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Weekly Product Report

Energy Sector

Weekly Product Report

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Summary of Weekly Themes

- **EIA raises price oil forecast;** this comes after the EIA expects, geopolitical tensions, OPEC+ production cuts, and global economic growth to boost prices. The **EIA expects Brent to average $88.00 per Bbl throughout 2Q2024 and WTI to average $82.00 per Bbl**
- **IEA raises oil demand growth but cuts supply forecasts.** The IEA revised up its demand forecast to 1.30 mm Bbl/d from 1.20 mm Bbl/d and lowered supply growth expectations 920.00 k Bbl/d
- **U.S. energy firms cut the number of natural gas rigs** operating to the lowest level since January 2022. Gas rigs fell by four this week, which is often considered a future indicator of natural gas production
- **U.S. crude stocks fell 2.00 mm Bbl,** exceeding expectations of 1.20 mm bbl. The drawdown is primarily to meet the demands of refined products, which have been suppressed due to low refining capacity
- **Ukraine hopes to start installing nuclear reactors from Bulgaria in June.** The comes after the loss of its vast Russian-occupied six-reactor
- **Biden administration points to possible end date for LNG permit pause.** U.S. Energy Secretary Jennifer Granholm suggested the Energy Department would end its pause on LNG permits next year
- **FERC approves two natural gas pipeline projects.** At the March meeting, the committee approved two new projects, which will add 63.80 k Dth/d of gas transportation across the Transco pipeline system
- **Texas refinery cut production after fire.** Production at TotalEnergies refinery of 238.00 k Bbl/d was shut down following a fire on Friday, showing bullish indicators as supply is disturbed

Looking Ahead

Energy prices are high at the end of this week due to multiple factors. Brent and WTI both traded down to end the week after the announcement of a potential ceasefire in Gaza. The sector doesn't believe that a ceasefire will successfully be achieved, as these talks of pausing the war have been occurring for some time now. This new conversation around ceasefire just begun this week, but there has been multiple other failed attempts at coming to an agreement. Oil prices dropped three consecutive days in a row because of this, but the sector believes that going forward other factors will continue to push prices up. U.S. oil production is still steadily dropping, and as time goes on will eventually start to impact the price more and more. The sector also believes that Iran cutting production to meet OPEC+ regulations as well as taking further action to make up for overproducing will have a bullish effect on prices. Natural gas still remains low due to low demand for heating or cooling as temperatures remain mild. Natural gas storage is still 41.00% above the five-year average, causing there to be very little supply concerns. The EIA reported that the U.S. had a rise in natural gas inventories for the first time since November, showing that the already high supply is only going to continue going into the future. The sector believes that as the summer is expected to be warmer-than-average, natural gas prices are going to slowly rebound and eventually reach normal levels.

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Weekly Product Report

Equity Derivatives Sector

Weekly Product Report

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Summary of Weekly Themes

- The indices ended the week positive after the Fed rate decision came out with **NASDAQ up 1.70%, DJIA up 1.67% , and the S&P 500 up 1.54%**
- **Building permits** came out **surging 1.90%** in February. This exceeded market expectations and showed the highest levels since August 2023. Across the U.S., permit gains increased the most in the Northeast with 36.20%,the West of 6.80%, Midwest of 3.80%, and South of (1.30%)
- The Fed met this past Wednesday and decided **to hold rates for the fifth consecutive meeting** at 5.25% - 5.50%, in line with market expectations. They stated they are planning to cut interest rates three times this year, and plan three cuts in 2025, with analysts predicting the first cut in June
- **U.S. Existing Home Sales** unexpectedly **rose 9.50%**, showing the highest level this past year. Unsold houses are at a 2.90-month supply, down 0.10 from the month prior. Sales rose the most in the West, South, and Midwest with median existing home prices up 5.70% from last year
- **Reddit (RDDT)** priced **its IPO at $34.00** a share on Wednesday, and began trading on the NYSE on Thursday opening at $47.00. By the end of their first day, Reddit shares **jumped 48.00%** and closed at $50.44
- **Apple (AAPL) is in talks with Alphabet (GOOGL)** to **use their AI engine** Gemini in the iPhone which could expand the use of Google's AI services to more than 2.00 bn devices. Additionally, helping Apple amid investors' belief that they currently lack the development of AI
- **Nike (NKE) earnings** came out for February **beating estimates** due to holiday sales doing better than expected. They beat earnings per share estimates by $0.03, but missed revenue by $150.00 mm

