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Weekly Product Report

Energy Sector

Weekly Product Report

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Summary of Weekly Themes

- **OPEC+ keeps oil supply policy unchanged.** At the JMMC meeting, OPEC+ countries decided to maintain production cuts for the first half of the year. **During this time, Brent has risen to ~$90.00 per Bbl**
- **U.S. SPR replenishment slowed due to rising oil prices**. The Department of Energy has canceled the purchase of 3.00 mm Bbls
- **Israel killed several World Central Kitchen aid workers in Gaza.** Seven aid workers were killed in a Israeli strike; **Biden has threatened to shift U.S. foreign policy towards Israel if action isn't taken**
- **U.S. crude stockpiles rose 3.20 mm Bbls.** Analysts forecasted stockpiles would fall 1.20 mm Bbl. **Refineries operated at 0.10% less capacity, which has expected to increase 0.40%**
- **U.S. energy companies cut the number of oil and natural gas rigs.** Rig count fell by one, which is the third consecutive week of energy companies cutting operations, which is a leading indicator of production
- **German coalition begins hydrogen funding project**. **Germany will invest $26.10 bn into improving its hydrogen** fuel for electricity. Hydrogen can replace natural gas and emits less carbon
- **U.S. Manufacturing PMI rose to 50.30 from 47.80**. The production sub-index rose to 54.60 from 48.40. Weak Industrial demand has been a primary factor for the downward revisions in global energy demand
- **U.S. ethane production and consumption sets new records.** Ethane production rose 9.00% in 2023, which is driven by the **rise in demand for petrochemicals that requires ethane**. The EIA expects ethane production to rise 2.70 mm Bbl in 2024

Looking Ahead

The Energy Sector remains bullish on both crude oil and natural gas, due to a variety of reasons. Geopolitical tensions have reached a point that is starting to show signs of further breakouts. Earlier in the week, Israel attacked Iran's Embassy in Syria and killed high-ranking Iranian personnel. Iran then vowed revenge, leading the sector to believe there will only be further breakouts of war. Cease-fire talks are still ongoing between Israel and Hamas, but this is not the first time this occurred and the sector believes these talks will fall through. In Russia, Ukraine is still carrying out further air strikes on Russian oil refineries, affecting 15.00% of current production and supply. This is helping boost the prices of energy products significantly, as Russia is a major producer of oil. These attacks are expected to continue until Russia eases up on Ukraine and they try to come to a solution. OPEC+ recently had their meeting to determine production this week, and they decided to hold production at current levels. The Energy Sector predicts these production levels will remain steady until oil prices get higher and higher, and OPEC+ feels like they have control of the market again. The sector remains bullish on natural gas due to the warmer-than-expected summer forecasts, as well as the increase in demand coming from AI powered extraction devices. Natural gas prices are expected to see a 3.00% increase over the next two weeks due to these factors. Going forward the sector expects to see bullish movement among all energy products.

Weekly Product Report

Equity Derivatives Sector

Weekly Product Report

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Summary of Weekly Themes

- Major indices ended the week red following news of delayed rate cuts. The **S&P 500** was **down 1.02%**, **DJIA down 2.27%**, and **NASDAQ fell 2.27%**
- **ISM Manufacturing PMI** came out at **50.30**, beating market expectations and showing the first expansion in the manufacturing sector after 16.00 months due to positive demand mainly in the new orders index
- **JOLTs Job Openings rose by 8.00 k** from the months prior, and beating expectations. Increased job openings have been seen in finance and insurance but a decrease was seen in federal government jobs
- **Non-farm Payrolls** showed that the U.S. economy **added 303.00 k jobs** last month, beating expectations of 200.00 k. This data coupled with the steady increase in wages points to potential delays in interest rate cuts
- **Unemployment came out at 3.80%**, decreasing from the previous two year high of 3.90% the month prior. This unexpected decline in unemployment suggests a potential strengthening of the labor market despite the recent fluctuations in participation rates
- **Fed Governor Christopher Waller** stated that there was **no rush to cut** interest rates this year and that we will see these higher rates for longer due to recent data that came out. Markets fell later that day after the news
- **Initial Jobless Claims** hit a **nine-week high** this week of 221.00 k but did not show any worsening in the labor market. The reason for this high is because of Easter, as claims move a lot around the holidays
- **Paramount's (PARA)** stock **fell 8.00%** after a reporter for CNBC states that they stated that in order to merge with Skydance media, they need to raise as much as $3.00 bn to make it possible

