

FIS Macro Report

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	Last	Previous	% Change
U.S. Dollar Index	96.49	96.57	-0.09%
US/CNY	6.38	6.37	0.07%
U.S. FOMC Upper Int Rate	0.25	0.25	0
China Repo 7 day	2.10	2.15	-2.37%
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:

The Super Central Bank week saw a different monetary policy with U.S. increasing interest rates and China decreasing interest rates. Investors had understood that golden times of Equity and Commodity market will come to China in the year 2022. Major investment is flowing back to ferrous commodities during last week from other sectors.

Commodity Market Investment Risk:

Omicron virus increased uncertainty of for Cobalt and iron ore exports from South Africa. Indonesia banned some battery metal exports and China stopping rare-earth metals exports, both of which could cause some new metals supply issues in next three years. Omicron spread out into 89 countries, which was quickly taking the place of Delta virus as the dominant virus strain.

A Market Review:

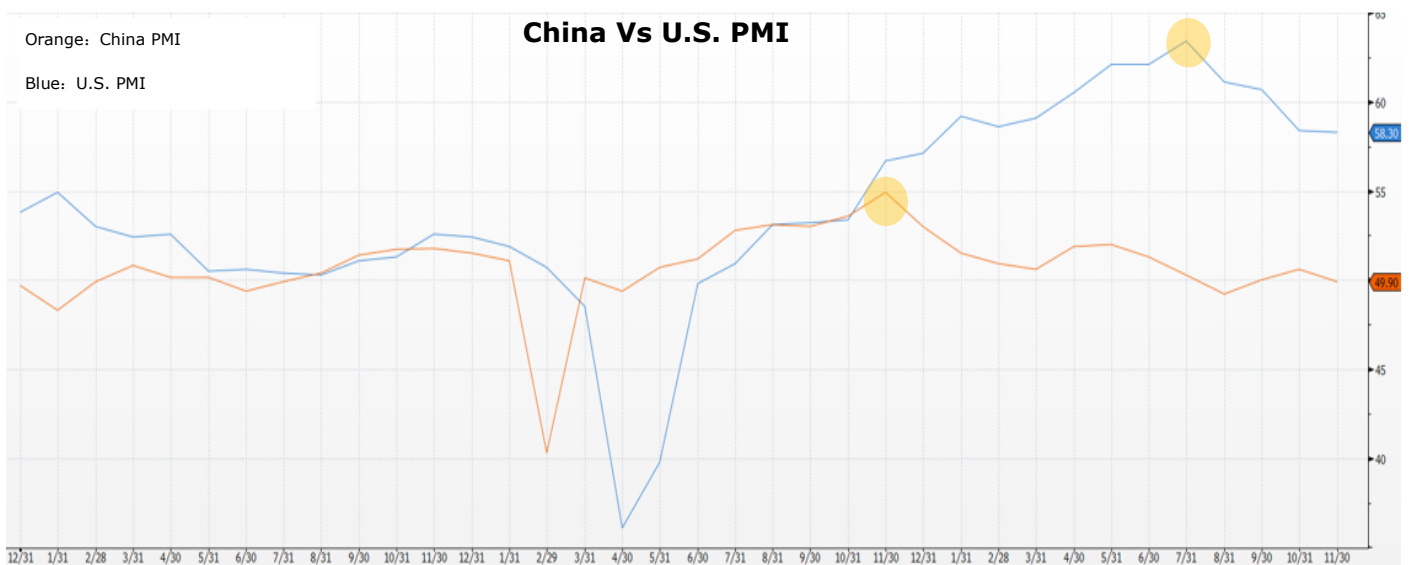
Commodity Research Bureau Index retreated from 225.35 to 221.84 during the previous week to indicate a neutral but resilient commodity investment sentiments. However this index was still indicating a high inflation and price in a historical high area.

The final default in China Evergrande didn't create a significant impact to the market as expected. However the butterfly effect would take time to identify. Government debt restructured team expected to resolve debt related issues from assets auctions and during same time, more floor policies come out to prevent a quick drop on housing prices in major China cities.

The global market experienced "Super Central Bank Week" as major economies started to announce the monetary signals. U.S. plot matrix indicated three interest rate in the year 2022 with 25 basis points respectively, targeting to pull back inflation rate to 2% in the long-run. Bank of England unexpectedly became the first country to raise interest rate in G7 countries, increase bank lending rate from 0.1% to 0.25%. UK inflation rate was 5.1% in November, creating a 10-year-high. However Asian economies were calm on the monetary policies after successfully grounded some effective macro tools, including the infrastructure projects in ASEAN countries, as well as the China's closed-loop management on prices as well as increase commodity supply. China decreased One-Year Loan Prime Rate by 0.5%, first change after the flat rate over previous 20 months. The different monetary policies potentially was not strong enough to drive interest rate hooked investment back to western countries since China interest rate was current way beyond most of major economies, which left sufficient room to increase its money supply.

	Last	Previous	
Shanghai&Shenzhen 300 Index	4906.80	5049.70	-2.91%
Dow Jones Industrial Average	222716.97	226989.60	-1.92%
FTSE100	60628.56	60836.06	-0.34%
Nikkei225	1596.17	1592.81	0.21%
U.S. T-Bond 10 Year Yield	1.4131	1.4120	0.08%
China T-Bond 10 Year Yield	3.1000	3.0900	0.32%

- China and U.S. stock started to diverge after the monetary policy out, however China domestic companies listed in U.S. suffered a huge loss because of the drop on stock prices, which to some extent restricted the performance of China equities as well.
- Industrial commodities demand were rather strong over the whole commodity complex, as major economies including U.S., China, Europe, and ASEAN countries were concentrating in infrastructure projects. Most of the projects would last 5 years along with the entire monetary cycle.
- Petro-chemical usage was entering a dilemma. One side restricted by the appeal of U.S. to release oil inventories and production. On the other side fill the gap of natural gas shortage. Renewable energies take some time to reach the real demand.
- 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	
LME Copper 3 Month Rolling	9446.50	9447.50	-0.01%
LME Aluminium 3 Month Rolling	2671.00	2654.00	0.64%
WTI Cushing	68.23	71.29	-4.48%
Iron Ore62%	125.00	115.00	8.00%
U.S. Gold in Dollars	1792.6000	1770.8500	1.21%
BDI	2371.0000	3216.0000	-35.64%

- ⇒ Iron ore and ferrous related commodities were warming because the LPR decreased for the first time over the past 20 months, which raised a general positive sentiment on a recovery for the housing market. However the Chinese government was still focusing on resolving the debt issues on some big housing enterprises.
- ⇒ Aluminum prices started to flatten as global investment sentiments started to become neutral towards battery products during the year-end. Battery metals related upstream equities started to correct massively from September although cobalt and lithium prices were refreshing historical high all the way.

Normalized Iron ore, Copper, Soybean and Crude Oil price



Sources: Bloomberg, FIS

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