

FIS Macro Report

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	Last	Previous	% Change
U.S. Dollar Index	96.32	96.33	-0.01%
US/CNY	6.37	6.36	0.14%
U.S. FOMC Upper Int Rate	0.25	0.25	0
China Repo 7 day	2.21	2.22	-0.45%
Caixin China Manufacturing PMI	49.9000	50.6000	-1.40%
Markit U.S. Manufacturing PMI	59.1000	57.5000	2.71%

Macro Market Dynamic Change:

U.S. federal chairman Powell indicated that the Federal Reserve accelerating to pull back Taper. Major financial institutes expected three to four times of interest rate rising in 2022 under the escalated inflationary pressure.

On China side, Evergrande officially announced a default on its debts. However stock and industrial commodities were not responding to this announcement, which was expected in previous few months.

New metals and carbon emission related products were regaining investment preference after a cooling down for previous two months.

Commodity Market Investment Risk:

Omicron virus increased uncertainty of Cobalt, iron ore export from South Africa. New rounds of pandemic spread in Mongolia and China boarder, which caused significant decrease on coking coal export. Pandemic directly disrupted commodity flow and efficiency, however marginal price impact was becoming smaller.

A Market Review:

U.S. Labor Department published November CPI growth rate reached 6.8% year-on-year, creating the highest growth rate since the June of year 1982. Core inflation CPI growth rate at 4.9%, maintaining the 30 year record. Ten-year bond pushed from 1.356% to 1.528% during the past week, revealing the concerns on the high inflation. However Powell unexpectedly said to pull back Taper, while market previously believed that inflation pressure would slow down the interest rate raising process. Inflation was diminishing its impact on the interest rate decisions. Unlike most of countries, China will start an RRR effective from December 15th. At the same time government officials indicated that this is not signal of a loose monetary policy but a hedging tool against potential liquidity risk of the year-end.

Commodity Research Bureau Index rebounded from 206 to 219.0 during the previous week to indicate a warming commodity investment sentiments. However this index was still indicating a high inflation and price in a historical high area.

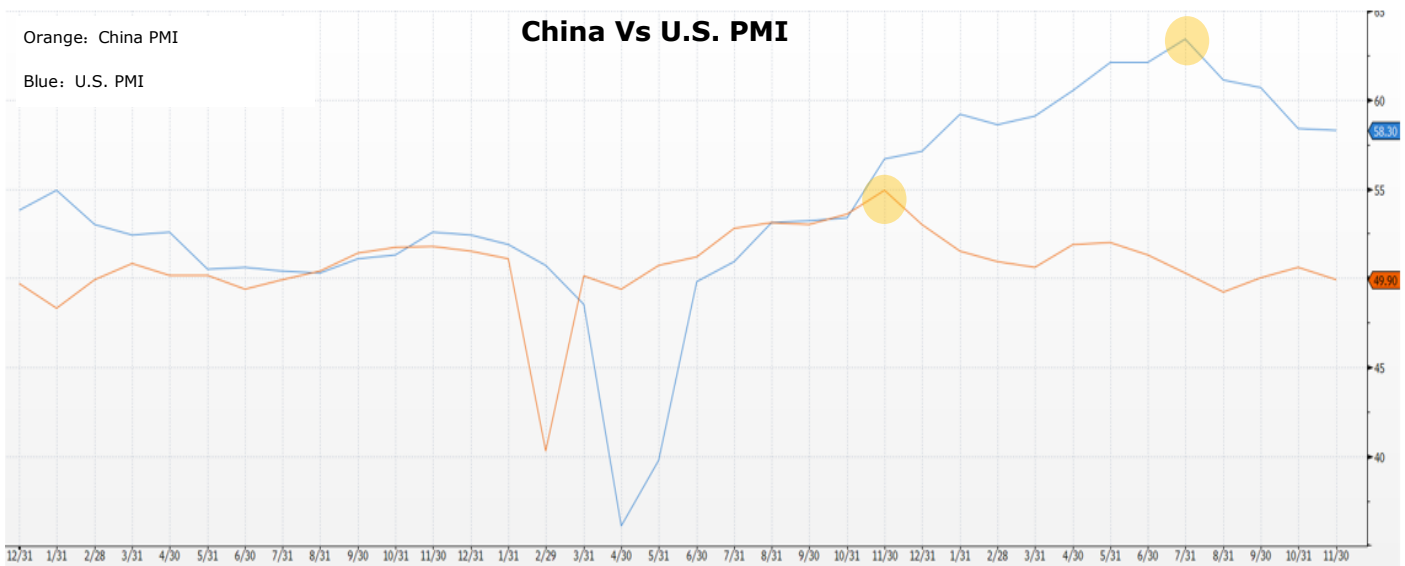
China Evergrande finally entered a default process, however government organized the restructure teams to resolve the risks and spillover in the connected enterprises and industries. 21 cities of China published a price cut restriction on houses to avoid low price sales in Tier 3 or Tier 4 cities, which disrupting the market. Some local China banks started to add state-owned housing developers into a white list on financing activities. However the fast era of housing investment ended.

