

# FIS Macro Report

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|                                       | Last  | Previous | % Change      |
|---------------------------------------|-------|----------|---------------|
| <b>U.S. Dollar Index</b>              | 96.20 | 95.99    | <b>0.21%</b>  |
| <b>US/CNY</b>                         | 6.34  | 6.34     | <b>0.12%</b>  |
| <b>U.S. FOMC Upper Int Rate</b>       | 0.25  | 0.25     | <b>0</b>      |
| <b>China Repo 7 day</b>               | 2.40  | 2.15     | <b>10.42%</b> |
| <b>Caixin China Manufacturing PMI</b> | 49.10 | 50.90    | <b>-3.67%</b> |
| <b>Markit U.S. Manufacturing PMI</b>  | 53.50 | 57.90    | <b>-8.22%</b> |

## China House Stimulus:

China's southern provinces decreased down payments from 30 percent to 20 percent, triggered the first recovery on the long restricted housing market, with ferrous products jumping up on Friday following the news and related housing stock reached limit-up. Guangzhou also adjusted the first purchase house loan rate from 5.6% to 5.4%, market expect more stimulus would carry out during the year. However Cric China analysts believed the prevention to over-financialization on houses was a major policy currently. The major marginal demand would shift expectation to China's "Advanced Infrastructure" first proposed from last Q4. Local government was pushing to bring out more infrastructure projects after they had received advanced investment. As a result, the liquidity on infrastructure was sufficient, similar to early 2019. SHFE rebar increased by 32% during the last "super infrastructure" cycle, however the difference was that China was in early recovery phase from trade-war treat last time while currently rebar was in the late recovery phase of pandemic.

## Ukraine– Russia Tension:

Global markets slumped after Russia recognised the independence of two Ukrainian regions. NATO claimed it would impose financial sanctions against Russia. The Rouble corrected to 80.54, a new low since November 2020. The below is a summarised potential impact on commodities after combining fundamental variables.

**Natural Gas:** Europe has high reliability on the natural gas supplied from Russia. The suspension on Nord Stream II drove up European natural gas price by 167% in two months in the year 2021. Sanctions could again put pressure on this market.

**Wheat and Corns:** Ukraine export 17% of world corn, equal to 33.5 million tons annually, and maintaining a stable growth the past five years. Russia exports 17% of global wheat and Ukraine exports 12% global wheat—basis 2021 figures. In general sanctions would certainly cause a supply tension in global wheat and corn markets.

**Crude Oil and Fuel Oil:** Sanctions could restrict Russian exports of crude oil, temporarily triggered a supply issue. However in long-run it would potentially force U.S. to accelerate its push of OPEC to increase supply. In addition, if the tensions cause a decrease in global trade, it will also hurt the consumption of fuel oils.

Sources: Bloomberg, FIS

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| <b>LME Copper 3 Month Rolling</b>    | 9898.00 | 9920.00  | <b>-0.22%</b> |
| <b>LME Aluminium 3 Month Rolling</b> | 3279.50 | 3214.50  | <b>1.98%</b>  |
| <b>WTI Cushing</b>                   | 91.07   | 93.10    | <b>-2.23%</b> |
| <b>Iron Ore62%</b>                   | 140.00  | 149.00   | <b>-6.43%</b> |
| <b>U.S. Gold in Dollars</b>          | 1908.42 | 1853.61  | <b>2.87%</b>  |
| <b>BDI</b>                           | 2045.00 | 1984.00  | <b>2.98%</b>  |

