

FIS Macro Report

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	Last	Previous	% Change
U.S. Dollar Index	98.78	99.29	-0.52%
US/CNY	6.38	6.33	0.81%
U.S. FOMC Upper Int Rate	0.25	0.25	0
China Repo 7 day	2.15	2.06	4.19%
Caixin China Manufacturing PMI	50.40	49.10	2.58%
Markit U.S. Manufacturing PMI	58.00	53.50	7.76%

Commodity Takeaways from China Political Conference

Stabilisation was the major and high frequency word from the political conference, which was an extension of the strategy from 2020 and 2021. The stabilisation strategy included an appropriate monetary policy, which focus on the area lack of liquidity.

Financial deposit rates decreased from 3.2% to 2.8% y-o-y, macro leverage rates were down by 7.7% to 272.5% y-o-y. The decrease on both rates indicated the current financial markets have decreased on some potential debt risks. The year 2021 also increased the tax cut by 1 trillion yuan compared to 2020, which survived many mid-cap companies. Mid-small capital companies average net profit raised from 0-5% range to 8-10% range during 2021. However the survey didn't include some potential risk and loss brought from forex. The agricultural providers and raw industrial materials makers were generally enjoying gains with the sharp rise in inflation rate.

U.S. Treasury Bond Yield Difference Vs Dow Jones Index



Sources: Bloomberg, FIS

	Last	Previous	
LME Copper 3 Month Rolling	10183.50	10674.00	-4.82%
LME Aluminium 3 Month Rolling	3483.00	3849.00	-10.51%
WTI Cushing	109.33	115.68	-5.81%
Iron Ore62%	145.50	163.00	-12.03%
U.S. Gold in Dollars	1964.49	1998.11	-1.71%
BDI	2718.00	2148.00	20.97%

Asian Pandemic and Big Sell-off on New Emerging Markets

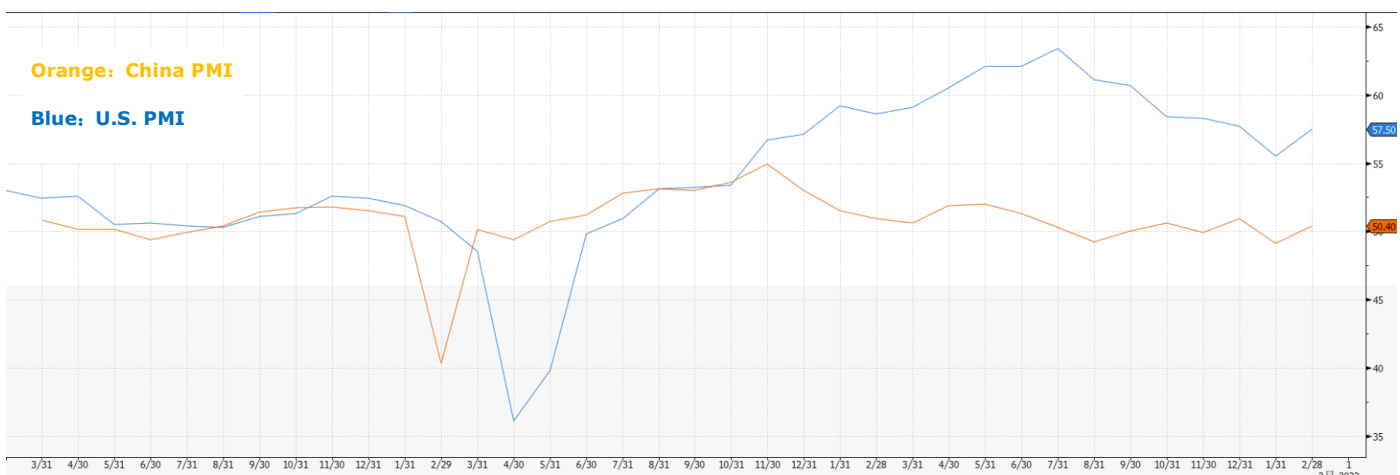
Multiple Chinese provinces have been impacted by the virus. Coastal provinces accounted for 45% of total China GDP. Big cities started strict quarantine and lockdown of public areas. However the unexpected hit generated some transportation problems on goods and caused a sudden closure of industrial activities. The local governments expected a few weeks of disruption. JP Morgan decreased their projections for China’s growth in Q1 to zero.

A heavy sell-off in new emerging markets started from last week. HSCEI represented the state-owned enterprises of China listed in Hangseng Index, suffered a near 30% slump during the current five weeks.

When will this Super Commodity Cycle End?

The Russia and Ukraine delegations continue to make slow progress in talks to end the conflict. The U.S. stock market did react to some progress in the talks which may signal a path to end the war, with a big rebound in early market, however it lost all of gains afterwards. U.S. 10 Year Treasury-Bond reached 2.05%. It looks like from a commodity perspective it’s started to move to a bearish outlook on equity and bond markets from this year. Assets escaped from the equity and bond market prior to the FOMC conference.

China Vs U.S. PMI



Sources: Bloomberg

	Last	Previous	
Shanghai&Shenzhen 300 Index	4174.76	4352.78	-4.26%
Dow Jones Industrial Average	32944.19	33614.80	-2.04%
FTSE100	7193.26	6959.48	3.25%
Nikkei225	25307.85	25221.41	0.34%
U.S. T-Bond 10 Year Yield	1.9941	1.7356	12.96%
China T-Bond 10 Year Yield	3.0100	3.0800	-2.33%

When will this Super Commodity Cycle End? (Cont'd)

Other than supply shortages, the shift of energy structure from traditional to new sustainable energy types also contributed to the growth of commodity markets in the long run. Bloomberg expected 173 trillion U.S. dollar investment market in the new energy related supplies and infrastructure. By 2050, new energy will occupy 85% of the entire energy consumption market. If major investments in oil and coal market shift to new energy markets, the related metals are still looking undervalued in the long-run.

The war-related super cycle will end, however the new energy driven market has a longer future in affecting markets, which may be accelerated by the conflict.

Normalized Iron ore, Copper, Soybean and Crude Oil price



Sources: Bloomberg

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