

FIS Macro Report

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	Last	Previous	% Change
U.S Dollar Index (DXY)	105.14	104.51	0.60%
US/CNY	6.69	6.70	-0.15%
U.S. FOMC Upper Interest Rate	1.00	0.50	100%
China Repo 7 Day	1.70	2.50	-32.00%
Caixin China Manufacturing PMI	51.70	48.10	7.48%
Markit U.S. Manufacturing PMI	52.90	55.60	-4.86%

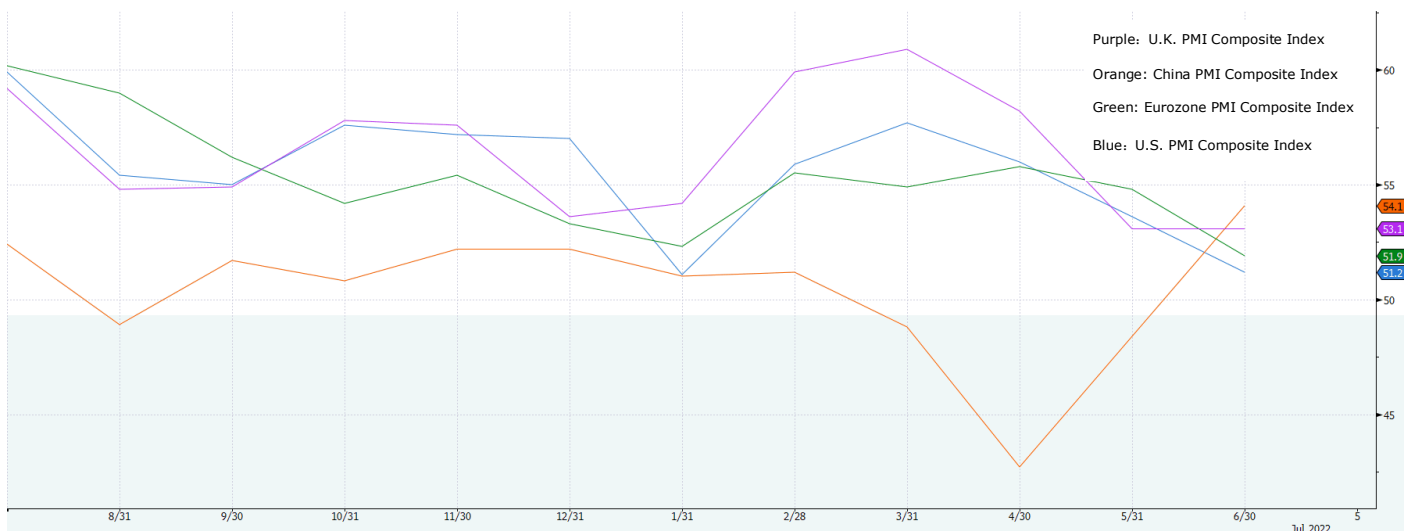
PMI Analysis in June

The June Global Manufacturing PMI fell in all the major economies, falling faster than expected in Western countries. Some investment banks expected that the Eurozone PMI would fall below the boom and bust line in Q4. An early indicator can be found in copper drops, or the declining equity returns on U.S. stocks. Crude oil could potentially become a lagging indicator to confirm an accelerated phase of recession.

Global Manufacturing PMI in June reduced to 52.3, down 0.1 from May, increasing downward pressure on economies. Eurozone PMI was 52.1, down 0.9 from May, and refreshed the fastest decrease from last September.

Emerging economies' PMI moved to 51.7 and returned above the boom and bust line for the first time in the last four months. India, Vietnam, and China contributed the majority of the growth. The export growth rate of China reached 16.9% in June after the control of the pandemic and the recovery of logistics. The scale and items of tariff exemption from the U.S. should benefit export numbers in H2 2022.