Looking Ahead

Next week, markets will be getting economic data in the form of CPI, PPI, and the Preliminary University of Michigan Consumer Sentiment index. Additionally, markets will be parsing through the FOMC Minutes which will be released Wednesday in order to try and get a clearer picture of the future for the Federal Funds Rate. Equity markets will also be assessing earnings releases from JPMorgan Chase & Co (JPM), AstraZeneca PLC (AZM), Wells Fargo & Co (WFC), and Airbus SE (EADSY). CPI is expected to come in at 3.40% y/y, up from the previous reading of 3.20% y/y. If this measure does indeed increase, or even come in hotter than expected, we could see the market take a hit, as this makes the path to the first rate cut a little more turbulent. Core CPI, on the other hand, is expected to decrease to a level of 3.70% y/y from the previous reading of 3.80% y/y. A decreasing core inflation rate is a good sign for equities, as it shows that prices are going down when stripping out volatile food and energy prices. This could potentially settle some of the worries that many investors have with inflation right now, causing a slight spur in equities prices. PPI is expected to significantly decrease, with a forecast of 0.30% m/m from the previous reading of 0.60% m/m. Any larger decrease in this reading will help the equities markets continue on with their rally that seemingly went on pause this week. Many companies within the financials sector will be reporting earnings next week, another factor that could drive the equities market.

Weekly Product Report

Foreign Exchange Sector

Weekly Product Report

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Summary of Weekly Themes

- The DXY traded sideways this week **despite Nonfarm Payrolls coming in higher than expected at 303.00 k.** Unemployment also continues to remain strong falling to 3.80% with a higher labor force participation rate
- EURUSD rose 0.46% w/w, the **harmonized index of consumer prices fell to 2.40% y/y for March.** PMI for the E.A. came in extremely strong beating expectations for composite and services. Retail Sales remained negative for February but came in stronger than expected at (0.70%) y/y
- GBPUSD increased slightly this week, this was mainly due to strong housing numbers coming out of the U.K., **nationwide housing prices rose less than expected at 1.60% y/y**. Mortgage approvals for February came in above expectations signaling it should be slightly easier for U.K. consumers to buy homes which could help stimulate the U.K. economy
- USDJPY remained relatively stagnant while continuing to test ¥152.00. Manufacturing and non-manufacturing outlook both came in worse than expected for Japan at 10.00 and 27.00 respectively. **Foreign bond investment was (¥1.66 T) which indicates Japanese residents are buying foreign bonds** rather than domestic ones
- USDCAD traded up 0.38% w/w, this is largely due to weakness in the Canadian job market. **The Unemployment Rate rose to 6.10% despite the participation rate staying the same.** Net employment was expected to rise by 25.00 k but fell (2.20 k) in March causing a slightly upward movement
- USDCHF traded sideways this week. **CPI for Switzerland fell to 1.00% y/y** for March despite recent rate cuts. Retail Sales fell in February by (0.20%) y/y signaling a weaker consumer, although was in line with expectations

Looking Ahead

The sector will continue to monitor a wide variety of countries next week, including the U.S., E.A., Switzerland and the U.K. First, in the U.S .CPI will be released. We are reaching a very crucial time where market expectations of a cut and the reality of when a cut will be are potentially starting to come together. With a hot CPI Report, which the sector predicts, we can possibly see rate cut bets be pushed back to be more in line with our expectations, which will heavily impact the USD. In the E.A., a Monetary Policy Statement will be released alongside an Export and Import Reports. The sector believes that a rate cut for the ECB will come into the picture soon, ultimately weakening the Euro significantly. In Switzerland, a Monetary Policy Statement will also be made. With our sector's expectations that the Swiss Franc will weaken in the coming weeks and months, this may give us a better understanding of the time frame. Finally, major changes are expected to come for the U.K. and the GBP. next week. A plethora of reports from Gross Domestic Product to Industrial Production to Balance of trade will be released. This will give the sector a better understanding of where the U.K. is heading. Much like in the E.A., we expect rate cuts to be on the table over the next one to two months, and this data may help both markets and the sector have a clearer understanding of that timeline