Looking Ahead

Next week, markets will be getting economic data in the form of Durable Goods Orders, GDP Growth Rate, PCE, Core PCE, Personal Income, and Personal Spending. Additionally, markets will be parsing through the commentary from Fed Chair Jerome Powell's speech to spot any rhetoric that could be indicative of the future path of rate cuts. Equity markets will also be assessing earnings releases from GDS Holdings (GDS), McCormick (MKC), GameStop (GME), Cintas (CTAS), and Walgreens Boots Alliance (WBA). PCE is expected to come in at 2.50% y/y, up from the previous reading of 2.40% y/y. If this measure does indeed increase, or even come in hotter than expected, we could see Jerome Powell's speech next week come off as more hawkish than recent statements from the FOMC: something that would hurt equities markets. Core PCE, on the other hand, is expected to remain steady at a level of 2.80% y/y. A hotter-than-expected reading for Core PCE, along with a hotter than expected PCE data release, would most likely put a significant damper on the equities markets. Personal Income and Personal Spending will be key data releases for an updated picture on the strength of the consumer. The GDP Growth Rate q/q is expected to significantly decrease to a level of 3.20% from a Q32023 reading of 4.90%. If this measure does in fact decrease by this considerable amount, it could show that the Fed's monetary policy is indeed being restrictive enough to slow down the economy - a good sign for rate cuts.

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Weekly Product Report

Foreign Exchange Sector

Weekly Product Report

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Summary of Weekly Themes

- The DXY is up 1.00% w/w, this is largely due to the **Fed decision to hold rates along with the Fed dot plot being more hawkish** than the previous dot plot. The dot plot indicated that there will still be three rate cuts this year. Still, investors seemed to become more cautious of earlier cuts
- EURUSD traded down for the second week in a row, declining (0.71%) w/w**.** This is primarily due to the strength gained by the dollar as a result of Fed rhetoric. Additionally, **the ECB seems aligned with a June rate cut with many officials indicating that it is a real possibility** for the E.A.
- GBPUSD is down (1.22%) w/w, the BOE held rates this week. It was a dovish hold as no one voted to hike for the first time since the start of the rate hike cycle. **U.K. CPI also came in below expectations at 3.40% y/y**
- USDJPY surprisingly traded up this week despite a **historic rate hike by the BoJ.** The hike was considered to be a "dovish hike." **Many officials indicated that they were unsure if another hike is realistic** for the rest of the year causing investors to turn away from the Yen. This, in combination with a strengthened dollar caused the pair to trade this way
- USDCHF gained this week after **the SNB cut rates from 175.00 bps to 150.00 bps.** SNB Chairman Thomas Jordan indicated that more rate cuts this year were possible as the fight against inflation has been effective
- USDCAD traded up slightly this week due to strength from USD and weak indicators surrounding the CAD. **Canada CPI came in below expectations at 2.80% for February**, as inflation was expected to rise from January to 3.10% but decreased**. Retail Sales for January came in above expectations at (0.30%) m/m, falling from 0.90% m/m in December**

Looking Ahead

Considering the volume of central bank meetings and data releases this week, there is much less news that could potentially move the major currency pairs next week. Throughout many countries, including the U.S. and U.K., different federal officials are set to speak. The sector will monitor these to gain a more full understanding of the decisions of each central bank. Preliminary readings of CPI may also be useful to look at in countries like the U.S., U.K., and E.A. CPI readings in Japan will likely be a big factor after a historic hike and may provide insight as to future BoJ sentiment. GDP in many European countries, Canada, and the U.S. will be another reading to look at. While GDP is not the most important metric to look at, the sector believes it is helpful to further understand the economic situations of these countries and ultimately is influential in many central bank decisions. Other data that will be monitored includes Retail sales in Germany, consumer confidence in the E.A. and U.S., PPI in Italy among other data. This will provide a more full view for the ECB and Fed and can give insight on potential future decisions. Labor data in the U.S. will likely be another significant factor. Initial jobless claims are set to be released and with the labor market having a heavy influence on Fed policy this is something to look out for. After a week where many currency pairs were influenced by central bank meetings, it is expected that there will be relatively less movement next week, though many of the releases detailed earlier will likely be influential.

