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Weekly Product Report

Energy Sector

Weekly Product Report

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Summary of Weekly Themes

- **Both Brent and WTI Crude rose significantly by over 3.00% this week,** driven mainly by strong U.S. demand and a recent report from the International Energy Agency revealing a surprise decline in U.S. crude inventories. **The amount of barrels dropped by 1.54 mm Bbl last week instead of the expected 1.34 mm Bbl increase**
- The EIA revised its 2024 global oil demand forecast to 1.30 mm Bbl/d, **up from a previous prediction of 1.20 mm Bbl/d.** They also adjusted their projection for this year to a slight deficit instead of a surplus
- **Oil prices also were supported by Ukrainian drone attacks on Russian refineries,** causing a fire at Rosneft's largest refinery. These attacks mark a new strategy by Ukraine to target Russian oil refineries, which account for one of the largest shares of refined product output in the world
- **OPEC+ announced further supply cuts going forward into 2024,** lowering supply coming from the Middle East. This was a widely awaited decision, and contributed to the strength of oil prices this week
- Natural Gas futures dropped over 6.00% this week, **driven by predictions of extended mild weather.** Gas demand for heating has been reduced throughout the past four months. **Meteorologists anticipate above-average temperatures** throughout the rest of the month, followed by near-normal levels heading into April, which will limit bullish movements
- **Natural Gas storage levels are 37.10% higher than average for this time of year,** according to the larests EIA data. This percentage held high despite a larger-than-expected withdrawal from storage

Looking Ahead

Energy commodities price action continues to align with the sector expectations. Brent remains bound in a price range of ~$80.00-$84.00 per Bbl; however, the closing price of $84.80 per Bbl on Friday broke a critical resistance level of $83.79 per Bbl, which may lead to bullish price action next week. However, the sector believes that the fundamentals remain bearish for 2024 as non-OPEC+ producers continue to increase production in light of OPEC+ production cuts. The IEA's global demand revision of 100.00 k Bbl/d was primarily due to more demand for ethane and propane as well as more demand for bunker fuel due to longer shipping routes because of the Red Sea attacks. The sector doesn't expect these to remain long-term drivers for global demand. However, the sector continues to recognize the risk of further escalation in the Middle East. Natural gas prices remain suppressed due to oversupply. Bearish weather has allowed natural gas storage to build and demand to stay suppressed. Looking ahead, there are no signs of bullish weather or an influx of new demand. Natural gas demand is expected to rise on long-term time horizons because it is the cleanest fossil fuel. However, this won't affect price action in the near term. Refined products have risen, but the sector believes that as refineries continue to come out of maintenance, the excess oil storage builds will be drawn down to fill the gap in demand. This will create bearish action in refined products.

Weekly Product Report

Equity Derivatives Sector

Weekly Product Report

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Summary of Weekly Themes

- The major indices ended the week with **the NASDAQ down 0.49%, the DJIA was up 0.12%, and the S&P 500 was up 0.10%**
- **Core CPI** came out at **3.80%**, down from the previous of 3.90% but staying above market forecasts of 3.70%. This was mainly led by the shelter index increasing by 5.70%, down from the 6.00% in January
- **CPI released at 3.20%**, going up from 3.10% in January. Main drivers for this were drops in energy costs that were less than expected and prices increasing at a slower pace for food, shelter, and medical care
- **PPI m/m** came out at **0.60%**, going up from the previous 0.30% and doubling market expectations of remaining at 0.30%. Marking the largest increase since August 2023, with goods prices rising 1.20%
- **U.S. Retail Sales m/m** were **up 0.60%** this month, an increase compared to the (1.10%) in January. Suggesting that the healthy labor market is adding incomes and fueling spending for consumers
- **Michigan Consumer Sentimen**t came out at **76.50**, going down compared to the previous 76.90. This has shown the lowest data from the last three months, indicating some uncertainty among Americans for how they expect the economy to perform this presidential-election year
- **Initial Jobless Claims** went **down to 209.00 k**, slipping by 1.00 k from the week before, and below economists expectations of 218.00 k based on historical data, signaling a continued strong labor market
- **Adobe (ADBE) fell 13.00%** after their 2024Q1 **earnings** came out **beating estimates,** but saying they expect to receive 100-600.00 k less revenue this current quarter compared to what analysts expected

