

# FIS Macro Report

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	Last	Previous	% Change
<b>U.S. Dollar Index</b>	95.37	95.62	<b>-0.26%</b>
<b>US/CNY</b>	6.35	6.38	<b>-0.46%</b>
<b>U.S. FOMC Upper Int Rate</b>	0.25	0.25	<b>0</b>
<b>China Repo 7 day</b>	2.20	2.22	<b>-0.91%</b>
<b>Caixin China Manufacturing PMI</b>	50.90	49.90	<b>1.96%</b>
<b>Markit U.S. Manufacturing PMI</b>	57.90	59.10	<b>-2.07%</b>

### Macro Market Dynamic Change:

Asian equity markets ended a month-long retracement and reversed supported by the first interest rate decrease from China. Industrial commodities were generally numb by this news as major commodities have rebounded from mid-December. China officially entered a stage of interest rate decrease while U.S. and ex-China were still in a problem-solving stage to counter-against inflation.

### Commodity Investment Risk and Expectation:

The market preference shift back from ferrous complex to agriculture and oil again previous week and early this week. If proven the supply chain was not impacted by volcano eruption or more prediction less than expectation, related commodities would soon squeeze out the bubbles and pull back.

### A Market Review:

Potential risk emerged as the 10 year—2 year U.S. bond yield spread approached two-year low area. However the U.S. equity Dow Jones Index corrected only by 2.77% from a historical high. The mid-run correction on U.S. index until the recover on the bond yield structure expected to become a certain outcome, just a matter of timing.

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

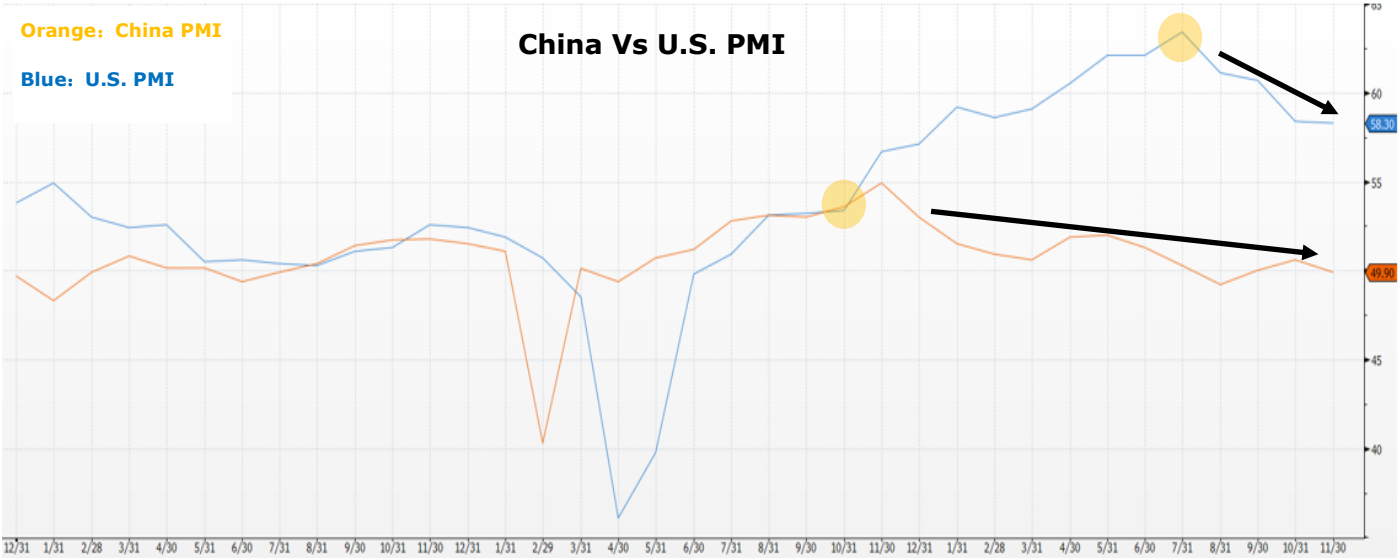


Sources: Bloomberg, FIS

U.S. federal governor Waller said three interest rate was a good baseline, however there might be even as many as five moves depending on the inflation. China central bank PBOC released that the monetary strategies will guarantee the grand total liquidity increase by leveraging different monetary tools and money supply. From the reaction of government policies, China potentially has entered a controllable phase in inflation while U.S. was still on an inflation climbing route.

	Last	Previous	
<b>Shanghai&amp;Shenzhen 300 Index</b>	4818.35	4797.77	<b>0.43%</b>
<b>Dow Jones Industrial Average</b>	228140.55	231078.28	<b>-1.29%</b>
<b>FTSE100</b>	65960.45	64386.82	<b>2.39%</b>
<b>Nikkei225</b>	1571.44	1558.03	<b>0.85%</b>
<b>U.S. T-Bond 10 Year Yield</b>	1.7808	1.7639	<b>0.95%</b>
<b>China T-Bond 10 Year Yield</b>	3.0700	3.0800	<b>-0.33%</b>

- A different monetary strategy is not expected to generate a huge fund outflow from China to U.S. , as the China interest rate was still attracting compared with U.S. Previous outflow was majorly a short-run sentiment. However the default of top housing companies in China decreased the credit level of many housing-linked companies.
- Asian equities suffered a general loss over the past four weeks. Panic transmitted from new emerging economies to China, and new round of Omicron pandemic in China pulled down the expectation of the equity performance as well as different industries. However China stock expected to become the key support globally short-termly as an expectation of cross Lunar New Year rebound observed from previous 20 years.
- China PMI and U.S. PMI both entered a slower contraction phase, plus the estimation number was also becoming closer to the real number. Thus, major economies expected to enter a stable weak cycle in the year 2022.



Sources: Bloomberg

	Last	Previous	
<b>LME Copper 3 Month Rolling</b>	9731.00	9563.50	<b>1.72%</b>
<b>LME Aluminium 3 Month Rolling</b>	2997.00	2931.50	<b>2.19%</b>
<b>WTI Cushing</b>	83.82	78.90	<b>5.87%</b>
<b>Iron Ore62%</b>	127.50	127.50	<b>0</b>
<b>U.S. Gold in Dollars</b>	1817.32	1821.60	<b>-0.24%</b>
<b>BDI</b>	1731.00	2277.00	<b>-31.54%</b>

- Commodity Research Bureau Index refreshed a 7-year high last Friday at 245.43, backed by the first Chinese interest rate cut in in the year 2022, as well as the risk priced-in for U.S. interest raise. In addition, the Tanga volcano eruption has caused a concerns on commodity supply disruption across the year first half of year 2022. The major inference including the potential Tsunami and a decrease of global average temperature by 1 degree.

### Normalized Iron ore, Copper, Soybean and Crude Oil price



Sources: Bloomberg, FIS

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