FIS Macro Report

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	Last	Previous	% Change
U.S. Dollar Index	95.95	95.73	0.23%
US/CNY	6.34	6.36	-0.39%
U.S. FOMC Upper Int Rate	0.25	0.25	0
China Repo 7 day	2.00	2.08	-4.00%
Caixin China Manufacturing PMI	50.90	49.90	1.96%
Markit U.S. Manufacturing PMI	57.90	59.10	-2.07%

Macro Market Dynamic Change:

The Russia-Ukraine geopolitical tension prompted a global correction on Monday including equities and commodities. However the sentiment was recovered on Tuesday except China stock index. Investors panicked as major equity and housing market were obviously entering a low rewarding cycle along with the interest rate raise from U.S., however high prices over consumer spending items increased living costs. Current monetary strategies in major economies were not strong enough to bring investment sentiment back to the first half of year 2020.

Commodity Investment Risk and Expectation:

The geopolitical risk could be very different from expectation, which potentially brings commodity prices out of the scope of fundamentals.

A Market Review:

The long/short U.S. bond yield finally triggered a big correction of U.S. index, as well as a short-run correction on major global stock index. China suffered from the aftershocks of giant housing company default, the entrance of Omicron virus, as well as the hit on stock market. In general, China was to some extent one of the major economies to take the U.S. economy spillover risk. The positive part was that China also expected to recover from the consequences caused by this risk faster than other economies, if we trace back to similar period from end of 2015 to 2016.

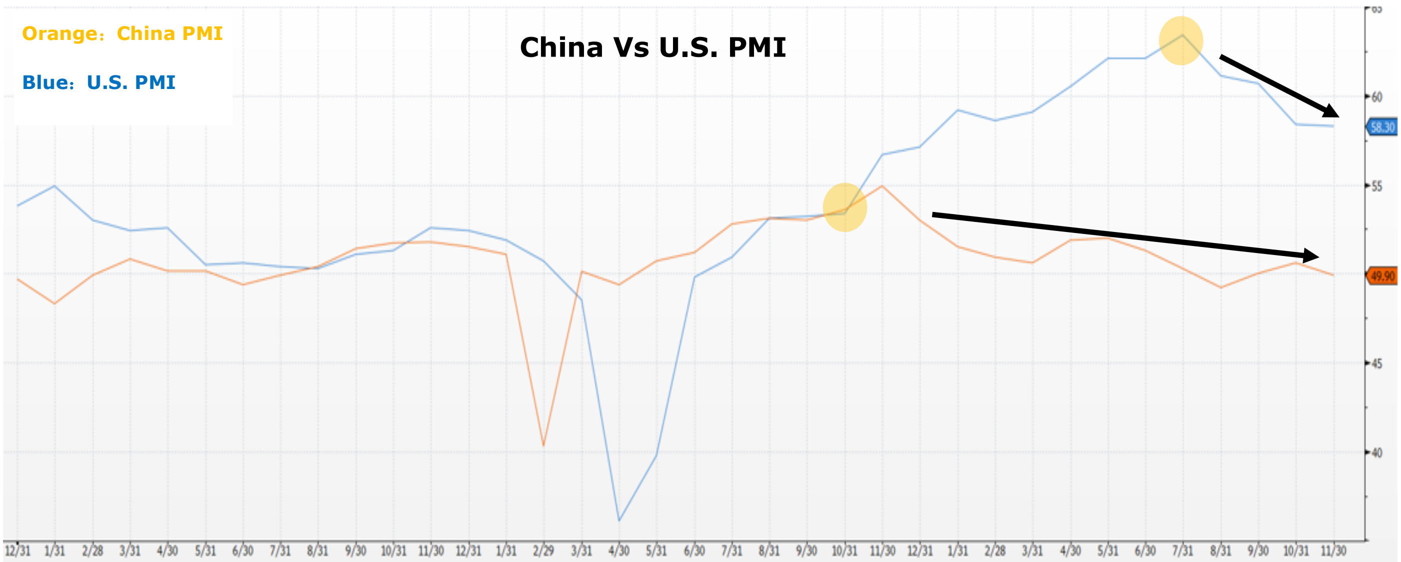
U.S. 10 year—2 year bond yield spread Vs Dow Jones Index

Sources: Bloomberg, FIS

The rebound of U.S. 10 year versus 1 year bond spread could be a signal that equity markets might recover. However, obviously, this yield was still currently deepening.

	Last	Previous	
Shanghai&Shenzhen 300 Index	4748.54	4813.35	-1.36%
Dow Jones Industrial Average	217554.78	228140.55	-4.87%
FTSE100	62162.41	65960.45	-6.11%
Nikkei225	1506.78	1566.61	-3.97%
U.S. T-Bond 10 Year Yield	1.7652	1.7808	-0.88%
China T-Bond 10 Year Yield	2.9800	3.0500	-2.35%

- The interest rate raise in U.S. expected to call back massive investment back to U.S., which could stimulate U.S. economy. The movement however, was not following a linear pattern, in particular during the complex external factors including warfare, commodity shortage and pandemic. The interest rate raise logic potentially had been priced-in, and expectation difference in the year 2022 majorly fall on the inflation level as well as the final number of interest rate. If the final interest rate from U.S. was still lower or equal to new emerging economies, long-run capital potentially prefer to stay in new emerging economies.
- If China become the first country to overcome pandemic, capital market would undoubtedly go back to China, which would potentially benefit the value of yuan-priced commodities as well as improving credit on the top enterprises.
- 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. The PMI rebound in the year 2022 would be a confirm signal that the country went back to the recovery track. Market expect both China and U.S. would see a clear signal of booming PMI in the year 2022.



Sources：Bloomberg

	Last	Previous	
LME Copper 3 Month Rolling	9728.00	9731.00	-0.03%
LME Aluminium 3 Month Rolling	3028.50	2997.00	1.04%
WTI Cushing	84.11	83.82	0.34%
Iron Ore62%	134.50	127.50	5.20%
U.S. Gold in Dollars	1842.88	1813.74	1.58%
BDI	1391.00	1731.00	-24.44%

- Commodity Research Bureau Index stayed around 7-year-high level. The number potentially cool down unless inflation problem resolved in major economies.
- Crude oil and iron ore become the two fast growing commodity from last November, majorly contributed by the macro sentiments and expectation instead of their own supply and demand balance. Market participants should be aware of the bubble squeezing effects after story telling.

Normalized Iron ore, Copper, Soybean and Crude Oil price

Sources：Bloomberg, FIS

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