PMI Composite of Major Economies



Sources: Bloomberg, FIS

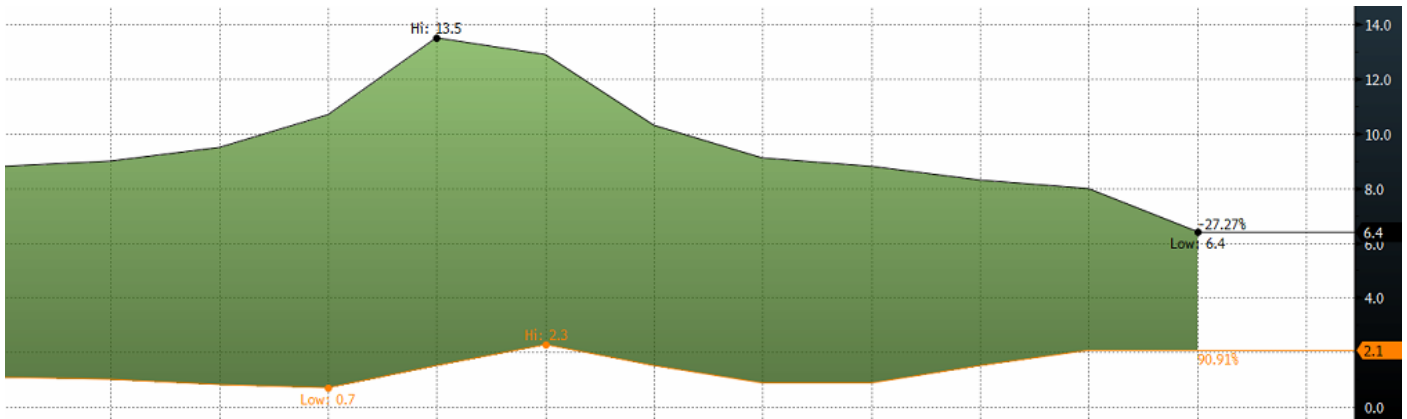
	Last	Previous	
Shanghai & Shenzhen 300 Index	4496.03	4444.26	1.16%
Dow Jones Industrial Average	31097.26	31500.68	-1.28%
FTSE 100 Index	7232.65	7258.32	-0.35%
Nikkei 225 Index	26153.81	26871.27	-2.67%
BVAL U.S. 10-Year Note Yield	2.89	3.14	-7.96%
BVAL China 10-Year Note Yield	2.95	2.94	0.34%

PMI Analysis in June (Cont'd)

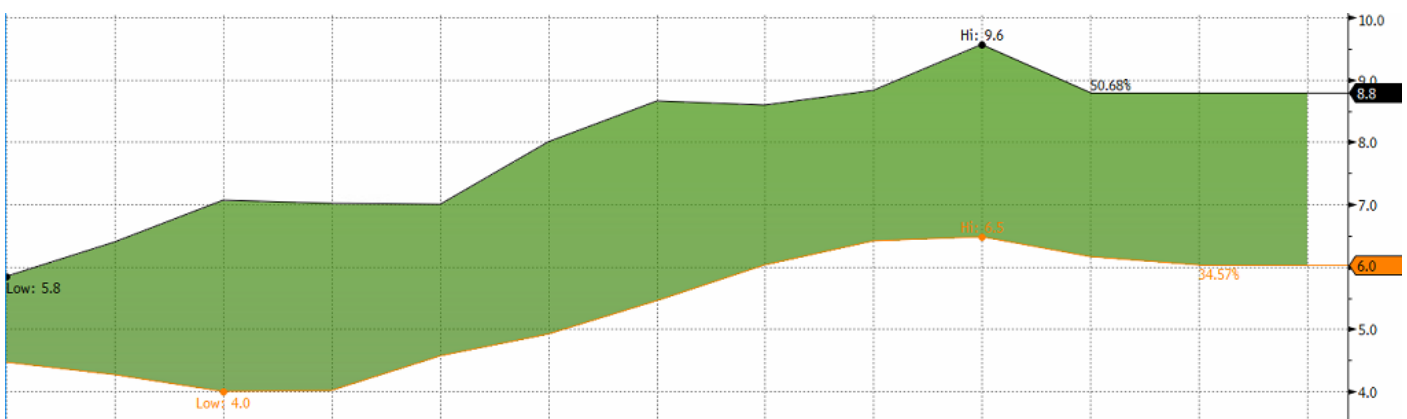
The June ISM U.S. PMI number was 53, down from 56.1 in the previous month, compared to an estimated 54.5. The unexpected drop intensified the panic in the U.S. economic outlook. The consumer price fell considerably, however, the absolute number was at a high level. New industrial orders decreased faster than expected, indicating that the prospect for the manufacturing sector is not positive. The job sector fell into a contraction area. In addition, the decrease in new orders and the low customer inventories, reflect that the terminal stock removal was due to growing sales downstream.