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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 marked a loss this week as **the S&P 500, Dow Jones, and Nasdaq indices fell (1.02%) w/w, (2.27%) w/w, and (1.31%) w/w,** respectively. Markets reacted negatively to multiple Fed speeches on Thursday, leading to sentiment of delayed cuts. Although, markets rebounded on Friday after Non Farm Payrolls came out at 303.00 k
- **France's CAC 40 fell (1.89%) w/w**, despite both Manufacturing PMI and Services PMI beating forecasts at 46.20 and 48.30, respectively
- **Germany's DAX corrected slightly after recent highs, falling (1.64%) w/w**, following their inflation falling to 2.20% y/y from a previous 2.50% and a forecasted 2.40%. In addition, early in the week Manufacturing PMI continued its steep fall last month as it fell to 41.90 in March
- **The STOXX Europe 600 cooled off of its recent rally, falling (1.07%) w/w** on economic data releases including Retail Sales showing a (0.50%) m/m decrease, despite forecasts of a (0.20%) reading. Also, inflation data came out at 2.40% y/y, defying forecasts of an unchanged reading of 2.60%
- **China's Hang Seng rose 1.17% w/w** as it jumped over 2.50% on Tuesday as Caixin Services PMI came out strong at 52.70. Later in the week the index shed some of its gains due to Fed cut hopes diminishing from governor speeches and U.S. jobs data coming out strong, next week is an important week for the index as inflation data is reported on Wednesday
- **Japan's Nikkei 225 plummeted this week as the index fell (4.07%),** as the index reacted negatively to reports that their would be currency intervention if the USDJPY exchange rate reaches ¥152.00. This was tested on Friday as the strong jobs data in the U.S. pushed the rate up to ¥151.60

Looking Ahead

Movement in global equity indices this week was largely driven by strong U.S. economic data pushing back 2024 Federal Funds Rate cuts. The yield on the U.S. 10.00-Year Treasury rose to 4.40% after the economy added 303.00 k jobs in March 2024, the most in 10.00 months, beating forecasts of 200.00 k. Chances of a soft landing have been lifted. Indices around the world retreated this week, as higher for longer borrowing costs weigh on equities. The Sector is specifically taking a look at Germany's DAX, which fell nearly (400.00) points this past week. Manufacturing PMI remains weak and factory orders missed expectations. The German construction sector is a major component to its economy and has been severely underperforming. Manufacturing PMI read 41.90 in March 2024, continuing to fall throughout the year. Retail Sales have also been declining for the last several months and March 2024 marked 15.00 consecutive periods of increasing unemployment. However, the DAX has risen 8.00% YTD to all-time highs and equities have ultimately been performing inversely with the German economy which has been in a technical recession, as its GDP annual growth rate has remained negative through 3Q2023 and 4Q2023. The Sector may seek to take advantage of this overvaluation and capitalize on a selling point, speculating bearish price movements and a correction in the DAX. Ultimately, the Sector may facilitate a bearish options play and continue to monitor economic data in Germany and the broader E.A.

Weekly Product Report

Interest Rate Products Sector

Weekly Product Report

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Summary of Weekly Themes

- **Canada S&P Global Manufacturing PMI was released at a reading of 49.80 in March**, becoming the 11th straight factory activity contraction
- **U.S. S&P Global Manufacturing PMI was revised lower to a reading of 51.90 for March**, as the labor market continues to show its robustness and give investors a reason to suspect higher for longer rates
- **Consumer Credit in the UK increased by £1.38 bn in February**, coming in below market estimates at £1.60 bn, as borrowing has begun to decrease and put more pressure on the BOE to start cutting interest rates
- **JOLT Job Opening increased by 8.00 k to 8.76 mm in February**, beating market expectations of 8.75 mm, as job market data continues to show signs of little change amid high interest rates from the Fed
- **E.A. CPI declined to 2.40% y/y in March**, becoming the lowest reading since November 2023FY, signaling possible rate cuts by the ECB
- **U.S. ADP Employment increased to 184.00 k in March**, as private businesses in the U.S. hired more workers than expected by economist
- **Mexico's Consumer Confidence Indicator increased to 47.30 in March**, reaching a level not seen by consumers since February 2019FY, making economists and investors suspect that consumer spending will increase
- **The Unemployment Rate in Canada increased at an alarming rate to 6.10% in March of 2024, up from a previous 5.80%** in January and above expectations of 5.90% as increasing pressure is put on the BOC to slash interest rates due to their effect on consumers and the labor market
- **Germany's CPI decreased to 2.20% in March**, down from 2.50% in February, in line with market expectations, as the ECB looks to cut rates