Looking Ahead

Next week, markets will be getting economic data in the form of FOMC Economic Projections, Initial Jobless Claims, S&P Global Manufacturing PMI Flash, and the Dallas Fed Manufacturing Index. Additionally, the FOMC members will be meeting next week to announce their interest rate decision. That being said, it is almost certain that they will hold rates steady at a level of 5.25%-5.50%. What will be more important for the equities market next week will be commentary from the Fed Press Conference. Equity markets will also be assessing earnings releases from Accenture (ACN), PDD Holdings (PDD), Nike (NKE), Micron Technology (MU), and FedEx Corporation (FDX). If commentary from the FOMC meeting and press conference continue on with a dovish tone, then we could see that the broader equities market continues on with its rally. That being said, a more hawkish shift in rhetoric would most likely drag indexes down. S&P Global Composite PMI Flash and the Dallas Fed Manufacturing Index could provide key insight into the strength of the manufacturing industry within the United States. It is projected to slightly decrease to a level of 52.00 from a previous level of 52.30 - a sign of a cooling but still expansionary manufacturing sector. The aforementioned data releases could most definitely affect equities, but the main swings in the market we will see next week will come from the FOMC meeting. Additionally, the Fed's dot plot, which gives projections for future interest rates, will be very impactful on equities markets.

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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 0.69% w/w, with CPI coming in higher than expected at 3.20% y/y. This contributed to a rally and could force the Fed to wait on a rate cut until after the June meeting. **Retail Sales rebounded in February coming in at 0.60% m/m, improving from January which was (1.10%).** Consumer Confidence came in slightly below expectations at 76.50 which usually would indicate a bearish move but did not affect the index this week
- EURUSD traded down slightly, **declining (0.50%) w/w. E.A. Industrial Production fell to (6.70%) y/y, expectations were (2.90%)** which is a major miss that shows weakness across the E.A. specifically in the manufacturing industry. The rally from USD was the main contributor to this week's trade down although industrial production was a contributor
- GBPUSD fell (0.94%) w/w**, industrial production came in at (0.20%) m/m** for the U.K. this will likely continue as long as the U.K. is in a recession. **Consumer inflation expectations for the U.K. are 3.00%, this is down from 3.30% in 4Q2023** but still well above the BOE's target of 2.00%
- USDJPY traded up 1.39% w/w, **Japan GDP missed expectations coming in at 0.10% q/q** this shows considerable weakness in the Japanese economy. The potential BoJ rate hikes could allow the pairing to trade down
- CADUSD decreased slightly this week with the appreciation of USD, **Manufacturing Sales for Canada missed expectations only increasing (0.20%) m/m. Housing Starts in Canada beat expectations coming in at 253.50 k,** this should continue to increase and benefit the pairing through the summer. Foreign portfolio investment in Canadian securities beat expectation by $6.63 bb, Canada could be seen as a safe haven

Looking Ahead

The Sector will monitor numerous reports throughout many countries in the next week including the U.S., E.A., Japan and U.K. Firstly, the biggest report we will analyze in the U.S. is the Fed meeting on Wednesday. This is one of the largest and most important reports for the USD and will be impactful to many of the sectors holding. It is expected that rates will be maintained at the current 525.00 to 550.00 basis points, however, the rhetoric that Jerome Powell and the Fed uses will likely shape the way markets think about rate cuts. Similarly, the U.K. and Japan also have interest rate decisions next week. With interest rate differentials being one of the most important factors in currency markets right now, it is likely this will cause many currency pairs to have a major shift, especially considering Japan may move away from an eight year long negative interest rate policy. Additional data, including Retail Sales in the U.K. will be released in these two countries providing more information. Further, in the E.A., CPI, PMI, and Consumer Confidence are three reports that could influence the Euro. With CPI and PMI giving a look into how the economy is performing the ECB is likely to take these numbers into consideration. Additionally, Consumer Confidence can give a better look into how the consumer feels about the economy and the potential weakness or strength they can bring in coming months. The Sector expects major moves in many pairs next week as a result of interest rate policy decisions and overall changes in economic data.

