

# FIS Macro Report

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	Last	Previous	
U.S Dollar Index (DXY)	102.60	101.75	0.84%
USD / CNY	6.67	6.68	-0.15%
U.S. FOMC Upper Interest Rate	1.00	0.50	100.00%
China Repo 7 Day	1.65	1.85	-10.81%
Caixin China Manufacturing PMI	48.10	46.00	4.57%
Markit U.S. Manufacturing PMI	55.60	59.40	-6.40%

## Hints from U.S. Non-Agricultural Labour

The U.S. Non-Agricultural labour markets added 390,000 new employees in May, higher than analysts' expectations reported in Bloomberg at 320,000. The U.S. labour market is yet to show any weakening signals, however, filling service industry job vacancies remained a challenge from Q1 2021. The upbeat job market supported the Federal Bank's decision to increase interest rates by 50 basis points in the next FOMC. FOMC notes in May indicated that inflation is likely to start to decrease in September if the interest rates reached 2.25- 2.5%.

U.S. labour participation rate in May reached 62.3%, slightly up at a 0.1% increase from last month. The average rate in 2022 was 62.3%, which was higher than 61.7% in 2021. The jobless rate moved down towards a low level, however, the decreasing trend in jobless people started to slow down. The job participation rate was still 1% lower than in the pre-pandemic period. The long-term unemployed number decreased to 1.4 million, still 245,000 higher than pre-pandemic times in 2020. Non-agricultural vacancies/Unemployed ratio reached 1.92, indicating that workers were in short supply.

## U.S. Hiking Cycle

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%	3.8000%	1.7750%	8.5000%	*2.3%
Dec-22	12	0.2500%	1.9000%	1.6500%	8.5000%	*2.3%
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

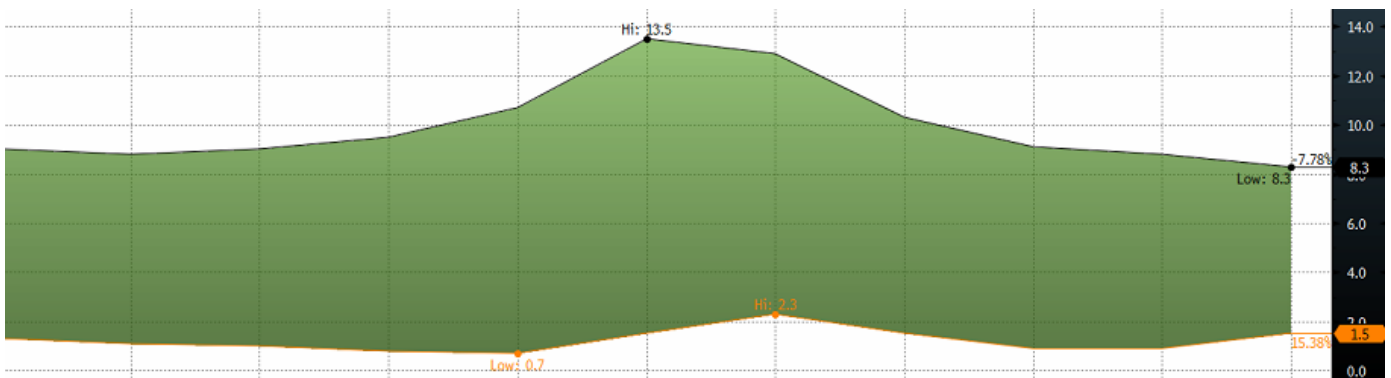
	Last	Previous	
Shanghai & Shenzhen 300 Index	4166.09	4001.30	4.12%
Dow Jones Industrial Average	32915.78	33212.96	-0.89%
FTSE 100 Index	7608.22	7564.92	0.57%
Nikkei 225 Index	27915.89	27369.43	2.00%
BVAL U.S. 10-Year Note Yield	3.05	2.75	10.91%
BVAL China 10-Year Note Yield	2.87	2.81	2.14%

