

FIS Macro Report

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	Last	Previous	% Change
U.S. Dollar Index	95.87	96.26	-0.41%
US/CNY	6.38	6.38	0.03%
U.S. FOMC Upper Int Rate	0.25	0.25	0
China Repo 7 day	2.15	2.11	1.86%
Caixin China Manufacturing PMI	50.9000	49.9000	1.96%
Markit U.S. Manufacturing PMI	57.9000	59.1000	-2.07%

Macro Market Dynamic Change:

Riots in Kazakhstan raised concerns on oil supply. However OPEC+ revealed that they will increase oil supply from this February earlier than expected. In the long term it is expected that oil supply will become looser with increasing optimistic demand expectations. China Financial department issued 146 million yuan specialised debts in 2022 in infrastructure projects. In addition, after the crude steel production entered more lax control period in Q1 2022, ferrous products were supported. Seaborne Capsize and Panamax were slightly caught up with demand market and thus decrease the shipping cost of commodity exporters.

Commodity Investment Risk and Expectation:

The market preference potentially shift from agriculture and oil to ferrous products in the next few days observed from the trend from last week. Investment banks including Morgan Stanley and Goldman Sachs believed that commodity sector would become a best performer compared with debt, equity or other investment in the year 2022.

A Market Review:

Commodity Research Bureau Index boomed from 232.37 to 237.9 over the previous week, majorly contributed by the crude oil spur of activity. Historical experience from U.S. market indicated that long and short-term bond yield spread decreasing is usually a leading indicator of a correction on equity and commodity markets.

U.S. 10 year—2 year bond yield spread Vs Dow Jones Index



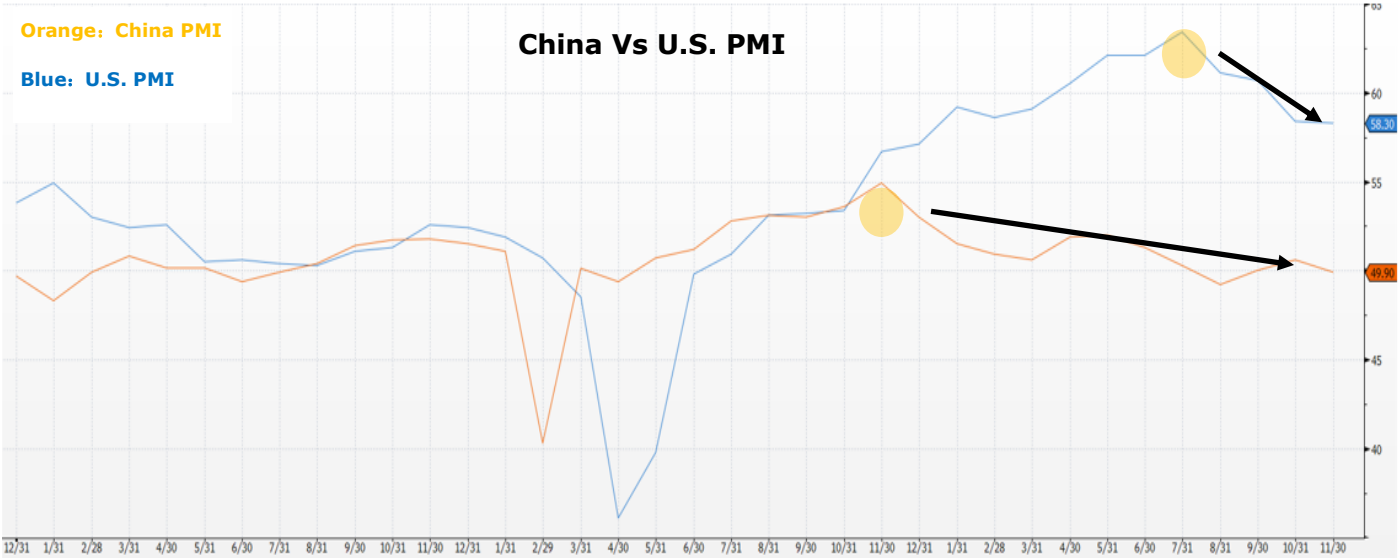
Sources: Bloomberg, FIS

Potential risk emerged as the 10 year—2 year U.S. bond yield spread narrowed from 1.6% to 0.8% area over the previous seven months, however U.S. equity Dow Jones Index was still in a historical high area. The further narrowing on the yield spread is raising concerns on the correction of entire secondary investment market.

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.

	Last	Previous	
Shanghai&Shenzhen 300 Index	4830.14	4917.77	-1.81%
Dow Jones Industrial Average	229982.34	232538.30	-1.11%
FTSE100	64386.82	63529.06	1.33%
Nikkei225	1562.22	1593.12	-1.98%
U.S. T-Bond 10 Year Yield	1.7660	1.6338	7.49%
China T-Bond 10 Year Yield	3.0900	3.0800	0.32%

- Petro-chemical usage was still stuck in a dilemma. As in a long-run restricted by the U.S. appeal to release oil supply. However natural gas supply shortage is a factor unable to be missed in the first half year of 2022.
- China PMI entered a contraction phase from November 2020, the trend however is expected to flatten as the country entered an interest rate decreasing phase, with lending costs for industrial enterprise decreasing significantly.
- U.S. PMI also entered a steeper contraction period from the July of the year 2021. It's expected there is more room to decrease as a control on inflation as well as an increased interest rate this year.



Sources: Bloomberg

	Last	Previous	
LME Copper 3 Month Rolling	9563.50	9720.50	-1.64%
LME Aluminium 3 Month Rolling	2931.50	2807.50	4.23%
WTI Cushing	78.23	76.08	2.75%
Iron Ore62%	127.50	122.50	3.92%
U.S. Gold in Dollars	1806.2100	1814.6000	-0.46%
BDI	2277.0000	2217.0000	2.64%

- Iron ore and ferrous related commodities were rebounding with the dam incident in Brazil as well as the early issuance of specialised infrastructure fund raising. However the speculation on upstream materials was generally considered mute as Chinese government controls on speculation, as well as investment preferences, shifted to new energy in a more long term focus.
- Aluminum regained money inflow as the energy risk in Europe had limited the production on electrolytic aluminum.

Normalized Iron ore, Copper, Soybean and Crude Oil price



Sources: Bloomberg, FIS

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