Weekly Product Report

Index Derivatives Sector

Weekly Product Report

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Summary of Weekly Themes

- U.S. benchmark indices fluctuated heavily this past week, as **the S&P 500 jumped 0.10%, the Nasdaq Composite dipped (0.49%), and the Dow Jones Industrial Average rose 0.12%.** After early rallies to record highs, stocks fell later in the week following technology profit-taking, as investors await next week's Fed decision. Hot economic data regarding prices increased speculation that rate cuts will be postponed to later in the year
- **The STOXX Europe 600 jumped 0.63% w/w** reaching a record high of over 509.00 points on Thursday on bets that the ECB will initiate rate cuts in June after recent economic slowdown in inflation in the E.A. **Germany's DAX rose 1.39% w/w**, reaching over 18,000.00 points on Friday and **France's CAC 40 surged 2.24% w/w**, reaching over 8,200.00 points. Both indices hit record highs following further dovish ECB monetary policy action
- **The Hang Seng rallied 1.86% w/w** following investor sentiment surrounding fresh economic growth stimulus after consumer prices rose. Beijing set a 2024 GDP growth target of around 5.00%. Property developer stocks climbed on expectations of policy support. Hong Kong industrial production rose 4.10% y/y in 4Q2023 and the PBOC kept benchmark rates unchanged
- **Japan's Nikkei 225 fell (1.34%) w/w** following intense market volatility surrounding expectations of the BOJ's termination of negative interest rate policy, its first rate hike since 2007. Wages are expected to increase by over 5.00% and the BOJ is confident about steady inflation over the 2.00 target. The USDJPY exchange rate fell under 147.00, but bounced back to over 149.00 later in the week. Profit-takers also seeked returns on Japanese stocks at record highs in early March. The BOJ meets next on March 18th

Looking Ahead

Movement in global equity indices this week was largely driven by U.S. inflation data, showing signs of strong rising prices, further clouding hopes for rate cuts. Annual inflation rate in the U.S. unexpectedly edged up to 3.20% in February 2024, compared to 3.10% in January and above forecasts of 3.10%. On Thursday, the Producer Price Index for final demand in the United States rose by 0.60% m/m in February, marking the largest increase since last August and surpassing market expectations of a 0.30% advance. The sector looks to monitor the India economy and the performance of the Nifty 50 in coming weeks. The index has come to a halt in 2024, performing 1.29% YTD, following a 20.10% performance in FY2023. Following many manufacturing efforts by their government and taking advantage of a weak Chinese economy, it seems the excitement has fallen off with their index. Recently India showed continued signs of growth with their economy expanded 8.40% y/y in 4Q2023, beating forecasts of 7.00%, resulting in their economy getting boosted from eighth largest globally to the fifth. Another recent data point that has shown positive signs in India has been their inflation rate staying between their target rate, coming out at 5.10% in February. Looking forward the sector will look to monitor RBI decisions and economic data coming out of India's economy specifically focused on the PMI data surrounding services and manufacturing rate contracted, as their Services Sector makes up 53.00% of their GDP.

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Interest Rate Products Sector

Weekly Product Report

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Summary of Weekly Themes

- U.S. Headline CPI was released this past Tuesday at a **reading of 3.20% y/y for the month of February**, hotter than the forecast of 3.10%. Core CPI was released at 3.80% y/y, showing slight disinflation for February
- Headline and Core Retail Sales saw a massive uptick for the month of February, **increasing 0.60% and 0.30% m/m for February**, respectively. These are both significant increases from January's readings of (1.10%) m/m for Headline Retail Sales and (0.80%) m/m for Core Retail Sales
- Japan's 4Q2023 GDP readings were **revised to show slight growth of 0.40%** y/y and 0.10% q/q. This revision shows that Japan nearly avoided a technical recession at the end of last year and their economy is expanding
- **U.S. PPI was reported at 0.60% m/m** for February, doubling January's reading and market expectations. This is the highest reading since August of 2023FY and is the second consecutive month of inflation
- Great Britain's Average Earnings Index showed an **increase of 5.60% m/m for January**. This is slightly worse that market expectations of 5.70% and a decrease from the previous months reading of 5.80%
- **The U.S. 10-year increased about 30.00 basis point**s as a response to the hot inflation readings earlier in the week and in anticipation of the FOMC meeting next week which should give some forward guidance
- Germany, Spain, and France all released inflation data at market expectations. **Germany and Spain both saw significant disinflation at readings of 2.50% and 2.80% y/y**, respectively, while January had readings of 2.90% and 3.40% y/y for both countries
- **Great Britain's GDP increased 0.20% m/m for January**, hitting forecasts and increasing from December's reading of (0.10%) m/m

