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Weekly Product Report

Energy Sector

Weekly Product Report

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Summary of Weekly Themes

- **Brent falls to $87.15 per Bbl from $90.20 per Bbl.** Oil fell due to **investors pricing out geopolitical escalation risk**. Attacks in the Middle East were underwhelming relative to expectations
- **Israel strikes near nuclear a facility in Iran.** Israel responded to the barrage of ~300.00 missiles launched by Iran last week. The majority of Israel's missiles were **intercepted by Iranian defense**
- **U.S. crude supplies rose more than expected.** Crude stocks rose **2.70 mm Bbl relative to expectations of 600.00 k Bbl, a significant rise**
- **U.S. restricts oil drilling in Alaska**. The Biden administration finalized regulations to block drilling on 40.00% of Alaska's known oil reserves, which is in line with **Biden's efforts to conserve 30.00% of U.S. land against drilling and mining practices in the country**
- **U.S. EPA extends the ability to buy higher-ethanol gasoline.** This is due to worries about supply chain disruptions, which allows gasoline with 15.00% ethanol to be used during most of the summer months
- **Oil futures markets are the most active since Russia-Ukraine**. There is 4.20 mm lots of open interest this month. The most popular option currently is the **$90.00 per Bbl call, which expires in June**
- **EPA awards $20.00 bn to Greenhouse Gas Reduction Fund.** The fund will grant $14.00 bn to invest in clean energy technology and $6.00 bn to invest in supporting communities' transition to clean energy
- **Geopolitical tensions have a real chance at starting to ease,** as Iran has continued to downplay Israel's response to their attacks. The U.S. is making serious progress in slowing the conflict between the two sides

Looking Ahead

The Energy Sector is still bullish on much of the energy market going forward. Even though WTI and Brent Crude Oil dropped over 3.00% on the week, the Sector believes that the ongoing risk of geopolitical tensions is not to be underestimated. This week, those tensions were curbed as Iran and the U.S. were expecting and ready for the attacks that came over the weekend and were able to shoot the strikes down before they could do any damage. Israel then attacked Iran in retaliation but did say that they have no plans of retaliation. The EU is discussing potential restrictions on Iranian oil, which is the third largest supplier in OPEC+. In other places in the world, the U.S. imposed new sanctions targeting 16.00 individuals and two entities, further hindering the supply outlook for crude oil. One of the biggest things holding prices back currently is a larger-than-expected weekly build in U.S. oil inventories, which has happened two weeks in a row. These numbers were significant as U.S. oil supply has helped keep prices in check amidst the geopolitical tensions that have been ongoing since 2023. The Energy Sector also remains bullish on natural gas, as prices are up 1.80% on the week. U.S. exports of the product have increased significantly, with a 17.00% rise in the amount of natural gas entering U.S. export facilities. In terms of demand from forecasted weather, meteorologists are expecting normal temperatures heading into the last week of April. Natural gas prices will continue to rise to the $2.00 per MMBtu level.

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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 negative with **the NASDAQ down 6.11%, the DJIA down 0.23%, and the S&P 500 down 3.54%**
- **Retail Sales report** for March came out **hotter than expected**, increasing 0.70% from February, above analysts' expectations of a 0.30% m/m increase. **This indicates a still strong American consumer**
- **Building permits** for March came out at a level of 1.46 mm, **down from the previous period** and from analysts' expectations. Despite America currently facing a housing shortage, **new-home construction is still slow**
- **Fed Chair Jerome Powell** spoke on Tuesday, where he came out more hawkish than usual. It was in this speech where he stated that the **conditions needed to cut rates** will likely take **longer to appear**
- The combination of the hotter than expected **retail sales report**, along with the dwindling effects of last week's **hotter than expected CPI report** and the subsequent **hawkish Fed pivot**, caused a **selloff** in the equities market
- **U.S. 10.00-Year Treasury yields** reached a level of **4.69%** this week, causing further angst in the equities markets and reflecting the belief that the Fed will keep their multi-decade **high interest rates steady for longer**
- **ASML's** (ASML) 1Q2024 update showed **lackluster orders** for their products, coming in at $3.80 bn for the three months through March - well below expectations. This caused a **correction in many chip-related stocks**, as it gave investors the idea that chip makers aren't rushing to prepare for a next wave of growth with generative artificial intelligence
- **Netflix** (NFLX) reported solid earnings, yet their **stock took a hit** due to them announcing the **end to reporting subscriber metrics**