- U.S. Federal average interest rate raise used to be 400 basis point during 1960s. This range became 250-300 basis point in 1980s. The recent range even became 225 basis points, indicating the interest rate raising window was becoming smaller and shorter.
- In late 2015, late 2018 and early 2020 as labeled in the chart below, U.S. stock S&P500 Index experienced significant corrections by 13.3%, 19.6% and 33.67% respectively. During similar stage of slowing economic growth and strong interest rate expectations. Interest rate increase and economic bubble skimming are inevitable. That is to say, inflation sensitive commodities are under huge risk in the coming year including non-ferrous metals.



Sources: Bloomberg

- China PMI entered a contraction phase from October 2020, U.S. PMI also entered a contraction phase since July 2021. The contraction in PMI for major economies indicated that the monetary stimulus on industrial enterprises was becoming marginally weaker.

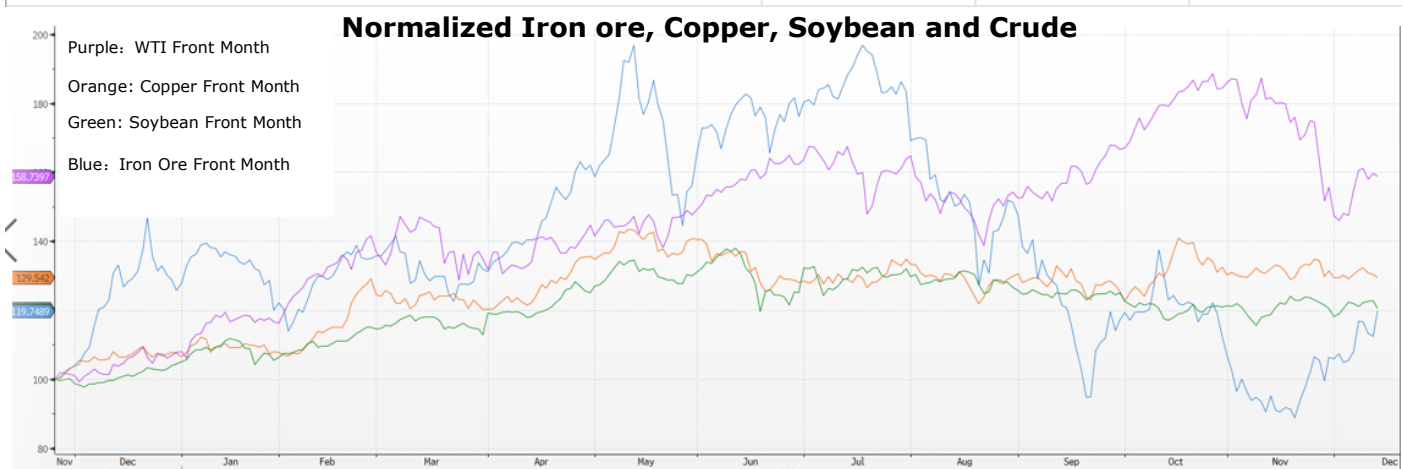


Sources: Bloomberg

	Last	Previous	
Shanghai&Shenzhen 300 Index	5083.80	4892.62	3.76%
Dow Jones Industrial Average	226989.60	224618.11	1.04%
FTSE100	60836.06	61121.07	-0.47%
Nikkei225	1607.07	1569.48	2.34%
U.S. T-Bond 10 Year Yield	1.4120	1.4190	-0.50%
China T-Bond 10 Year Yield	3.1000	3.0900	0.32%

- ⇒ Aluminum price started to flatten as global investment sentiments started to become neutral towards battery products during the year-end.
- ⇒ Iron ore and ferrous related commodities rebounded as several China housing strategies became friendly and banks opened white list on house financing. Crude oil during similar period corrected as U.S. attempted to lead the OPEC countries to release oil capacities. Moreover, European markets were concerning the new spread of Omicron virus.

	Last	Previous	
LME Copper 3 Month Rolling	9447.50	9505.00	-0.61%
LME Aluminium 3 Month Rolling	2654.00	2588.00	2.49%
WTI Cushing	71.29	69.49	2.52%
Iron Ore62%	115.00	104.50	9.13%
U.S. Gold in Dollars	1785.8600	1784.1300	0.10%
BDI	3272.0000	3171.0000	3.09%



Sources: Bloomberg, FIS

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