FIS Macro Report

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	Last	Previous	
U.S Dollar Index	103.50	101.75	**1.72%**
US/CNY	6.68	6.57	**1.67%**
U.S. FOMC Upper Int Rate	0.50	0.50	**0%**
China Repo 7 Day	2.02	1.80	**12.22%**
Caixin China Manufacturing PMI	46.00	48.10	**-4.37%**
Markit U.S. Manufacturing PMI	61.40	58.00	**5.86%**

The Global Currency Strategies

CME FedWatch indicated that the probability increased to 99.6% on a 50 basis points interest rate rise in the next FOMC on the 5th May. The U.S. previously increased its inflation target from 2% to 4%, which indicated that the Fed realised that its monetary policies are not working on the controlling inflation as much as it was previously expected. Therefore high inflation could be a norm in the next few years.

Germany has shifted from its resistant stance on Russian oil imports to support some form of oil sanctions. Thus, investment markets expect sanctions to last longer, driving up WTI Oil from $102 to $107, its highest level since April 29th. Many European countries are stuck in a dilemma between economic difficulty or unaffordable energy costs. Germany had to temporarily stop some of its biggest automakers because of a lack of semi-conductors, high cost of steel, and energy prices. Euro Area inflation rate reached 7.5% y-o-y in April, its highest since 1997. Analysts from several investment banks expect inflation rates to drop in the next quarter. The CEO of Austria energy giant OMV indicated that it is almost impossible to find replacement sources on natural gas and oil for Europe in the short term.

In Asia, its expected that China will continue its loose monetary policy because the government needs to support local economies and enterprises to recover from the impacts of the pandemic, as well as concerns raised on the level of debt. The 'side-effect' of the Chinese interest rate decrease was for foreign capital to leave the country in February to other higher yield economies. Japan emphasised at a monetary meeting last week that it intends to maintain low interest rates despite high inflation levels. The Japanese inflation target is expected to be 1.9% for 2022, which is slightly below the previous target level of 2%. Japan also decreased its economic growth target for both 2022 and 2023.

U.S. Hiking Cycle Observation

Hiking Cycle End	Length	U.S. Fed Funds Rate Start	U.S. Fed Funds Rate End	Average Yearly Rates Movement	U.S. CPI at Rate Increase	U.S. CPI 1 Year after End of Rate Increase
Dec-22	24	0.2500%	4.7500%	2.2500%	8.5000%	*6%
Dec-22	12	0.2500%	2.5000%	2.2500%	8.5000%	*4%
Dec-18	36	0.1250%	0.2375%	0.0375%	2.1000%	2.1000%
Jul-06	24	1.0000%	5.2500%	2.1250%	1.9000%	1.8000%
May-00	10	4.7500%	6.5000%	2.1000%	2.1000%	2.5000%
Feb-95	12	3.0000%	6.0000%	3.0000%	2.8000%	3.0000%
Feb-89	11	6.5000%	9.7500%	3.5455%	4.4000%	4.7000%
Sep-87	9	5.8800%	7.2500%	1.8267%	3.8000%	4.2000%
Aug-84	15	8.5000%	11.7500%	2.6000%	3.6000%	5.2000%
Dec-80	4	9.5000%	20.0000%	**31.5000%**	11.8000%	11.6000%
Mar-80	39	4.7500%	20.0000%	**4.6923%**	6.1000%	6.5000%
May-74	26	3.5000%	13.0000%	**4.3846%**	3.3000%	3.0000%
Apr-69	69	3.0000%	6.0000%	0.5217%	1.3000%	1.6000%
Sep-59	12	1.7500%	4.0000%	2.2500%	1.7000%	2.4000%

Sources: Bloomberg, FIS

	Last	Previous	
Shanghai & Shenzhen 300 Index	4016.24	4013.25	0.07%
Dow Jones Industrial Average	32977.21	33811.40	-2.47%
FTSE100	7544.55	7521.68	0.30%
Nikkei225	26872.06	27105.26	-0.86%
U.S. T-Bond 10 Year Yield	2.9035	2.9020	0.05%
China T-Bond 10 Year Yield	3.0700	3.0800	-0.32%

The Global Currency Strategies (Cont'd)

Japanese yen depreciated 3.39% after the announcement of its monetary strategy, spilling out into a general depreciation in all Asian currencies.

18 out of 21 economists expect an interest rate increase in Australia. Australia has not increased interest rates for 10 years. Australia CPI reached 5.1%, beyond 3% warning line set by the country in 2010.