Looking Ahead

Next week, the markets will be looking closely at the release of important economic data in the form of Durable Goods Orders, GDP Growth Rate q/q, Core PCE, Personal Income, and Personal Spending. The equities markets will also be assessing earnings releases from Microsoft Corp. (MSFT), Tesla (TSLA), Alphabet Inc. (GOOG), Pepsico Inc. (PEP), and Meta Platforms (META). Investors are hoping to see these Big Tech companies beat estimates in earnings and turn the market around from the S&P 500's slide in the last few weeks. Disappointing earnings coming from some of these Magnificent Seven stocks could erode investor confidence in the overall economy and move them away from equities. Market volatility may also increase as investors react to these releases.The GDP Growth Rate is expected to come out at 2.10%, down from the previous of 3.40%, and suggesting that the economy is growing at a slower pace than before. Core PCE m/m is expected to come out at 0.30%, staying the same from the month prior. If this data were to come out hotter than expected then it would show increased inflationary pressure on the economy. Personal Spending is expected to decrease at the same time to 0.30% compared to the previous 0.80%. The Durable Goods Orders report will also be a key indicator of business investment and health and could affect market sentiment. Additionally, these economic indicators will help investors gauge the potential for continues economic expansion or the onset of a slowdown.

Weekly Product Report

Foreign Exchange Sector

Weekly Product Report

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Summary of Weekly Themes

- The DXY traded up 0.80% w/w, this was mainly due to **Retail Sales coming in well above expectations at 0.70% m/m for March**. Statements from Fed Chairman Powell about later rate cuts also contributed to the slight strengthening, pushing the expectations for rate cuts in the U.S. back. Housing Starts came in lower than expected slightly harming the index
- EURUSD decreased (0.66%) w/w**, on Wednesday HICP for the E.A. was released at 2.40% y/y**, this is positive for the ECB because inflation is moving towards their target rate. We will likely see the ECB diverge from the Fed in the coming months as the Fed remains hawkish against the ECB
- GBPUSD traded down (1.47%) w/w, Retail Sales remained stagnated for the U.K. in March which indicates a weaker consumer. **CPI came in slightly higher than expected in the U.S. at 3.20% y/y for March which is still down from the February reading** causing the pair to trade down further
- USDJPY grew at 1.00% w/w, partially due to strength in the USD, but also saw weakness as their CPI report indicated the inflation grew slower than expected**. T**his further **moved investors to believe that another hike is not on the horizon** contributing to its weakness as the USD strengthened
- USDCAD traded up slightly despite geopolitical tensions in Israel and Iran. Geopolitical tensions should drive oil prices up ultimately causing the CAD to appreciate. **CPI for Canada rose to 2.90% y/y** making it difficult for the BOC to cut and has stifled investor bets of an earlier rather than later rate cut
- USDAUD rose 1.86% w/w, **AUD depreciated as their unemployment rate rose to 3.80%, higher than expected**. Higher unemployment could cause the RBA to cut rates sooner despite inflation still being 4.10%

Looking Ahead

The Sector will monitor a multitude of reports over the next week from countries like the E.A., U.K., U.S., and Japan. Early in the week, Manufacturing and Services PMI will be released in the E.A. Considering the proximity the E.A. is to a cut, reports detailing important factors such as growth in manufacturing will be significant in both moving market expectations and influencing the ECB's decisions. Additionally, the U.K. and U.S. will be releasing the same PMI report and will again be very impactful for the same reasons though it will likely be a bigger deal in the E.A. because of the factor mentioned before. Further, in the U.S. new home sales are set to be released. Considering the crisis we are seeing in the housing market with the massive shortage that has become evident over the past few months, this will be an important report to look at. In Japan, CPI will be released which is an incredibly important report, as evidenced by the change seen in the USD as a result of the March CPI report. Directly after this report, the BoJ will have a policy meeting regarding their interest rate. We may see a rate hike at this meeting, though it is probably unlikely. The rhetoric displayed in the press conference, however, may be crucial considering the position the Yen is in. If a more hawkish tone is adopted the Yen may begin to move away from the weakness it has seen recently.

