# FIS Macro Report

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**8/2/2022**

| | Last | Previous | % Change |
|---|---|---|---|
| **U.S. Dollar Index** | 95.58 | 96.39 | -0.84% |
| **US/CNY** | 6.36 | 6.37 | -0.07% |
| **U.S. FOMC Upper Int Rate** | 0.25 | 0.25 | 0 |
| **China Repo 7 day** | 2.16 | 2.18 | -0.93% |
| **Caixin China Manufacturing PMI** | 49.10 | 50.90 | -3.67% |
| **Markit U.S. Manufacturing PMI** | 53.50 | 57.90 | -8.22% |

### Macro Market Dynamic Change:

Risk assets recovered slightly compared with late January. However liquidity expectations shrunk with the U.S. Fed creating a long-term roof on investing risk assets with a likely tightening of monetary policy. U.S. Brent oil reached $94/barrel, refreshing a high last reached in October 2014, caused by a streak of stimuli including an energy shortage, hacker attack, geo-political tension and an extreme snow storm in United States.

### Commodity Investment Risk and Expectation:

The price-in stage of the strong commodity expectations potentially bring down the value of the entire sector. Thus investment shift back to equity, fixed-asset or bond will become a concern in the mid of the year 2022.

### A Market Review:

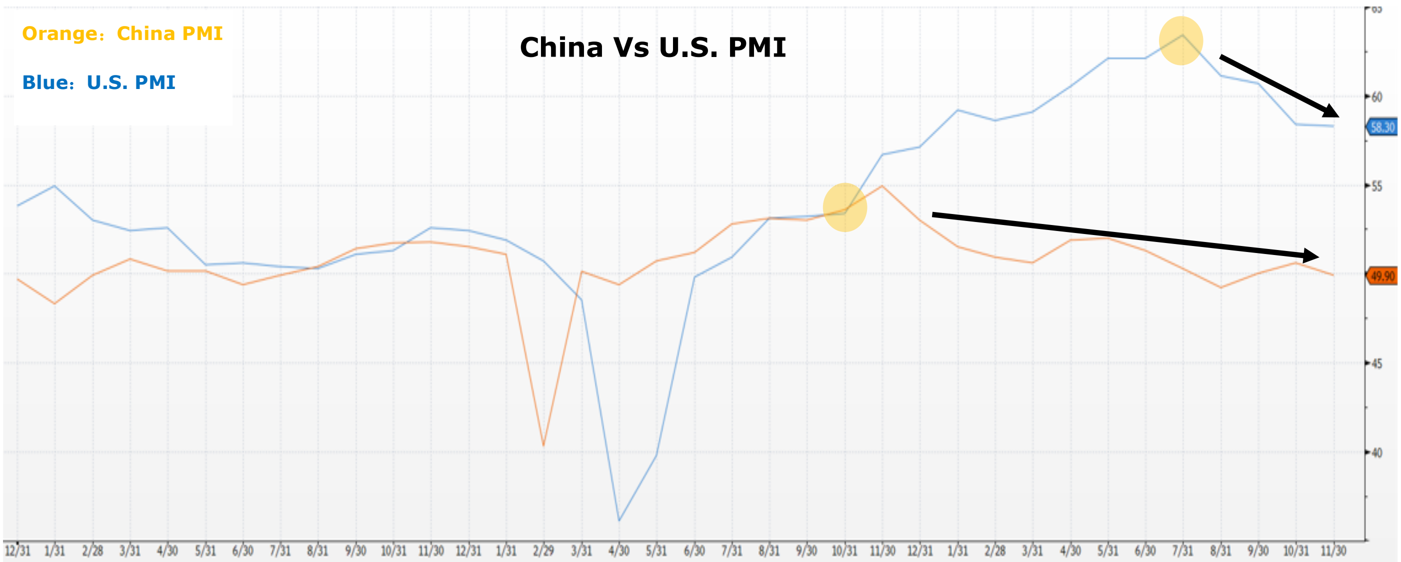
The long/short U.S. bond yield became much closer at 0.62%(10 year/2 year). However the impact on equity market ceased again. Interestingly, the yield spread can stay below 0.2% for less than three months observed historically, which potentially hurt the credit of U.S. bond when the face value was extremely low, normally along with policy interference.

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


*Sources：Bloomberg, FIS*

| | Last | Previous | |
|---|---|---|---|
| **Shanghai&Shenzhen 300 Index** | 4529.70 | 4678.45 | **-3.28%** |
| **Dow Jones Industrial Average** | 223260.29 | 223484.30 | **-0.10%** |
| **FTSE100** | 65131.24 | 63803.04 | **2.04%** |
| **Nikkei225** | 1506.11 | 1501.91 | **0.28%** |
| **U.S. T-Bond 10 Year Yield** | 1.9214 | 1.7867 | **7.01%** |
| **China T-Bond 10 Year Yield** | 2.9500 | 2.9800 | **-1.02%** |

- U.K. central bank passed an interest rate raise by 25 bps vote in their February conference, which was the second time of interest rate raise since last December. EU also confirmed accelerating the interest rate raise schedule, since the unexpected high inflation statistics.
- The interest rate rise 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.
- China PMI and U.S. PMI both entered a slower contraction phase, plus the estimated 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. Interestingly, China CPI and PPI difference expected to narrow as the industrial price control and the recovery on consumer spending.




*Sources: Bloomberg*

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- Commodity Research Bureau Index stayed around 7-year-high level. The number potentially cool down unless inflation problem resolved in major economies.
- Crude oil spur was closing related to a streak of stimulus from external and fundamental side, however, the primary reason was related to energy crisis and geo-political relations. The resolution on these factors would certainly bring back the crude oil prices, however the conduction of the investments potentially shift to petrol-chemicals and related sectors, in different time windows.
- The second "star product" iron ore was propelled from the bottom of the valley after China government released the strategy on housing control as well as lowering borrowing rate. The investment mode potentially also shifted from upstream to downstream during the year as there was no intense supply and demand relations on ferrous products globally so far.

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


*Sources: Bloomberg, FIS*


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