



# Penn State Asset Management Group

## BoW Product Report

Week of February 10 – February 14, CY2020

### Metal Products Sector

#### Weekly Markets Update

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#### Metal Products – Upcoming Events This Week

Date & Time	Country	Event	Period	Previous	Estimate
2/10 1:30am	CN	Inflation Rate YoY	JAN	4.50%	5.10%
2/10 1:30am	CN	PPI YoY	JAN	-0.50%	0.20%
2/11 9:30am	GB	Balance of Trade	DEC	£4.03bn	£-2.6B
2/11 9:30am	GB	GDP Growth Rate QoQ Prel.	Q4	0.40%	0.00%
2/11 9:30am	GB	GDP Growth Rate YoY Prel.	Q4	1.10%	0.90%
2/11 3:00am	U.S.	Jerome Powell Testimony			
2/11 11:30pm	AU	Westpac Consumer Confidence Index	FEB	93.40	94.30
2/12 10:00am	E.A.	Industrial Production Y/Y	DEC	-1.50%	-2.80%
2/12 7:00pm	SA	OPEC Monthly Report			
2/13 6:30am	FR	Unemployment Rate	Q4	8.60%	8.40%
2/13 1:30pm	U.S.	Inflation Rate YoY	JAN	2.30%	2.40%
2/13 1:30pm	U.S.	Initial Jobless Claims	FEB	202.00K	214.00K
2/14 7:00am	DE	GDP Growth Rate YoY Flash	Q4	0.50%	0.50%
2/14 10:00am	E.A.	GDP Growth Rate YoY 2nd Est.	Q4	1.20%	1.00%
2/14 1:30pm	U.S.	Retail Sales MoM	JAN	0.30%	0.30%

#### U.S. Industrial Production Projections

On Friday, February 14, CY2020 the U.S. Census Bureau will release data regarding industrial production within the United States which will indicate future performance of base metals. Currently, consensus estimates project industrial production to decrease by 1.00% YoY and by 0.30% MoM. It's important to note that industrial production has been range bound since early February 2019. Whereby, the Industrial Production Index didn't supersede 109.96 but hasn't decreased below 108.85. That being said, the sector predicts that the numbers for January and February will break that range due to a number of macroeconomic factors that have impacted the sector directly. Primarily, the toll of the coronavirus on the Industrial sector has been notable as it has contributed to a broad global slowdown in trade as countries restrict travel and trade with China as precautionary measures to prevent further spreading of the disease. However, the sector does predict that the cut in tariffs from China will have a substantive impact on industrial production figures which will be reflected in the index in the coming months. The prediction resulted from the U.S. removing pressure on exports, which is where the U.S. relies on when it comes to exporting manufactured products with industrial machines, representing \$53.00 bn of U.S. exports alone.



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### Persisting Access Issues Leads to Refined Metal Gains

Supply and demand dynamics are the biggest factors that effect the Metals sector as a whole. That is especially prevalent amongst refined metals such as copper. Whereby, last week saw an uptick in copper prices resulting from concerns regarding supply shortages due to transport restrictions in China in response to the containment efforts that are being implemented to reduce the spread of the coronavirus. The sector views this as an escalating factor in the coming week. That is due to reports coming out on a day-to-day basis that follow the spread of the coronavirus and the subsequent isolation of China from the broader global economy. Therefore, the sector is taking a stance in predicting a notable increase in refined metals' prices as big players in the supply chain of precuring, producing and selling these metals deal with the ramifications of the coronavirus.

### Implications of Retail Sales on the U.S. Economy

U.S. retail sales for the month of January will be released on Friday, February 14, CY2020. Retail sales increased 0.30% in December CY2019 from an increase in purchases of food and drinks, clothes, electronics, appliances, and gasoline. However, sales of motor vehicles declined, halting growth. The release of this data could affect palladium and platinum prices due to its strong correlation with the automotive industry. If the sales of motor vehicles continue to decline into CY2020, it would result in a decrease in demand for the use of palladium and platinum in motor vehicles, thus resulting in a decrease in price. Palladium will have higher vulnerability to this data because the metal is used to produce catalytic converters for gasoline-fueled cars, which are prominently used in the U.S.

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### Chinese Factories Struggle to Resume Operations

Chinese factories are facing problems restarting operations after shutting down and extending the Chinese Lunar New Year in response to the fast-spreading coronavirus. Many factories are scheduled to open on Monday, February 10, CY2020, although it remains uncertain how many will be able to due to travel restrictions throughout China. The factories that will reopen may have to operate with lower productivity from a labor shortage, screening requirements, and a deficiency of parts. According to DHL's risk-analysis platform Resilience360, Inland deliveries in China will face extended delivery times due to the screening of drivers and passengers on highways. Shipments via air and sea will also be effected as numerous countries have stopped flights to and from China, and ships have been restricted to board foreign ports. The virus has caused a shortage in automotive production as Volkswagen plans to push back the date to resume production at some plants to February 17. The German auto maker cited challenges in it's supply chain and labor shortage from limited travel options. Palladium and platinum prices may decrease in response to the shortage of automotive supply, as the demand of the two metals in production will also decrease. Industrial metals such as aluminum, copper, zinc, and silver may also decrease in price as manufacturing factories struggle to resume production.