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Weekly Product Report

Index Derivatives Sector

Weekly Product Report

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Summary of Weekly Themes

- Benchmark U.S. indices all ticked down this week with the **Dow Jones Industrial Average only falling (0.23%), while the S&P 500 and Nasdaq Composite plummeted (3.54%) and (6.11%), respectively**. Equities were mainly affected by Powell's hawkish rhetoric, Retail Sales over performing, and a weak start to earnings for Netflix Inc's (NFLX) 2Q2024 projections
- The **Hang Seng Index experienced continued its volatile performance recently, ending the week down (1.60%)**. Although China's GDP came out strong at 5.30%, their Industrial Production missed forecasts of 5.30%, only growing 4.50% y/y. In addition, their Retail Sales missed y/y forecasts by over 1.00% and their House Price Index fell 2.00% more than expected
- Japan's **Nikkei 225 Index tumbled down (5.09%) this week,** with a large sell off of semiconductor and technology stocks, similar to the performance of the Nasdaq Composite in the U.S. In addition to the tech selloff this week, the Yen extended its depreciation against the dollar hitting a high of 154.70
- The **STOXX Europe 600 ended down (1.22%)** following the global selloff trend this week. The index was affected by ECB rhetoric as well as inflation data coming out along forecasts of 2.40%, encouraging an ECB cut soon
- The **FTSE 100 Index ended down (1.25%) w/w**. Stocks reacted to the negative indicators that came out this week including Retail Sales missing forecasts, CPI data came out at 3.20% y/y, above forecasts of 3.10%, and Unemployment Rate came out above 4.00% forecasts, at 4.20%
- Mexico's **MEXBOL Index fell (1.30%) w/w** as temporary headlines put downward pressure on the index. One of these being an armed raid of a Mexican embassy in Ecuador, leading to investor pessimism and selloff

Looking Ahead

Movement in global equity indices this week was largely driven by rising bond yields decreasing the equity risk premium. The hotter than anticipated U.S. economy continues to force the Fed to scale back interest rate cuts for 2024. The yield on benchmark 10.00-Year Treasury notes reached over 4.60%. As a result, stocks have been selling off and the global equity market has been sluggish throughout the month of April. One foreign index that the sector will be paying close attention to moving forward is Hong Kong's Hang Seng, which has retreated over (3.00%) YTD. The China Securities Regulatory Commission's (CSRC) new policy regarding flagging companies with a "special treatment" tag may shake the equity market. China, a market that has been experiencing an outflow of foreign direct investment in equities in recent years, is enforcing new dividend paying regulations to increase investor sentiment. The CSRC is also supporting leading Chinese companies seeking to list on the Hong Kong Exchange and relaxing standards for ETFs under the stock connects between the multiple Chinese stock exchanges. The trade-linking platform allows two-way trading between the stock exchanges. From a geopolitical standpoint, Israel's attack on Iran triggered a selloff this week. China's annual inflation rate read 0.10% in March, compared with market forecasts of 0.40%, demonstrating continuing struggles with weak inflation. Ultimately, the Sector is keeping a close eye on China as the Hang Seng has experienced a volatile downtrend.

Weekly Product Report

Interest Rate Products Sector

Weekly Product Report

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Summary of Weekly Themes

- **U.S. Retail Sales increased 0.70% m/m for March 2024FY**, beating expectations of a 0.30% increase, as consumers continue to spend keeping inflation sticky and making it hard for the Fed to cut rates
- **China y/y GDP grew 5.30% in 1Q2024**, beating expectations of a 5.00% increase, as the economy started the year strong amid high spending
- **China Industrial Production increased by 4.50% y/y** for the month of March, down from a 7.00% increase, as the PBOC weighs different macroeconomic indicators to determine when they cut or hike rates
- **Great Britain's Unemployment Rate increased to 4.20%,** higher than the market consensus of a 4.00% increase, as the BOE decides when they believe a rate cut will be appropriate for the economy
- **The German ZEW Economic Sentiment Index rose to 42.90 points** in the month of April, the highest mark since February 2022FY, as analysts predict the German economy to perform well through the next six months
- **Canada Inflation Rate increased to 2.90%** for the month of March, in line with the BOC forecast of 3.00% for the first half of 2024, as the BOC weighs when to cut rates from their decade-high levels
- **U.S. Building Permits decreased by 4.30%,** following a 2.30% increase in February, as the economy begins to feel the effect of high rates
- **Great Britain Inflation increased 3.20% y/y,** higher than a forecast of 3.10%, coming in at the lowest reading since September 2021FY, further leading to many analysts believing a rater cut will come in the near future
- **Japan's Inflation Rate decreased from 2.80% to 2.70%** for the month of Marth, as investors and economies await the BOJ Interest rate decisions