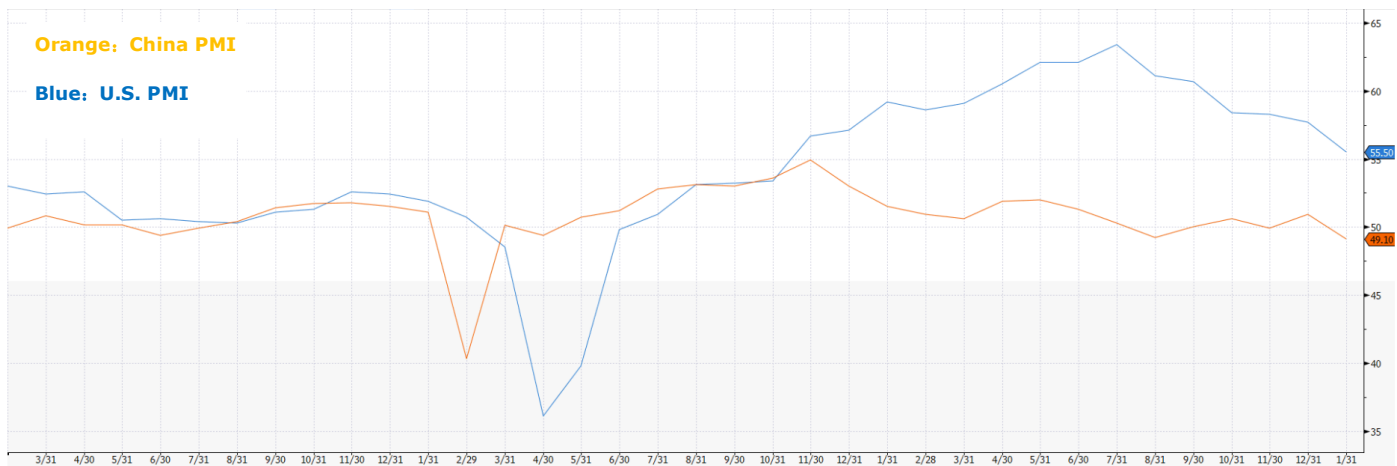
### Ukraine– Russia Tension(Cont’d):

**Base Metal:** Base metals absorbed some risk-hedging as investors shifted on the premise of general shortage of copper, zinc, aluminium and tin. However price-in risk would potentially bring them back to last month levels if tracing back to similar cases during wartime. Russia owned the biggest high grade nickel provider Nornickel provided 210kt nickels annually.

**Iron ore:** Ukraine provided iron ore pellets, however these was not considered as the major benchmark and there was limited export volume. Thus the only impact potentially be the pure follow up on financial markets.

**Coal:** Russia export 48% of total 436 million tons of coals including thermal coals and coking coals to north Asia countries. Theoretically the transportation pathway is currently normal, unless there’s a change in political sentiment in major import countries which could potentially impact supply.

### China Vs U.S. PMI



Sources: Bloomberg

- 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. A PMI rebound in the year 2022 would be a confirmatory signal that the country moved back to the recovery track. The market expects both China and U.S. would see a clear signal of booming PMI in the year 2022. Interestingly, China CPI and PPI difference expected to narrow as the industrial price control and the recovery on consumer spending.

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| <b>Shanghai&amp;Shenzhen 300 Index</b> | 4558.59   | 4600.10   | <b>-0.91%</b> |
| <b>Dow Jones Industrial Average</b>    | 215571.26 | 220746.48 | <b>-2.40%</b> |
| <b>FTSE100</b>                         | 64560.91  | 64788.23  | <b>-0.35%</b> |
| <b>Nikkei225</b>                       | 1457.87   | 1472.35   | <b>-0.99%</b> |
| <b>U.S. T-Bond 10 Year Yield</b>       | 1.9312    | 1.9307    | <b>0.03%</b>  |
| <b>China T-Bond 10 Year Yield</b>      | 3.0600    | 3.0200    | <b>1.31%</b>  |

### Ukraine– Russia Tension(Cont’d):

**Steel:** The European steel price slightly dropped last week, however it did see some support with expectations tensions would disrupt some of Asian-Europe transportation. However from historical cases, steel product demand tends to speculate on supply tensions rather than demand.

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



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