



# Penn State Asset Management Group

## BoW Product Report

Week of February 3 – February 7, CY2020

## Equity Derivatives Products Sector

### BoW Product Report

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### Equity Derivatives Products – Upcoming Events This Week

Monday – 2/3	<ul style="list-style-type: none"><li><b>RU</b> GDP Growth Rate YoY (Q4) – Previous <b>1.70%</b>   Forecast 2.30%</li><li><b>AU</b> RBA Interest Rate Decision – Previous <b>0.75%</b>   Forecast 0.75%</li><li><b>IN</b> Markit Manufacturing PMI (JAN) – Previous <b>52.70</b>   Forecast 52.50</li><li><b>RU</b> Markit Manufacturing PMI (JAN) – Previous <b>47.50</b>   Forecast 48.80</li><li><b>E.A.</b> Markit Manufacturing PMI (JAN) – Previous <b>46.30</b>   Forecast 47.80</li><li><b>U.K.</b> Markit Manufacturing PMI (JAN) – Previous <b>47.50</b>   Forecast 49.80</li><li><b>U.S.</b> ISM Manufacturing PMI (JAN) – Previous <b>47.20</b>   Forecast 49.10</li></ul>
Tuesday – 2/4	<ul style="list-style-type: none"><li><b>U.S.</b> Factory Orders MoM (DEC) – Previous <b>-0.70%</b>   Forecast 0.90%</li><li><b>CN</b> Caixin Services PMI (JAN) – Previous <b>52.50</b>   Forecast 51.00</li></ul>
Wednesday – 2/5	<ul style="list-style-type: none"><li><b>CA</b> Balance of Trade (DEC) – Previous <b>C\$-1.09B</b>   Forecast C\$1.50B</li><li><b>AU</b> Balance of Trade (DEC) – Previous <b>A\$5.8B</b>   Forecast A\$5.9B</li><li><b>U.S.</b> Balance of Trade (DEC) – Previous <b>\$-43.1B</b>   Forecast \$-49B</li><li><b>E.A.</b> Retail Sales MoM (DEC) – Previous <b>1.00%</b>   Forecast -0.40%</li><li><b>BR</b> Interest Rate Decision – Previous <b>4.50%</b>   Forecast 4.25%</li></ul>
Thursday – 2/6	<ul style="list-style-type: none"><li><b>IN</b> RBI Interest Rate Decision – Previous <b>5.15%</b>   Forecast 5.15%</li><li><b>E.A.</b> ECB President Lagarde Speech</li><li><b>CN</b> Balance of Trade (JAN) – Previous <b>\$47.21B</b>   Forecast \$40.00B</li></ul>
Friday – 2/7	<ul style="list-style-type: none"><li><b>DE</b> Balance of Trade (DEC) – Previous <b>€18.30B</b>   Forecast €14.00B</li><li><b>U.S.</b> Non Farm Payrolls (JAN) – Previous <b>145.00K</b>   Forecast 148.00K</li><li><b>U.S.</b> Unemployment Rate (JAN) – Previous <b>3.50%</b>   Forecast 3.60%</li><li><b>CA</b> Ivey PMI (JAN) – Previous <b>51.90</b>   Forecast 50.00</li></ul>



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### Coronavirus to Further Impact on Equities

This week, news on the coronavirus will help dictate the way markets will move. With nearly 10,000.00 confirmed cases and over 200.00 deaths, the rapid spreading virus is worrying investors. In 2Q2003, YoY GDP growth in China fell to 9.10% from 11.10% in 1Q2003. SARS infected ~8,100.00 people and killed 713.00, but coronavirus has already infected more people and is spreading much faster than SARS did. Consumption in China is taking a hit due to the coronavirus as few people are going out to stores to make purchases like they normally would in major Chinese cities. Consumption is a much bigger part of the economy than it was in CY2003, thus GDP growth in China could be more affected than in CY2003 because of the larger weight of the consumer in China. The coronavirus will continue to worry investors even after the virus starts to be contained. A two-week gestational period worries people that someone without symptoms may have the virus. If the virus continues to spread rapidly in China and other countries this week, businesses in China will be severely hurt. Equities around the world will continue fall if the outbreak continues in China and other countries.

### Positive 4Q2019 Earnings Data

Earnings growth has outperformed expectations so far this earnings season. Nearly half of the companies on the S&P 500 have reported earnings, and S&P earnings growth has been -0.30% versus the expected -1.90%. This has been positive stimulus for equities amidst the negative stimuli created from news of the coronavirus and slowing global growth. Earnings growth above expectations has been driven heavily by the tech giants beating earnings expectations. Companies outside the S&P 500, such as Tesla, are also beating earnings, which may create more positive sentiment around the U.S. economy. 94.00 companies on the S&P 500 are set to release earnings reports in the coming week, including another tech giant, alphabet. If companies continue to beat earnings growth like they have thus far for 4Q2019, it will create positive sentiment in equities and help to keep them positive amidst other negative stimuli.

### FTSE Faces Tough Test After Brexit Finalization

On Friday, January 31, CY2020, the U.K. officially left the E.U. after a three-year process with numerous referendums, changes and delays, including a new Prime Minister. The FTSE is destined for a very tough week as the market has not been opened since the exit from the E.U. Many analysts are predicting a large sell off all throughout the week as traders react to Brexit as well as the first case of coronavirus that has reached the U.K. With uncertainty surrounding how the U.K. will be able to adapt to life on their own after they left the EU, it will be interesting to see how the markets react this week and months down the line as more issues may begin to arise surrounding trade and the British economy as a whole. The coronavirus case is new within the U.K. with only one confirmed case but 70.00 cases that are unconfirmed. This will play a crucial role in the FTSE this week.