Weekly Product Report

Energy Sector

Weekly Product Report

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Summary of Weekly Themes

- WTI and Brent maintain sideways price actions **due to a geopolitical standstill and anticipation** for the upcoming OPEC+ meeting
- **Following President Ebrahim Raisi's death,** global oil prices experienced a short-term price increase, which was corrected after a quick and strong resolution as Vice President Ali Khamenei assumed acting President. The **election in 50.00 days** remains a potential catalyst for price movement due to the country's weight in production
- U.S. CPI in April was up 3.40% y/y, down from 3.50% y/y in the previous month. This is the **first sign of disinflation since October of 2023**, potentially increasing investor sentiment for the Fed to cut interest rates, affecting energy demand outlooks later into the year
- **Oil prices continue to fall for the third straight session** with WTI and Brent falling 1.10% w/w each. The latest EIA report revealed a **higher-than-expected build of 1.80 mm Bbl last week**. This figure continues to raise concern over domestic oil demand
- In an effort to lower gas prices for the summer months, the Biden Administration is set to release an extra **1.00 mm Bbl from a key Northeastern reserve** scheduled by the end of June
- **The Strategic Petroleum Reserve has fallen to its lowest level since the 1980's** with fewer than 370.00 mm Bbl. Previous plans to replenish the reserve have been further delayed
- **Guyana has emerged as one of the biggest key contributors to the global supply of crude oil following behind Brazil and the United States,** increasing production to 645.00 k Bbl/d, making it the third fastest-growing non-OPEC oil-producing country

Looking Ahead

This week Brent crude oil prices reached a high of around $84.44 per Bbl and a low of around $81.24 per Bbl. Price action was due to the sudden news of Iranian President Raisi's death, as well as investors' anticipation of the June OPEC meeting. This meeting, led by Russia, will hold a review of energy production policy next weekend. The Energy Sector believes that global oil prices will soften for the next week while the OPEC meeting remains a potential catalyst for price movements. Last week, U.S. commercial crude oil inventories rose by 1.80 mm Bbl, a surprise to the market as there were expectations of a 2.50 mm Bbl decrease. Gasoline inventories fell for the fourth consecutive week by 910.00 k Bbl, which was slightly higher than expectations. The Energy Sector believes that the lack of development in geopolitical tensions in the Middle Eastern region has also been factoring into global oil prices drifting lower. Oil prices have been relatively stable, fluctuating within a $3.00 range since reaching their peak in April. This stability in pricing highlights the struggle to achieve a significant price increase, in part due to higher-than-expected U.S. interest rates. If this trend continues, we can expect the market to remain bleak unless consumption ramps up. The long-awaited OPEC+ meeting next week has led to anticipation of extended production cuts by the current weaker oil prices. There is potential for a rollover of supply cuts in the second half of the year, possibly limiting production to around 2.20 mm Bbl/d.

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 up 1.31%, the DJIA down (2.30)%, and the S&P 500 down (0.01)%**
- **Nvidia (NVDA)** recently reported their Q12024 earnings which exceeded expectations. Shares reached over 1.00 k and the company announced a 10.00-for-one stock split, making shares more obtainable
- **Services PMI came out at 54.80**, up from the previous report of 51.30, beating expectations of 51.20, indicating an improved service economy
- **Manufacturing PMI was released at 50.90**, which was above forecasts of 50.00, showing an expanding manufacturing sector
- **New Home Sales decreased by 31.00 k** compared to 665.00 k in April, attributable to increases in mortgage rates and higher prices. New single-family home inventory was up 12.10% y/y
- **Initial Jobless Claims came out below expectations at 215.00 k**, down by 8.00 k from the previous week. The consistent decline throughout the month indicates a growing labor market with less layoffs
- **Durable Goods Orders came out at 0.70% m/m,** surpassing the expected (0.90)%, showing that consumption expenditures are continuing to grow despite rising prices and high interest rates
- **The Michigan Consumer Sentiment** released at a six-month low of **69.10,** which beat expectations by 1.70, but dropped from the previous report of 77.20. High interest rates cast doubt on the consumption economy, despite improvements in services and manufacturing
- **Pfizer (PFE)** released declining earnings that **fell below expectations**. The company plans to spend $1.50 bn in cost reductions to cut losses