Looking Ahead

In the coming week, the Sector will be following various economic indicators as they are released throughout the week. This is to gauge if the Fed will cut sometime in the latter half of the year, or if a "no landing" zone is a more probable scenario. In the U.S., investors will be following key releases of GDP Growth, PCE Prices, Consumer spending figures, and Personal Income. Other notable readings will be released that will give further insight into the direction the economy is heading amid the FED presumably pushing back their expectations of when rate cuts will occur. Starting off, Durable Good Orders are expected to be released Wednesday, April 24th, while coming in at a lower reading of 0.80%, down from the previous reading of 1.30%. In addition to Durable Good Orders, the upcoming week will be huge for many big-name companies and their investors as companies like Microsoft, Verizon, Tesla, and PepsiCo all are set to release earnings throughout the week. Global markets and investors will be following various macroeconomic data releases such as the BOJ Interest Rate decision on Thursday, April 25th. The GfK Consumer Confidence will also be released on Thursday, April 25th, and is forecasted to come in at a better reading than the previous reading but still in the negatives, as ECB weighs when the right time to cut rates will be. Lastly, NBS and Caixin Manufacturing PMI will be released for China as the PBOC decides what to do with their various interest rates amid a multitude of economic data being released in the month of April.

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Weekly Product Report

Metals Sector

Weekly Product Report

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Summary of Weekly Themes

- **Gold** broke through the $2400.00 level once again, as geopolitical tensions continue to provide a significant boost to the safe-haven appeal for the metal. This appeal to investors has strengthened significantly as Iran has seen its role in the Israel-Hamas conflict expand at a rapid pace. Overall, **prices rose by 1.24% w/w**, showing resilience to the high rate environment
- The precious and industrial applications continued to support **Silver** prices, which saw a **1.57% w/w increase.** Moving forward, the applications for Silver in clean energy and electronics looks to support prices further as the upcoming 2024 election is expected to boost interest of clean energy
- **Copper prices continue their meteoric rise, surging another 4.30% w/w**. Global supply concerns continue to be a major driver for Copper, as mining output in Panama and South America remain in doubt. Chinese smelting activity remains limited as well. Demand-wise, China beat expectations for GDP in 1Q2024, showing signs of promise from the manufacturing sector
- Strong supply outlooks for **Palladium** put major downward pressure on prices, **which saw a 1.68% decrease w/w**. The metal has seen some support, however, as the PBoC abandoned a minimum down payment on new passenger vehicles, and sales growth of traditional, internal combustion engines has exceeded that of electric vehicles in 2024
- **Aluminum** experienced another week of gains, seeing its **price level slightly climb by 0.90% w/w**, fueled by Russian Aluminum, Copper, and Nickel being banned on both the London Metal Exchange and the Chicago Mercantile Exchange. Also, growth prospects in overall Chinese industry remain optimistic after recent promising PMI and GDP reports

Looking Ahead

In upcoming weeks, the Sector will look to monitor continuously resistant precious metals prices even in light of a persistently strong economy. Gold and Silver are expected stay high even in a “higher-for-longer” stance, especially with Fed chair Jerome Powell coming out with hawkish rhetoric. Although signs point towards a no landing situation, the Sector expects prices to stay resilient as they have in the last few months even in a high interest-rate environment. In cases of other precious metals that have more industrial applications such as Platinum and Palladium, the Sector anticipates an initial weakened demand, but expects the price of Platinum and Palladium to go up due to increased demand from China in light of a recently robust economy. If it continues to grow as the Sector expects, increased Chinese demand will bode well towards both precious and industrial metals. For the industrial metals market, the Sector anticipates and strongly forecasts a consistent increase in price due to increased consumer and governmental sentiment from China. As the Chinese economy is experiencing a boost with continued hawkish sentiment from experts, the Sector anticipates that the industrial metals market will react accordingly due to China’s large consumption needs. Overall, even in a high interest rate environment and temporary struggles with price decreases, the Metals Sector remains bullish towards the whole metals market due to increased demand from China.