Penn State Asset Management Group

EoW Product Report

Week of February 17 – February 21, CY2020

Equity Derivatives Products Sector

EoW Product Report

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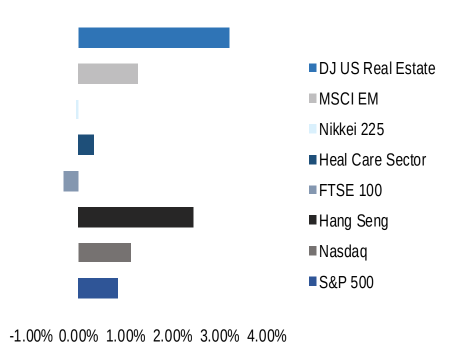
Equity Derivatives Products Price Action Sheet

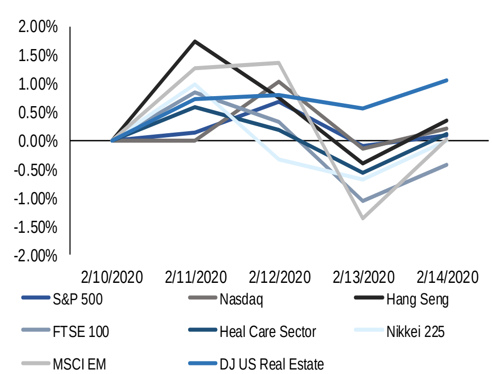
	End of Week Close	End of week % Change
S&P 500 Futures	3,380.90	0.83%
Nasdaq 100 Futures	9,632.25	1.10%
Hang Seng Futures	27,753.00	2.43%
FTSE 100 Futures	7,359.00	(0.32%)
S&P 500 Health Care Futures	1,048.60	0.33%
Nikkei 225 Futures	23,630.00	(0.04%)
Emerging Markets Futures	1,101.00	1.26%
Dow Real Estate Futures	394.60	3.19%

Market Data as of February 14, 5:00 pm EST

Product Price Movement

EoW GRAPHS





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Coronavirus Worries Slowing

Global equity markets have posted large gains during the past two weeks after heavy losses three weeks ago due to worries surrounding the impact of the coronavirus. Outside of the Hubei Province and Japan, the number of active cases have fallen for 11.00 straight days, showing that efforts to control the outbreak have been successful. Markets across the globe saw a heavier pullback on Thursday due to the largest single-day increase in the total number of cases. Markets then rebounded because the large increase in cases was due to the start of clinical diagnosis. The total number of cases rose this week to 67,100.00, with 57,381.00 cases still active. Of closed cases, ~16.00% ended in deaths, and of active cases, ~19.00% are in critical condition. This information could hurt markets as more cases close because the consensus 2.00% mortality rate is most likely understated and will rise as more cases close. Also, the Chinese economy will be further damaged in 1Q2020 because businesses in the Hubei Province have been advised to further delay work until February 21, CY2020. Cases in Japan have also begun to increase at a rapid rate with a large number of cases quarantined on the Diamond Princess cruise ship along with eight new cases elsewhere in the country, some of which were workers helping to combat the spread on the ship. Increasing mortality rate numbers, further delays in Chinese business and a quicker spread of the virus in Japan could all contribute to a further economic downturn in the global economy.

EU Growth to Remain Slow

GDP growth in the EU disappointed investors when released on Friday morning, posting growth of 0.90% for CY2019 and 0.10% for 4Q2019. YoY growth in the EU has been falling since the beginning of CY2018, and this continued fall is lowering investor confidence in the EU. Economic growth is expected to stay low at least through CY2020, leaving little reason for investors to be drawn to equities in the area. Brexit is also weighing down on EU growth with no progress on trade deals for when the U.K. officially leaves the EU at the end of the year. This left the FTSE 100 negative in a week that many other indexes around the world made gains. Central banks in the E.A. have little ability to boost the economy with rates already so low and no fiscal package is in place to provide the EU with any more growth than is already expected. Growth will remain very low in the EU for the foreseeable future.

U.S. Economy Meets Expectations

U.S. inflation and retail sales numbers came out this week and gave investors what was expected, and Jerome Powell appeared on Capitol Hill this week to give his testimony on the U.S. economy. The Fed feels that the U.S. economy is very strong and should continue to be, but they will be closely monitoring the effect of the coronavirus on the Chinese and global economies. This helped to keep investor confidence in the U.S. high, pushing major U.S. indexes to new highs this week. Reaching these new highs was also due to a continuation of impressive earnings growth. With ~75.00% of companies on the S&P 500 having already reported earnings, earnings growth for 4Q2019 was ~0.70%, far greater than the expected (1.70%). Real estate, health care, and IT have been the leaders in beating these expectations. The 0.70% growth is the first quarter of positive earnings growth on the S&P 500 since 4Q2018. This is positive news in the U.S. economy, but coronavirus fears and slow global growth will keep a lid on U.S. equity gains.