Looking Ahead

In the coming week, the Sector will be monitoring a variety of economic indicators to get a better understanding of the economy's strength and rate cut expectations. The biggest indicator will be both CPI and Core CPI for the month of March. This will be incredibly important as it will be the first look at inflation for the month. With the two previous CPI readings coming out hotter than expected, this reading may seriously push back rate cut expectations if it is hot as well. We will also be getting the Meeting Minutes for the March FOMC meeting. This should provide markets with some more insight around what the FOMC was thinking about rate cuts and their respective dot plots. The ECB has its April Rate Decision on Thursday the 11th. They are expected to hold rates steady but give some forward guidance around timing of rate cuts and what they will be monitoring going forward. We will also get U.S. PPI and Core PPI on Thursday as well. This will be a forward looking indicator of inflation, though it is supposed to show significant disinflation. Abroad we will get CPI numbers from Germany, France, Spain, China, and Mexico. Spain is expected to show an uptick in inflation while the others are supposed to show significant disinflation. Throughout the week, there will be FOMC members speaking with Neel Kashkari on Monday, and John Williams and Raphael Bostic on Thursday. Overall, the majority of the Sector's focus will be on the CPI and PPI readings for March, the Fed Meeting Minutes, and the ECB decision and press conference for foreign countries, while other data will be less significant.

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Weekly Product Report

Metals Sector

Weekly Product Report

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Summary of Weekly Themes

- **Gold prices have risen 5.56% w/w** as the precious metal hits an all-time high of $2321.20. Jerome Powell made it clear that the Fed is in no rush to cut rates and the Sector expects a price correction in the coming weeks, being that the USD should bounce back after tapering off this past week
- **Silver prices have skyrocketed 9.07% w/w.** Silver has reached its highest price since August 2013, proving that sentiment for its precious and industrial applications is back. Silver's involvement in tech, electric vehicles, and clean energy all contribute to the metals sharp increase in price
- **Copper prices rose 4.78% w/w,** reaching 14-month highs amid increasing demand and decreasing supply. Chinese mines, which produce more than half of the world's copper supply, have been struggling to reach quotas. Weakening supply coupled with signs of economic growth in global manufacturing has contributed to the spike in copper
- **Platinum prices experienced a 3.85% increase w/w,** as markets and investors have been directed towards the precious metals rally. Similarly to Gold, Platinum prices could see a slight drop off because that the Fed is in no rush to cut rates as inflation readings have been consistently sticky
- **Palladium prices traded up by 0.93% w/w.** The metal has traded relatively sideways after recovering from a 6.00-year low in February 2024. Recovering automobile data from China and expected stimulus measures have contributed to said recovery of the metal over the past month
- **Uranium prices dropped 2.70% w/w,** 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

The Sector will be closely following inflation data and Fed rhetoric in the following weeks. The precious metals market has been performing very well as of late, however sticky inflation and stagnant interest rates will cap the precious metal market's potential. Gold has recently hit all-time highs topping $2,320.00. The Sector will be closely monitoring central bank spending along with when foreign banks intend to cut interest rates, as this will have a direct impact on the strength of the U.S. Dollar and by extension, precious metals. CPI and PCE have both repeatedly come back higher than expected. Leading Jerome Powell to release a statement that the Fed is in no rush to cut rates. While historically interest rate cuts bode well for the price of precious metals, a no-landing situation could potentially not negatively affect precious metals. Gold, for example, has traded up 13.50% since the last rate cut in July 2023. Recent earthquakes in Thailand have prompted shortages in semiconductor production, which could lead to a cloudy short-term forecast for industrial metals such as Copper and Palladium. The industrial metals market also experienced an uptick in prices, with the Sector anticipating slight increases in prices within the whole industry. Major tech companies such as Nvidia stimulate industrial metals that have technological applications such as Copper and Platinum. Overall, the Sector remains bullish on both precious and industrial metals markets due to increased international and technological demand.