Copper and the return of U.S. equities were normally leading indicators for the U.S. economy, however, it's a confirming indicator slower than PMI. The PMI downward trend over a few quarters led to the current quarter drop in stock returns in the equity market. At the same time, high inflation which resisted consumption and the increase in company costs were the rest of the contributors to the stock returns.

China PPI—CPI



U.S. PPI—CPI(Excl. Food and Energy)



Sources: Bloomberg, FIS

	Last	Previous	
LME Copper 3 Month Rolling	8006.00	8417.50	-4.89%
LME Aluminium 3 Month Rolling	2464.00	2495.50	-1.26%
WTI Cushing Crude Oil	108.43	109.47	-0.95%
Platts Iron Ore Fe62%	109.90	119.60	-8.11%
U.S. Gold Physical	1810.66	1820.01	-0.51%
BDI	2159.00	2295.00	-5.93%

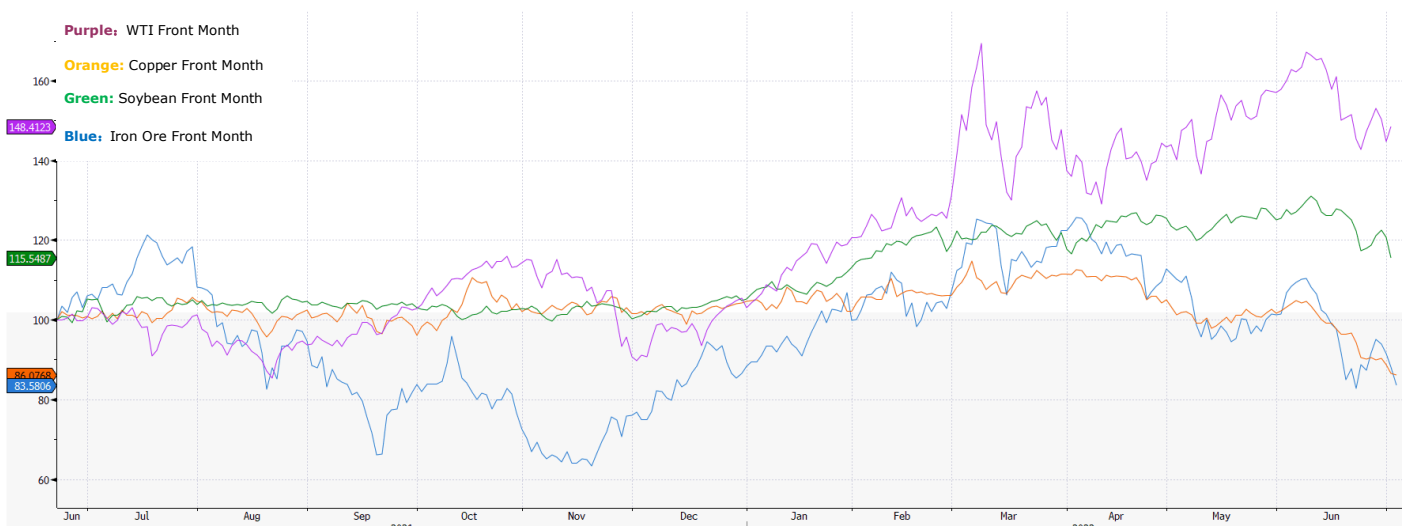
Chinese Manufacturing and Housing Outlook

Although ferrous commodities suffered a huge loss in June, marginal recovery was looming in the property and manufacturing sectors.

Cement production and rebar production both decreased in the last week of June. The operating hours and sales of excavators are expected to recover in July. China NDRC and some local governments carried out concentrating policies to encourage infrastructure investments and rebuild Tier 3 and 4 cities from the end of June to early July.

The mixed effects of housing control strategies and the pandemic impacted the house buying interests in the short run. However, loose credit and monetary strategies could gradually generate a long-run impact to bring house buyers back to the market in H2 2022. There have been 160 cities in China that issued stimulus strategies in the housing sector in the Q2.

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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