Looking Ahead

In the coming weeks, the markets will be looking at 1Q2024 GDP, CB Consumer Confidence, Core PCE Price Index, Nonfarm Payrolls, and the unemployment rate. Markets will also be watching for earnings from Salesforce, Inc. (CRM) and Costco Wholesale Corporation (COST). 1Q2024 GDP is expected to decrease from 3.40% to 1.50% q/q, indicating a weakening economy and decreased consumer confidence. Accordingly, CB Consumer Confidence is predicted to decline by 1.10 from the previous 97.00. With uncertainty regarding rate cuts from the Fed, it will be important to monitor U.S. consumers. Core PCE Price Index for April is expected to cool by 0.10% from 0.30% m/m. Following the release of Core PCE, FOMC Member Bostic will be speaking and possibly discussing what the results mean in terms of a rate cut in 2024. Nonfarm Payrolls and the unemployment rate will also be indicators of inflation and the performance of the labor market. Nonfarm Payrolls are expected to fall to 151.00 k from the current 175.00 k. Following last month's sizeable reduction of 140.00 k, further decreases would suggest a cooling job market. Although no forecasts have been made yet, throughout the past six months the unemployment rate has only had small movements between 3.70%-3.90%. Salesforce Inc. is expected to report increased revenues, putting more heat on the technology sector. Earnings from Costco Wholesale Corporation will provide further insight on consumer confidence and spending.

Weekly Product Report

Foreign Exchange Sector

Weekly Product Report

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Summary of Weekly Themes

- The DXY traded sideways this week due to mixed economic signals from PMI and Consumer Confidence. **May PMI beat expectations across the board. Consumer Confidence also came in higher than expected at 69.10.** The FOMC minutes indicated that the Fed is still waiting for data, indicating that inflation needs to be moving towards 2.00% before rate cuts
- EURUSD showed minimal movement, largely due to May's PMI. **Composite and Manufacturing PMI beat expectations as they continue to recover, while Services PMI remained flat at 53.30**. Consumer Confidence also rose in the May reading, improving the E.A.'s economic outlook
- GBPUSD traded up 0.26% w/w, with **weaker than expected Retail Sales from the U.K. at (2.30)% m/m. CPI data from the U.K. came in at 2.30% y/y**, down significantly from the March reading**. This CPI reading indicates that the BOE should be able to cut sooner than previously expected**
- **USDJPY rose 0.79% w/w to 156.90.** Japanese CPI fell to **2.50% y/y, remaining above the 2.00%** target, potentially alluding to the BoJ future tightening policy. BoJ rate hikes would cause the pairing to fall
- **USDCAD rose 0.26% w/w,** which can **mainly be attributed to Retail Sales for March coming in lower than expected**. CPI also fell to 2.70% y/y in April down from 2.90%**. I**nflation continues to fall towards the BOC's target
- **NZDUSD** traded sideways this week due to mixed economic signals from the U.S and NZD as NZD 1Q2024 Retail Sales came in **higher than expected at 0.50% q/q**, coupled with the RBNZ deciding to hold rates at 5.50%, as well as the Fed indicating that they are still waiting for more economic data to indicate that U.S inflation is cooling to consider a rate cut

Looking Ahead

The Sector will continue to monitor various reports coming out this week, including economic data from the U.K., U.S., China, and Japan. The second estimate of U.S. GDP will be coming out May 30th as well as Non-Farm Payrolls on June 7th. A strong GDP number could bolster the USD, while a smaller figure might lead to a decline. Nonfarm Payrolls will be essential as this past month's employment increased by 175.00 k, down from an average of 242.00 k over the last 12.00 months. The sector expects GDP to align with expectations, as CPI has also continued to meet expectations. Additionally, the release of the U.S. ISM Manufacturing PMI on June 1st will provide insight into the economic health and manufacturing activity in the U.S. China's Manufacturing PMI will be released May 31st and could potentially affect commodity base currencies. Governor of the BoJ, Kazuo Ueda, will deliver a speech on the Japanese monetary policy on May 27th. This is following the first rate hike in Japan since 2007. Any hawkish rhetoric could be expected to strengthen the Yen, while dovish language could weaken it. The Tokyo CPI is expected to be published on May 30th and is considered a leading indicator of overall Japanese CPI. Consumer data from the European Monetary Union will be released May 31st. The BOC will announce interest rate decisions June 5th. The BOC is expected to maintain its current interest rates, but a surprise cut could impact the CAD.

