outlook on internal combustion engines continues to limit the potential of **Platinum and Palladium** prices, which **gained 0.21% and 1.56% w/w**, respectively. Reduced long-term emissions goals for the U.S. provided slight upward momentum for these two, as the estimated obsolescence of catalytic converters has essentially been delayed
- **Aluminum prices climbed by 1.69% w/w,** as current supply struggles have provided upward momentum for the metal. Additionally, some optimistic economic data from China has provided some upward momentum, though the real estate sector still provides reliability concerns with the nation
- Limited demand from Chinese Iron Ore producers has challenged the price for the metal, as it remains near its YTD lows. On the week, **Iron Ore prices dropped 6.33% w/w**. Furthermore, recent reports have shown that Chinese pig iron output has dropped 7.00% YTD, pointing to slow construction activity. More positive data from China is needed to drive sustained gains

Looking Ahead

In the coming weeks, the Sector will look to closely monitor the price of industrial metals in light of consistently strong precious metals prices. Gold and Silver have rallied for the past few weeks, with the news of priced in rate cuts putting upward pressure on precious metals. The Sector anticipates upcoming falling inflation data, allowing for a June or July rate cut to continue to boost the price of precious metals as per the Sector's outlook. With recent inflation data, Gold is expected to stay elevated past $2200.00 and Silver above $24.00. Furthermore, the Chinese Central Bank increasing reserves of Gold coupled with increase in jewelry consumption by 29.00% y/y from Chinese consumers also is going to continue to boost the price of the precious metals market. The Sector remains bullish towards the industrial metal industry as well due to continued interest in the green energy space and clean and sustainable electricity. Furthermore, production cuts faced in the industrial metals market will continue to put upward pressure on prices regardless of demand, the Sector speculates. Increase in demand for clean energy will boost the use of industrial metals such as Copper and Uranium, which have already seen substantial gains in the past year. The Sector anticipates an constantly elevated demand for clean energy, and even if it falls, production difficulties will keep prices high. Overall, due to expected low inflation data as well as an increase in demand, the Metals Sector stays bullish on the metals market.