Macro Report

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22/3/2022

| | Last | Previous | % Change |
|--------------------------------|-------|----------|----------|
| U.S. Dollar Index | 98.29 | 99.00 | -0.72% |
| US/CNY | 6.37 | 6.40 | -0.47% |
| U.S. FOMC Upper Int Rate | 0.50 | 0.25 | 50.00% |
| China Repo 7 day | 2.17 | 2.15 | 0.92% |
| Caixin China Manufacturing PMI | 50.40 | 49.10 | 2.58% |
| Markit U.S. Manufacturing PMI | 58.00 | 53.50 | 7.76% |

Global Stagflation

President of the National Institute of Finance of Tsinghua University and former Vice President of the International Monetary Fund Economist Zhu Min indicated that the world is entering a stagflation stage with high inflation, high interest rates, high debts and low growth. Likewise, Goldman Sachs Principal Analyst Christian M. Glissmann indicated that U.S. economy is currently in stagflation similar to 1970s, when inflation was high, economy growth was slow and jobless rate maintained at high levels.

Stagflation is naturally brought forward when major central banks started a thorough plan to counter-against inflation. The geo-political uncertainty significantly increased reflected in the upward price risk in commodities, which has forced U.S. Federal Bank to give priority to restrict inflation. The downside is the U.S. and European countries are distracted from the damage from the pandemic. The interest rate expectation by year-end is varied among U.S. Federal Officials. The lower end of estimates was 1.75%, however the higher reached 3.25%.

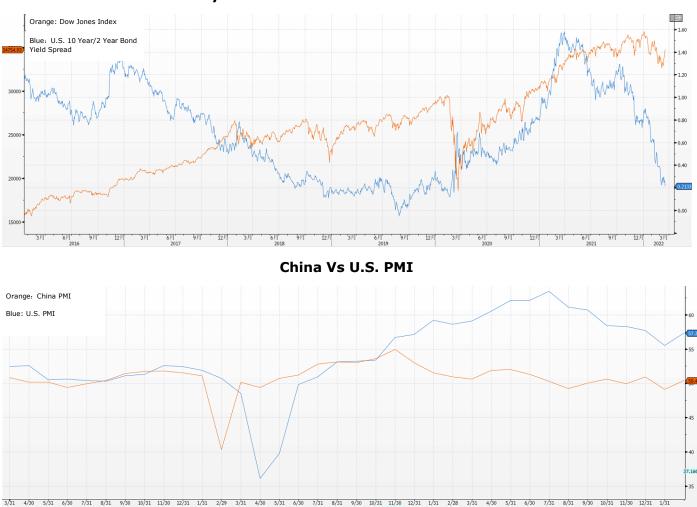
Stagflation is rather mild in Asian countries as they started a rather neutral monetary policy in countries like China and Japan. Stagflation would support commodity prices compared to equity and debts during the early phase of this economic period. However if the market delayed or exits stagflation, commodities normally correct according to historical examples.



| | Last | Previous | |
|-------------------------------|----------|----------|--------|
| LME Copper 3 Month Rolling | 10331.00 | 10183.50 | 1.43% |
| LME Aluminium 3 Month Rolling | 3381.00 | 3483.00 | -3.02% |
| WTI Cushing | 104.70 | 109.33 | -4.42% |
| Iron Ore62% | 150.00 | 145.50 | 3.00% |
| U.S. Gold in Dollars | 1925.77 | 1950.88 | -1.30% |
| BDI | 2605.00 | 2718.00 | -4.34% |

China- linked Asset Recovery After an Important Financial Meeting

China Vice PM Liu He held a state council meeting relating to financial stability and mentioned that China has discussed and resolved the current difficulties of Chinese companies listed in the U.S., which supported a huge rebound of China-linked equities worldwide. The Chinese linked equities have suffered a global and almost three month bloodbath under the rumour of "Forced Delisting" from the U.S.. Ironically, after this political conference, all other related news was found to have no substantial impact. The trade winds shifted from an extreme negative to a positive side on investment in China. The sentiment also reversed the correction of steel market although downstream demand was yet to start having been impacted by the pandemic spread.



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

Sources: Bloomberg, FIS



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Impact of China's Pandemic

Major areas of China started a "grid management" to screen for potential infected patients, which was effective with significant increase in numbers of newly-added patients. The upside is, the random spread was under control and the market expects a fast decrease of the virus in a few weeks. However, the current situation caused a massive closures in downstream constructions and manufacturing projects in northern and eastern areas.



Normalized Iron ore, Copper, Soybean and Crude Oil price

Sources: Bloomberg

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