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Index Derivatives Sector

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Summary of Weekly Themes

- Benchmark **U.S. indices were mixed** this week, as **the S&P 500 rose 0.03%** from Nvidia earnings coming out above expectations and the fifth straight week of inflows to equities. **The Dow Jones Industrial Average fell (2.35)%, and the Nasdaq Composite climbed 1.41% w/w** closing at a record high reaching 16,920.94 points and returning 14.50% YTD
- **China's Hang Seng Index broke its four-week profitable streak down (4.83)% w/w.** Tensions remain high as China launches punishment military drills surrounding Taiwan. A downturn in risk sentiment following lackluster earnings and a hawkish Fed stance ends a four-month upward trajectory
- The **STOXX Europe 600 slipped this week by (0.39)%** as U.K. Retail Sales plunged beneath expectations at (2.30)% m/m against a predicted (0.40)%, and (2.70)% y/y falling short of the (0.20)% forecast
- **France's CAC fell (1.05)% w/w.** Strong economic activity and stubborn inflation paired with recent PMI reports pose a threat to looser monetary policy in 3Q2024. Expectations remain for the ECB to cut in June
- **Japan's Nikkei 225 Index ended the week down (0.36)%.** The **i**nflation rate slowed for a second straight month in April to 2.50% y/y. The JPY continues to weaken under pressure of the Fed delaying rate cuts
- **U.K.'s FTSE 100 Index ended the week down (1.43)%** as the BOE maintained interest rates at 5.25%, while inflation showed signs of easing, dropping to 2.30%, the lowest since July 2021
- **Germany's DAX tailed off last week's spike as the index fell (0.06)% w/w.** The Germany Composite PMI rose to 52.20, the highest in a year and above expectations, indicating expansion in the private sector

Looking Ahead

Movement in global equity indices this week was largely driven by the hawkish view on cutting rates by the Fed. Minutes from the May 1st meetings were released on Wednesday and reflected the ongoing higher for longer theme. Inflation eased to 3.40% in April 2024. Next week, the Fed's primary gauge of inflation, the PCE Price Index, as well as Personal Income and Spending, will be released. The Fed has continued to state that they must see more data on cooling inflation before cutting rates. Global equity indices have reacted to the Fed's hawkish stance and the Sector believes next week's PCE data will follow suit. For China, many believe that the economy needs stimulus to boost the economy, but cutting rates before the U.S. would further depreciate the CNY against the U.S. dollar. If PCE raises concerns of continuing inflation the Sector believes the Hang Seng will continue to struggle in the coming months. Foreign direct investment was down (27.90)% y/y for China. Geopolitical tensions remain high and hurt market sentiment after China's military carried out punishment war games around Taiwan to test its ability to seize power. Investors will be on the lookout for China's NBS Manufacturing and Services PMI this coming week. Meanwhile, the ECB is also scheduled to meet next week, potentially adding another layer of complexity to the global economic outlook as market volatility is expected to remain high. Overall, eyes will be on banks around the world as more data is released next week and tensions rise.

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Interest Rate Product Sector

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Summary of Weekly Themes

- **The expected CPI report of a 0.37% increase was reported at 0.30% m/m for April**, showing the first cooling of CPI in six months. The market is now pricing in around two 25.00 bps cuts this year according to CME Group
- **Retail Sales for April reported flat at 0.00% m/m, missing expected forecasts of a 0.40% increase,** suggesting a weakened consumer, possibly due to rising credit card and auto delinquencies
- **A 5.00% reduction in the minimum down payment and a 25.00 basis point decrease in housing loan rates** for Chinese homes have been implemented by China to stabilize falling property values
- **The U.S. 10-year Treasury bond yield rose to approximately 4.47%,** extending its rebound from its 4.35% low as investors anticipate higher for longer rates, driven by ongoing economic uncertainty
- **The Biden Administration has announced $18.00 bn in new tariffs on China**, including 25.00% on steel and aluminum, 50.00% on semiconductors, 50.00% on solar products, and 100.00% on electric vehicles, as part of an effort to encourage U.S. businesses
- **Japan's annual inflation eased to 2.50% in April,** marking the second consecutive month of deceleration. Food prices recorded the slowest increase in 19.00 months as the cost of transport increased
- **Sales of existing homes decreased by 1.90% from the previous month to a seasonally adjusted annual rate of 4.14% m/m**, reflecting the significant impact of high mortgage rates on the housing market during peak selling season. Affordability and sales are likely to decrease further as higher rates persist, putting additional pressure on potential buyers.