Weekly Product Report

Index Derivatives Sector

Weekly Product Report

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Summary of Weekly Themes

- U.S. benchmark indices rose heavily this past week, as **the S&P 500, Dow Jones, and Nasdaq indices climbed 1.54% w/w, 1.67% w/w, and 1.70% ww,** respectively. Indices reacted strong to the Fed's stagnation within cuts and their maintained prediction of three rate cuts by the end of FY2024
- **The STOXX Europe 600 increased 0.85% w/w** continuing it's recent rise as their inflation rate dropped along forecasts to 2.60% y/y as well as E.A. ZEW Economic Sentiment hitting the highest report since February, 2022
- **Germany's DAX continued it's strong month, rising 1.50% w/w**, as ZEW Economic Sentiment came out 10.70 points above forecasts showing increased optimism surrounding future economic performance in Germany
- **U.K.'s FTSE 100 Index jumped 2.63% w/w** and had it's best trading day on Thursday since September, following the BoE holding rates and inflation data showing strong disinflation. MPC voters did not maintain their moderately bullish economic sentiment as all of the votes accounted for called for a rate hold or cut in light of recent economic data
- **China's Hang Seng fluctuated heavily this past week as the index dipped (1.14%) w/w** with a strong performance midweek after the Fed meeting, followed by a sharp dip on Friday with weak foreign direct investment data showing a 19.90% y/y decrease for the ninth straight month
- **Japan's Nikkei 225 spiked 6.07% w/w** following the BOJ decision to raise their interest rate for the first time in 17.00 years due to their belief of a strong economy and stabilizing inflation rate of close to 2.00%. This was challenged on Thursday when inflation spiked back up to 2.80% y/y in February, although it was below the forecasted 3.00%

Looking Ahead

Movement in global equity indices this week was largely driven by central bank decisions by the BoE and the Fed, along with an abundance of economic data. Although both of the central banks held their respective interest rates, both meetings resulted in a bullish response by the markets. The largest indices in each of the countries, the S&P 500 and the FTSE 100, rose 1.46% and 2.51% respectively, in the trading day following their decisions. Looking ahead, the sector is going to keep a closer eye on the FTSE 100 and the U.K. economy as a whole. In the past year, the index has performed relatively flat, returning only 5.75%, while the larger STOXX Europe 600 has performed stronger at 14.21%. This past week in the markets could be a sign of hope for the index as it had its best trading day this week since September. In addition to the BoE decision, another factor that boosted the market this past week was a strong inflation reading showing disinflation that was more than forecasted. U.K.'s inflation fell to the lowest point in over two years, dropping to 3.40% y/y from a previous reading of 4.00%. Lastly, on Friday Retail Sales data for the U.K. remained unchanged in February, defying market forecasts, which had anticipated a 0.30% m/m decline. In the near future the sector will monitor inflation and other consumer data in the U.K., as well as BoE rate decisions on May 9th and June 20th. The sector could see an opportunity for a long option position on the index if strong economic data continues along with a dovish BoE.

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Weekly Product Report

Interest Rate Products Sector

Weekly Product Report

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Summary of Weekly Themes

- **E.A. annual inflation read 2.60% for the month of February**, down from 2.80% in January, as the ECB looks to start cutting rates in June
- **The BOJ decided to slash its yield curve control**, and end its negative interest rate policy, while the country's largest firms have agreed to raise wages by 5.28% for 2024FY, the heftiest pay hikes in 33.00 years
- **The U.S. NAHB/Well Fargo Housing Market Index increased to 51.00** in March, up from a reading of 48.00 in February, beating the forecast of 48.00, while being the strongest confidence rating in 8.00 months
- **The ZEW Indicator of Economic Sentiment for the E.A. increased by 8.50 points** to 33.50 in March 2024FY, the highest since February 2022FY
- **The annual inflation rate in Canada slowed further to 2.80%** in February from 2.90% in January, marking the lowest reading since June 2023FY, as the BOC looks to start loosening monetary policy in the coming months
- **Housing starts in the U.S. soared 10.70% m/m** to an annualized rate of 1.521 mm in February, after falling by 12.30% in January and beating forecast amid a persistent shortage of previously owned houses
- **The U.S. 30.00-year fixed rate mortgages with conforming loan balances rose by 13.00 bps** to 6.97%, after hotter-than-expected inflation
- **The FOMC held interest rates at their 20.00-year high level** as most investors expected, due to a resilient economy and sticky inflation
- **U.S. Initial Jobless claims unexpectedly fell by 2.00 k** to 210.00 on the week ending March 16th, below market expectations of 215.00 k
- **Existing-home sales in the U.S. unexpectedly soared 9.50% to a seasonally adjusted annualized rate of 4.38 mm** units in February