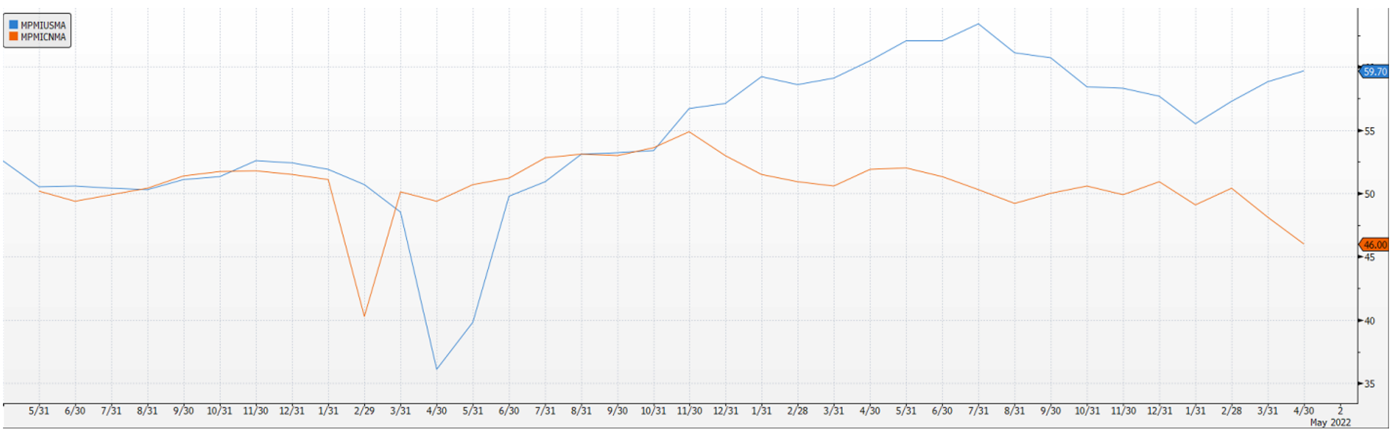
Brazil has increased its interest rate nine times since March 2021, base interest rate reached 11.75%. However Brazil expected inflation rate would reach 6.2-6.3%, with low economy growth rate from 0.3-0.4%.

Commodity Dynamics Change

The oil market entered a tight supply mode again after Germany started to resist Russian crude oil. The output increase from U.S. and Arabian countries were not sufficient to fill the supply gap observed from current numbers. However the downsizing of industrial development and household consumption may help to balance these shortages.

Hungary, Argentina and Turkey lifted export bans on grains in April, seeking more sources to expand their reserves. These exporters saw the opportunity to sell at higher prices in the coming months. Some countries started to strategically exchange commodities directly to avoid the highly volatile currency risk. Chinese grains exports are expected to decrease from 2021 levels because of the pandemic in north-eastern provinces delaying the sowing season, which will likely decrease the following harvest. Three north-eastern provinces produced 32% of Chinese rice, corns and wheat supplies. China exports 4.3% of its grains worldwide and was the third largest grains exporter behind the U.S. and Brazil.

China and U.S. PMI



Sources: Bloomberg, FIS

	Last	Previous	
LME Copper 3 Month Rolling	9769.50	10110.00	**-3.37%**
LME Aluminium 3 Month Rolling	3052.50	3245.50	**-5.95%**
WTI Cushing	104.69	103.07	**1.57%**
Iron Ore62%	144.50	151.00	**-4.30%**
U.S. Gold in Dollars	1883.52	1897.83	**-0.75%**
BDI	2404.00	2307.00	**4.20%**

Commodity Dynamics Change (Cont'd)

The global steel market calmed down after the U.S. and Europe started to decrease some downstream consumption on steels. Infrastructure projects were difficult to promote in some areas because of the longer return times, high cost, and lower wages compared with advanced manufacturers in developed countries. Iron ore delivery volumes expected to increase significantly in Q2 as big miners attempted to keep up with their projection figures. Cheap Russian origin billet and scrap in the Turkish market created downward pressure on offers from other origin countries. The U.S. scrap export market also softened after seeing European importers decrease sizes and shift demand to later months. In general, the entire global steel market is expected to be sluggish in Q2 unless Chinese pandemic controls prove effective earlier than expected. China previously planned to set up import scrap benchmarks and sort to expand imports during the year, which would be positive news for global exporting scrap market including the U.S. and CIS countries.

Coal sources were in a tight supply as most exporters started to feel the new round of interests from international buyers including China, Japan and India. However Indonesia started to decrease exports to guarantee its domestic consumption. The increase on seaborne coal trades narrowed down the price difference from dynamic sellers worldwide.

Normalised Iron ore, Copper, Soybean and Crude Oil price

Sources: Bloomberg

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