Looking Ahead

In the upcoming weeks, the Interest Rate Products Sector is poised to closely monitor pivotal macroeconomic indicators that serve as gauges for the trajectory of not only the U.S. economy but also other major global economies. The U.S. GDP growth rate q/q, U.S. Core PCE Price m/m, and Personal Spending m/m stand out as pivotal indicators. These releases are important precursors to the May CPI report releasing on June 12th. Turning attention to the equities market, the spotlight remains on multiple major corporations scheduled to release their earnings reports in the next week. Companies such as Cava, Dick's Sporting Goods, Salesforce, HP, Kohl's, Costco, Dell, and Ulta are among the notable companies set to release earnings. These earnings reports hold considerable significance for investors and policymakers, serving as valuable insights into consumer spending trends. A downturn in the health of the consumer could potentially sway decisions regarding future rate cuts by the Fed. On the global front, economic data releases from Japan and China are anticipated. Japan is set to unveil its Consumer Confidence data, while China is slated to release its NBS Manufacturing PMI. Moreover, India, an economy in robust expansion, is poised to release its GDP growth rate y/y, with forecasts suggesting a potential dip compared to the previous year. Additionally, next week we will be getting reports of inflation data from France, Italy, and the Euro Area, which will provide further insights into the economic health of the region.

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Weekly Product Report

Metals Sector

Weekly Product Report

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Summary of Weekly Themes

- After briefly hitting all-time highs of over $2,440.00 per oz on Monday due to news of the death of Iran's President and Foreign Minister, **Gold declined 3.48% w/w**. This comes after the Fed minutes release pointed to concerns about inflation progress resulting in a possible higher for longer stance
- **Silver** reached its highest levels since 2012 at $32.60 per oz as continuous support for the precious and industrial applications boomed with rising demands for clean energy. Much like Gold, the release of the more hawkish statements in the Fed minutes caused a **price decrease of 5.46% w/w**
- **Copper felt resistance to its historic YTD rise, dropping 5.45% w/w.** After hitting an all-time high on Monday, investors decided to cash in on the recent rally, causing the metal to have its worst single-day performance YTD. Despite this, Copper is still up ~22.00% YTD. This comes from decreases in the supply of copper with an increase in demand for clean energy
- **Aluminum prices rose 1.74% w/w.** Prices jumped to $2,725.25 per ton on Tuesday with hopes for a dovish Fed minutes to come. On Wednesday, investors digested the news of China's imports of Aluminum rising by 72.10% YTD, causing a 2.48% drop in prices settling around $2,600.00 USD per ton
- **Platinum had a disappointing week with prices declining 2.77% w/w.** This decline comes with the news that miner Anglo American seeks to offload Platinum assets and prepare for the possibility of a merger with BHP. On Friday, the PGI met and are looking to create more demand for Platinum jewelry by introducing a new Platinum alloy in Las Vegas by the end of May

Looking Ahead

In the upcoming weeks, the Sector will continue to monitor the rally put on by metals this year so far. Gold and Silver could see further price drops with the Fed and Jerome Powell taking a wait-and-see approach with inflationary data, which the Sector will keep an eye on. The release of next week's PCE reading on Friday could provide further insight into the Fed's decision on rate cuts. The Sector continues to expect these precious metals such as Gold and Silver to be relatively resilient in the future. Concerning precious metals with more industrial uses such as Platinum and Palladium, the Sector sees a possibility of a short-term weakening with the Fed's Minutes being cautious and waiting for more inflationary data, although China's urgency to fix their economy could result in upward pressure in Platinum and Palladium prices long term. For the industrial metals, the Sector is looking towards China. China has been proactive on fixing their economy this year and the governmental sentiment towards the economy is looking up. China unveiled a massive re-lending package this week to work on getting their property Sector back on track. This will be something the Sector keeps an eye on as China's property Sector consumes nearly 30.00% of Copper worldwide. China's Iron Ore imports are now likely to hit an all-time high this year despite earlier estimates of a decline. The increase in imports could potentially signal growth in Chinese infrastructure as well as manufacturing. Overall, the Sector is bullish due to possibilities of a rate cut this year and China's recent economic data even with the Fed's wait-and-see approach.