Looking Ahead

In the coming week, the Sector will be keeping a close eye on various important economic indicators that will give the Sector and investors a strong idea of the direction of the U.S. and other global economies in the short term. The Sector will be monitoring Fed rhetoric at the FOMC March 20th meeting, to gain further insight into when the Fed will begin to cut rates after recent economic indicators show high interest rates are working the economy towards that 2.00% inflation mark. Pivotal real estate metrics such as Home Builder Confidence Index, housing starts, Building Permits, and Existing Home Sales will be released next week which will give the Fed an idea of where the economy is heading in terms of the real estate market, which tends to be a good indicator of the economies health. In addition to the Fed's interest decision, there will be a press conference by Fed Chairman Powell on the committee's decision and their outlook moving forward. In terms of the labor market, there will be multiple economic indicators released that will either support the growing belief of a decreasing job market as unemployment ticked up in the most recent reading or challenge that belief. Initial Jobless Claims are set to be released on Thursday, March 21st, while the Philadelphia Fed manufacturing survey, S&P flash U.S. manufacturing and services PMI are set to be released on the same date. In terms of the global economy, y/y CPI for Great Britain will give a further reading into the BOE decision about whether they will cut or continue to hold the interest rate.

Weekly Product Report

Metals Sector

Weekly Product Report

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Summary of Weekly Themes

- **Gold prices have decreased 1.17% w/w.** The metal has been correcting its price after reaching an all-time high last week on March 8th, exceeding $2,200.00 for the first time in history following positive job data. CPI reports came back higher than expected on March 12th, shutting down hopes of a May rate cut and decreasing investor confidence in the short term
- **Silver prices have risen 3.70% w/w.** Similar to Gold, Silver prices reacted sharply to recent U.S. economic data as investors hope for earlier Fed cuts. Silver's price has broken through the $25.00 mark for the first time this year
- **Copper prices rose 3.28% w/w,** as the metal continues its rise after experiencing YTD lows in February. Markets have expressed some optimism in leading consumer China, as the nation exited a 6.00-month deflationary period. Chinese smelters have also imposed restrictions on the nation's yearly Copper production, limiting supply, and elevating prices
- **Platinum prices experienced a 0.65% increase w/w,** as markets digest mixed data points that affect the precious metal. Strong suggestions of cuts by the Fed have boosted optimism for holding the non-yielding asset, but Platinum's diminishing use as a substitute for Palladium limits demand
- **Palladium prices climbed by 3.72% w/w.** The metal experienced its lowest price levels in over 6.00 years in February, but expected stimulus measures and automobile support from China has fueled a surge over the past month
- **Uranium prices dropped 2.70% w/w,** as its market continues its near-term struggle. Market expectations were defied when the U.S. government failed to place sanctions on Russian nuclear fuel as part of recent initiatives. Still, declining global production is expected to continue through the rest of 2024

Looking Ahead

In upcoming weeks, the Sector will be closely following the precious metals market due to their unexpectedly sudden run after weeks of stagnant prices. The impact of several foreign countries' central banks purchasing Gold will impact the price of the precious metal. While the Sector initially predicted that precious metals will not run until later in the year due to delaying rate cuts, the soaring of prices of this week prompts the Sector to believe that precious metals prices will continue to stay high and continue to grow amidst upcoming rate cuts. However, after February's nonfarm payrolls release came in higher than expected at 275.00k, and CPI data came back 0.10% higher than expected, a June rate cut has become much more priced in and precious metal sentiment has calmed down. While the nonfarm payrolls beat market expectations of 200.00k, it is notable that January's release had a large downward revision. The counterpart, the industrial metals market, also experienced an uptick in prices, with the Sector anticipating slight increases in prices within the whole industry. Furthermore, due to expected positive 2Q2024 earnings reports from major tech companies such as Nvidia, industrial metals that have technological applications such as Copper and Platinum are also expected to increase within the next few months. The Sector anticipates an increase in metals due to increased holdings of precious metals within several central banks as well as rate cuts becoming priced in.