

FIS Macro Report

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	Last	Previous	% Change
U.S. Dollar Index	96.20	95.64	0.57%
US/CNY	6.36	6.37	-0.15%
U.S. FOMC Upper Int Rate	0.25	0.25	0
China Repo 7 day	2.05	2.02	1.46%
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:

US CPI was above expectation the previous week, while the yield of 10-year US bonds exceeded 2%. In January, the China's January financing exceeded expectation and caused a short-run excitement on secondary market. However the sustainability of the monetary stimulus needs to be verified. According to the China's monetary policy implementation report in the fourth quarter of last year, the future monetary policy is still in the easing stage. Indonesia urgently shut down 1000 nonferrous mines, LME Aluminum brushed the highest at \$3236 / ton and broke the record in the year 2018. LME Tin hit a record high of US \$44250 / ton. The Ukraine and Russia freight relations heightened concerns, and WTI crude oil approached \$95.

Commodity Investment Risk and Expectation:

The joint departments of the Chinese government investigations on price controls and the Indonesian supply disruption continues. Ukraine and Russia tensions concerning markets.

A Market Review:

The global CPI is returning as a lagging statistic of real inflation, compared with PPI. U.S. housing rent ratio slightly dropped for the previous two months. The U.S. transportation, entertainment, energy and catering contributed over 30% in CPI(17.6% previously), filled the gap by the decreasing on the automobiles industry, which symbolized that U.S. PPI and CPI difference at 2.3%, a 14-year-high potentially start to decrease in next few months. If that happens, historical data also indicated that the spread narrowing could a leading signal indicator of the reversal of inflation. TIPS implied 10-year inflation indicated that February growth rate at 2.4%, which was 20 bps lower than January.

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

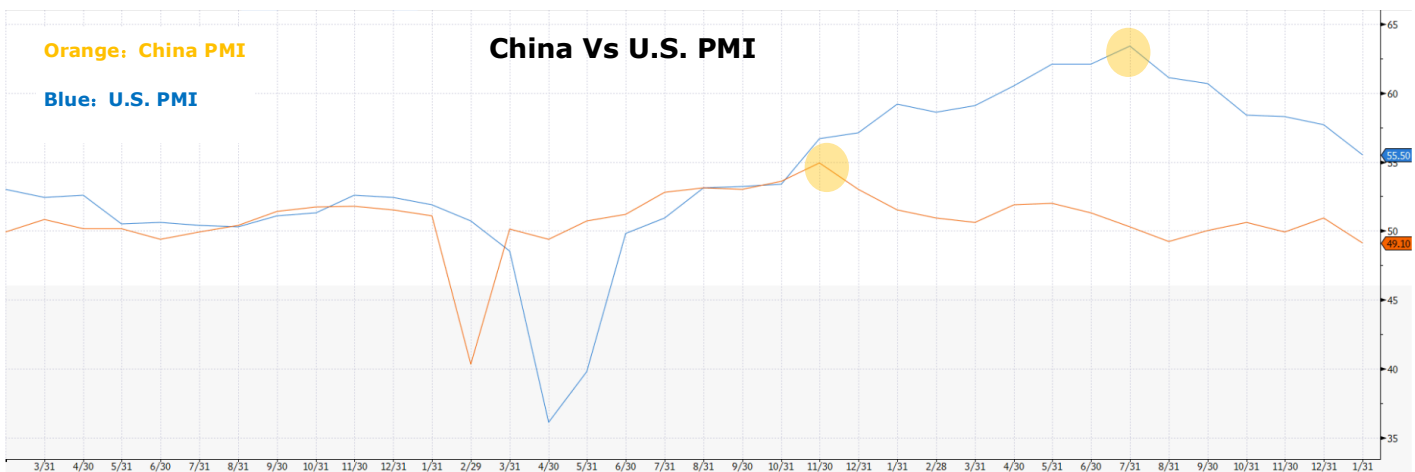


Sources: Bloomberg, FIS

	Last	Previous	
LME Copper 3 Month Rolling	9920.00	9777.50	1.44%
LME Aluminium 3 Month Rolling	3214.50	3132.00	2.57%
WTI Cushing	95.46	91.32	4.34%
Iron Ore62%	149.00	147.50	1.01%
U.S. Gold in Dollars	1878.28	1825.92	2.79%
BDI	1984.00	1422.00	28.33%

U.S. Federal indicated that the March interest rate raise decision was being debated between 25 bps and 50 bps, however the market seems to have reached a consensus on two interest rate rises. The uncertainty before the next federal conference would cause different market sentiments, however the expectation difference should be much less than January and December.

In China, house investment stimulus was clearly separated into demand usage and investment usage. The latter was currently subject to more restrictions and many investments as a result moved to infrastructure projects. Still many previous housing asset investors didn't find an alternative asset after they quit housing market. In particular bond market was in extremely high yield and low face value, suffering credit risk.



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.
- 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.

	Last	Previous	
Shanghai&Shenzhen 300 Index	4594.22	4608.77	-0.32%
Dow Jones Industrial Average	219750.97	223260.30	-1.60%
FTSE100	64788.22	65131.24	-0.53%
Nikkei225	1485.72	1505.43	-1.33%
U.S. T-Bond 10 Year Yield	2.0116	1.9214	4.48%
China T-Bond 10 Year Yield	3.0200	2.9600	1.99%

The “Advanced Infrastructure investment” was the biggest background movement in the Chinese investment market since Q4 2011, which become a trigger for the bullish run on ferrous industry booming in both export, demand recovery, prices and liquidity flow.

However, the monetary stimulus related push on commodities was normally not as resilient as a supply shortage related growth. For example, the coal export controls a month back, and natural gas shortage in Europe. Thus, industrial metals might expect a drop in next few weeks as a normal volatile movement, excluding the non-ferrous metals supply shortage caused by Indonesia. The Indonesian government was swinging between the domestic industries profit as well as trade export amount for current years.

Normalized Iron ore, Copper, Soybean and Crude Oil price



Sources: Bloomberg, FIS

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