Penn State Asset Management Group

EoW Product Report

Week of February 3 – February 7, CY2020

Equity Derivatives Products Sector

EoW Product Report

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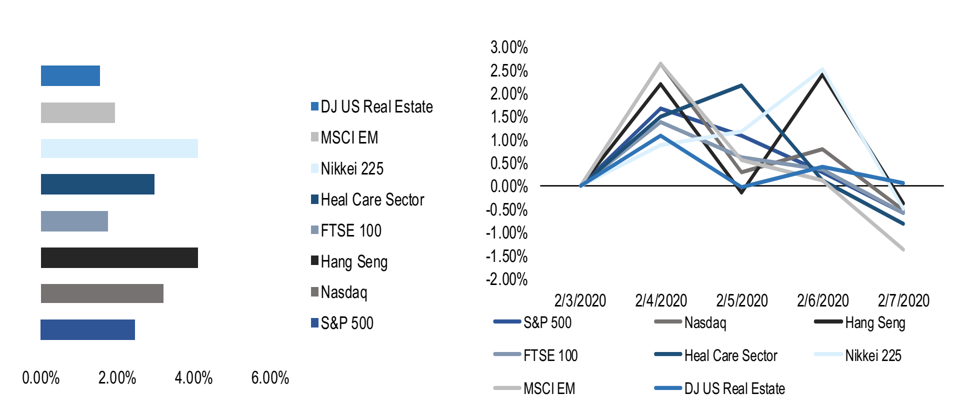
Equity Derivatives Products Price Action Sheet

	End of Week Close	End of week % Change
S&P 500 Futures	3,325.50	2.46%
Nasdaq 100 Futures	9,409.50	3.24%
Hang Seng Futures	27,274.00	4.10%
FTSE 100 Futures	7,401.50	1.74%
S&P 500 Health Care Futures	1,039.80	2.96%
Nikkei 225 Futures	23,830.00	4.11%
Emerging Markets Futures	1,080.00	1.79%
Dow Real Estate Futures	378.80	1.53%

Market Data as of February 7, 5:00 pm EST

Product Price Movement

END OF WEEK GRAPHS



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Positive U.S. Economic Data

The U.S. continues to outperform economies all over the world during the global economic slowdown and the economy is beating the expectations of many analysts. On Monday, February 3, CY2020, U.S. Manufacturing PMI for January CY2020 came in at 50.90, which beat expectations of 49.10. This is the first time the U.S. has seen an expansion in manufacturing since July CY2019, increasing investor sentiment regarding the U.S. economic outlook. Non-farm payrolls came out this week on Friday for January CY2020 substantially beating expectations. 225.00k non-farm jobs were added in January which outpaced the predicted 148.00K indicating continued strength in the labor force. Earnings season continued this week with 94.00 more companies on the S&P 500 reporting. With that, 63.40% of companies in the S&P 500 have now reported, and the data continues to be above expectations. The S&P 500 was expected to report earnings growth of (1.70%) but has reported 0.70% earnings growth thus far. Seven sectors in the S&P 500 have posted positive earnings growth while previous estimates indicated that only five sectors would have positive growth. The IT sector has outperformed expectations by ~7.00%, driving a large portion of the S&P 500 earnings growth for 4Q2019. All this incoming data, along with a rollback of tariffs, has helped to drive major U.S. indices to new highs on Thursday before seeing a small sell-off on Friday due to increasing coronavirus fears.

Coronavirus and Supply Chain Effects

In the first three weeks of trading since the coronavirus became mainstream news, it has killed over 630.00 people and infected over 31,400.00 across 25.00 countries. The effects of the virus are being felt around the globe, but not all markets are reacting in correlation with the virus, despite more negative news. This past week, news regarding tariffs and supply chain disruptions have headlined the adverse effects of the coronavirus on the global economy. Supply chains in Asia have been disrupted due to factory closures that are happening all around China. With over 16.00 cities that have been quarantined, totaling about 50.00 mm people, it is no wonder that supply chains are disrupted. The auto industry is taking a hit because many car parts are not being transported to places such as South Korea and Japan where many different car manufacturers have factories. The U.S. auto industry is safe for now because of the timing of the latest shipment of car parts from China which occurred before the Lunar New Year and before the widespread quarantine. However, if the quarantine lasts more than one month, U.S. automakers will begin feeling the effects. Investors will need to watch closely as markets react in the following weeks regarding the automotive industry as well as possibly consumer discretionary because many factories do not even have a timeline for coming back online.

U.S. China Trade War Tariff Cuts

Earlier this week, the U.S. and China mutually agreed to lower tariffs on each other's products that were included in the U.S. China Trade Deal signed earlier this year. The U.S. agreed to lower tariffs on about $120.00 bn worth of Chinese goods, mainly focused on electronics and clothing. The U.S. dropped tariffs from 15.00% to 7.50% while China cut tariffs on $75.00 bn worth of U.S. goods from 10.00% to 5.00%. This helped boost both U.S. and Chinese indexes this week in hopes that the decreasing tensions will add momentum for the two countries to reach additional compromises toward a more complete trade deal. The reduced tariffs will benefit many companies battling the increased prices of inputs.