### Automobile Market "Reboot"

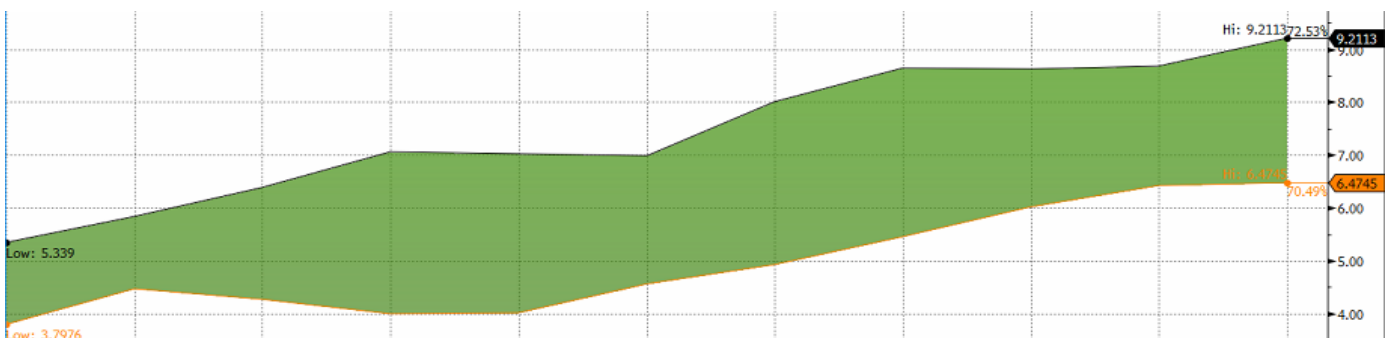
According to Auto Forecast Solutions statistics, global automobile production decreased by 1.98 million units by the report date of May 29th. The agency forecasted that full-year production figures would reach 2.79 million units in 2022. Toyota expected to lose an additional 50,000 vehicles from its June production levels with extended shutdowns for domestic plants from June 3rd to 10th. S&P500 Global indicated that car production would drop 12.3% compared to data posted last June. Chinese auto sales in the first four months of this year decreased by 12.3% to 7.68 million units. Figures were slightly less negative in German the market. Germany in the first four months of 2022 had total sales of 806,000 units, down 9% m-o-m.

China is expected to occupy some of the drops in market share from the German and Japanese markets. An automobile production boom is considered one of the major drivers to potentially save the Chinese economy which has been depressed by covid disruption in the last two months. The Chinese Ministry of Finance indicated that the tax reduction on automobile purchases would stimulate more buying interest, with 8.7 million vehicles enjoying this benefit.

**China PPI—CPI**



**U.S. PPI—CPI(Excl. Food and Energy)**



Sources: Bloomberg, FIS

	Last	Previous	
LME Copper 3 Month Rolling	9745.00	9353.00	4.19%
LME Aluminium 3 Month Rolling	2782.50	2865.00	-2.88%
WTI Cushing Crude Oil	118.50	115.07	2.98%
Platts Iron Ore Fe62%	146.75	136.66	7.38%
U.S. Gold Physical	1840.30	1837.35	0.16%
BDI	2560.00	2933.00	-12.72%