Looking Ahead

In the coming week, the Sector will be monitoring a variety of economic data to gain a better understanding of future rate cuts. The biggest events will be PCE and Core PCE on Friday. This reading will be incredibly important as the latest CPI readings have been unexpectedly hot. A reading inline with market expectations will show the Fed's latest projects are strong, and cuts may not be pushed back as far as currently forecasted. There will be a variety of FOMC members speaking throughout the week, including Raphael Bostic on Monday, and Christopher Waller on Wednesday. Fed Chairman Jerome Powell is also set to speak on Friday. They should give some more clarity around this week's FOMC meeting and what the FOMC will be watching in the coming months. Great Britain is set to release 4Q2023 GDP readings on Thursday, and markets are expecting it to show a contraction of (0.20%) y/y. We will get a variety of other indicators in the U.S., including Initial Jobless Claims, Chicago PMI for March, Durable Good Orders for February, CB Consumer Confidence for March, and some other minor readings. We will also be monitoring New Home Sales and Building Permits on Monday to gain some insight on if the housing market is beginning to open back up. Abroad, we will get inflation readings from France, Great Britain, Spain, and Japan. Overall, it will be a relatively slow week after the action-packed week we just had. Markets will be absorbing a lot of the news that occurred this week. It is also important to note that nearly all global markets are closed on Friday to celebrate Good Friday.

Weekly Product Report

Metals Sector

Weekly Product Report

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Summary of Weekly Themes

- **Gold prices rose 0.77% w/w,** as investors digested news from this week's Fed meeting. Gold initially surged to record highs after the Fed maintained its monetary policy outlook, but prices somewhat corrected later in the week
- **Silver prices fell 1.47% w/w.** Much like Gold, silver prices spiked after the Fed's policy decision, but prices ultimately fell to pre-meeting levels. Nonetheless, silver has seen significant upward momentum as of recent
- **Copper prices decreased 2.77% w/w,** as uncertainty surrounding China's recovery and property sector dominates markets. Copper reached nearly one-year highs early in the week, but China's housing market limits upside
- **Uranium prices dropped by 6.59% w/w,** falling for the sixth consecutive week. Uranium prices reached 16.00-year highs in February, but have been falling as production ramped up to capitalize on these high price levels
- **Iron Ore prices gained 3.83% w/w,** as a recent sell-off was halted by some positive economic data out of China. Still, a consistent lack of promising data points from China's property sector has significantly hurt the metal
- **Platinum prices declined by 3.86% w/w,** as delayed rate cuts and a pessimistic outlook for internal combustion engines damage price levels. Cut projections are currently outweighed by lacking automotive demand
- **Palladium prices tanked by 5.80% w/w,** as long-term market confidence in electric vehicles continues to heavily restrict the need for catalytic converters
- **Aluminum prices gained 1.52% w/w,** as Chinese industrial activity beat expectations and Aluminum imports surged by 93.60% y/y in January and February. Production in China has also been limited due to its dry season limiting power supply and maintenance among many of its top smelters

Looking Ahead

This week's price movements in metals markets are a major reminder that prices are extremely sensitive to sentiment surrounding and data supporting the direction of monetary policy. Gold and Silver surged immediately after the Fed announced that its interest rate outlook for 2024 has not changed, but these prices were ultimately corrected to pre-meeting levels by market close on Friday. While the Fed maintaining its projection for three cuts by the end of 2024 is by no means negative, there is still a lack of certainty that these will come to fruition, especially as markets have significantly shifted their expectations throughout the early months of 2024. Still, the Sector remains bullish on Gold and Silver, as looming cuts, global conflict, central bank support, and industrial demand create optimism. The Sector will continue to monitor global economic data, especially in the United States, as precious metals are extremely sensitive to any data point that has implications on the Fed's decision to begin its easing cycle. As for industrial metals, China, as always, will be at the forefront of the major market-moving events. Currently, there is some optimism surrounding the country's industrial output, but the property sector remains a major area of concern. While China has experienced positive releases of consumer price inflation, industrial output, EV sales, and aluminum imports, the Sector will continue to monitor data from China, particularly within the property sector, to gauge if a recovery can be expected.