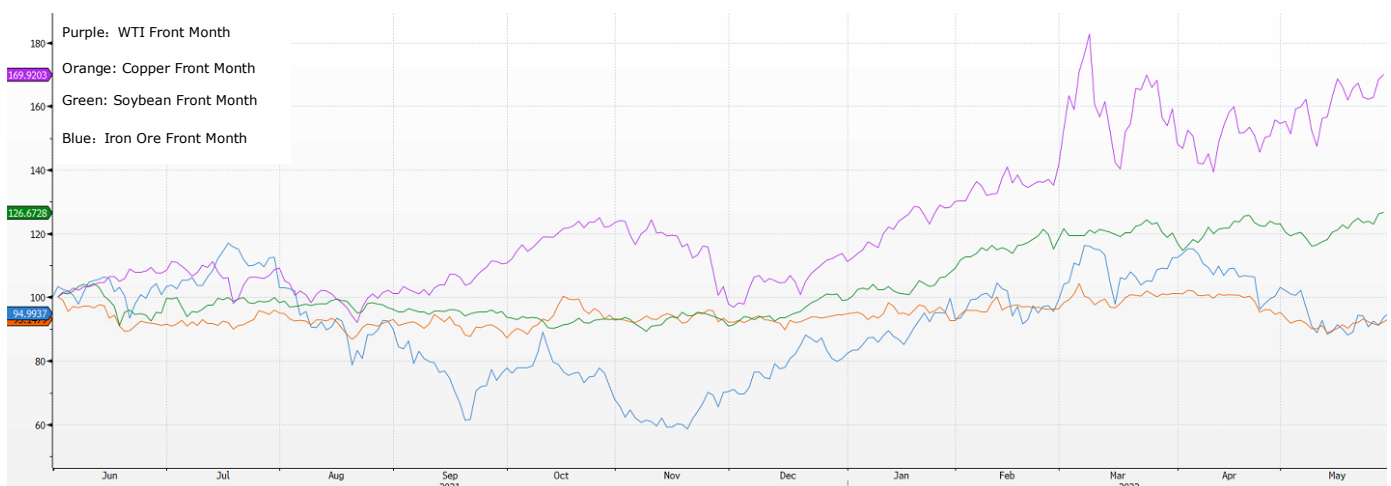
## Automobile Market "Reboot"(Cont'd)

Given the fast-increasing figures, China is expected to recover most of the lost production from April in Q3. Although the top 20 important automakers suffered a decrease in production numbers in the previous few months, the new-energy sectors all ended up with two-digit growth figures. Germany's electric vehicle sales increased by 1.06 million units in the first four months of 2022, up 19.6% y-o-y. Hybrid vehicles increased 1.1% during the same period. The fast growth of EVs in European countries was catching up with the EU's 2030 carbon emission target in removing a significant number of polluting vehicles off the roads.

The pandemic period caused a significant drop in the use of public transportation, although there is no direct data suggesting how many passengers were shifting from public transportation to private cars. The new ethos to use private transport and avoid contact could last for the next few years. China, Guangdong Province, granted a one-time subsidy of 8000 yuan for an EV purchase. Shanghai offered a 10,000 yuan subsidy on vehicles priced below 150,000 yuan, and 20,000 yuan on vehicles priced above 150,000 yuan.

The global GDP recovery cannot be divorced from the auto-making industry. China's auto-making industry contributes 9.5% of the country's GDP and is the biggest economic sector. Germany's auto making industry contributed 9% of GDP and 3.6% of GDP in the U.S. Thus, car manufacturing is a significantly important driver in future global economic fortunes as well as the transformation to a green transportation future.

## Normalised Iron ore, Copper, Soybean and Crude Oil price



Sources: Bloomberg, FIS

## —Fact Sheet—

**EMH: Efficient Market Hypothesis:** proposed by Eugene Fama in 1970, Economist, and Nobel Prize Winner in 2013. The EMH believed that in the stock market with sound laws, good functions, high transparency, and full competition, all valuable information should be timely, accurate, and fully reflected in the stock price trend. Unless there is market manipulation, investors can't obtain excess profits higher than the average level of the market.

**Eurostat:** is the highest administrative body of EU statistics, located in Luxembourg. The statistical system consists of Eurostat, statistical institutions, and central banks of EU Member States, Iceland, Norway, and Liechtenstein.

**FedWatch:** CME Group's FedWatch tool allows investors to gauge the market's expectations of a potential change quickly and efficiently to the Fed Funds target rate.

**Lagging Economic Indicators:** refers to the time lag of the indicator relative to the economic cycle. For example, if the peak or bottom of an indicator is several months behind the peak or bottom of the natural economic cycle, the indicator is called a lagging indicator. The common examples are the unemployment rate, materials inventory, and the scale of uncollected loans.

**Leading Economic Indicators:** Indicators that make forecasts on economic trends. The most common indicators are unemployment insurance application rate, money supply, weekly average working hours, new house construction rate, and stock index trend.

**U.S. Hiking Cycle:** refers to the decision of the Management Committee of the Federal Reserve System to adjust the monetary policy and raise the federal fund's interest rate after the meeting held in Washington.

**Stagflation:** an economic situation where there is high inflation (prices rising continuously) but no increase in the available jobs or business activity.

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