

# FIS Macro Report

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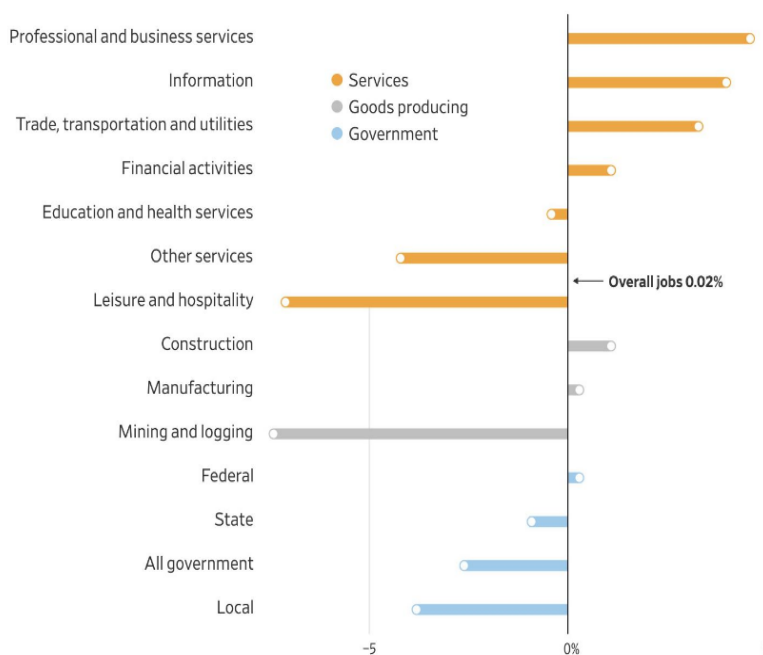
	Last	Previous	% Change
<b>U.S. Dollar Index(DXY)</b>	106.37	106.24	0.12%
<b>USD/CNY</b>	6.7610	6.7786	-0.26%
<b>U.S. FOMC Upper Interest Rate</b>	2.25	1.50	50.00%
<b>China Repo 7 day</b>	1.37	1.50	-8.42%
<b>Caixin China Manufacturing PMI</b>	50.40	51.70	-2.51%
<b>Markit U.S. Manufacturing PMI</b>	52.50	52.90	-0.76%

## The End Point of U.S. Interest Rate Hike

Although several U.S. Federal prediction, tools as well as Federal officials, believed that the cap on interest rate hikes should be 3.5%, some macro analysts from investment banks and security houses aggressively expected interest rates could reach as high as 4% by the end of 2022.

Non-farm payrolls continued to outperform expectations during the previous four months, showing the resilience of the U.S. labour market. High income and service industries were slightly weaker for the previous seven months compared with last year. However low income sectors saw significant increase in jobs, contributed mainly from education, entertainment, hotel and vocations, and health services. The June and July labour market data indicated that the turning point to recover job shortages would emerge in the next few months. It is still worth noticing that absolute job vacancies were at an historical high at 10.70 million.

Payrolls by sector in July, change from February 2020



The chart to the side shows the sector increase/decrease compared with pre-pandemic times in February 2020. Major services sectors recovered to even higher levels than pre-pandemic, however leisure and hospitality including travels and entertainment suffered a near 8% loss, which could take several years to recover considering the lifestyle and demand shift in the long-run. Contrastingly, mining and logging decreased almost 9%, which was expected to bounce back in next few quarters because projects have been initiated for Q1 and Q2 of next year. The growth data would be delayed because full production normally takes more than half a year to be realised. Regardless of the change in industry subsidiaries, ex-government sectors in general saw an apparent growth on the payrolls.

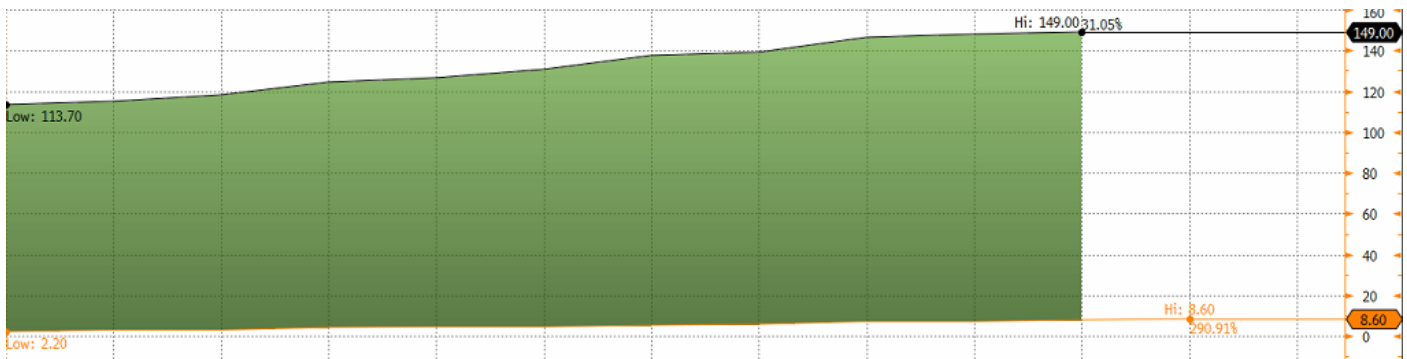
Sources: U.S. Labor Department

	Last	Previous	
<b>Shanghai&amp;Shenzhen 300 Index</b>	4148.08	4188.68	<b>-0.97%</b>
<b>Dow Jones Industrial Average</b>	32832.54	32798.40	<b>0.10%</b>
<b>FTSE 100 Index</b>	7482.37	7413.42	<b>0.93%</b>
<b>Nikkei 225 Index</b>	28249.24	27993.35	<b>0.91%</b>
<b>BVAL U.S. 10-year Note Yield</b>	2.7565	2.5969	<b>6.15%</b>
<b>BVAL China 10-year Note Yield</b>	2.7904	2.7829	<b>0.27%</b>

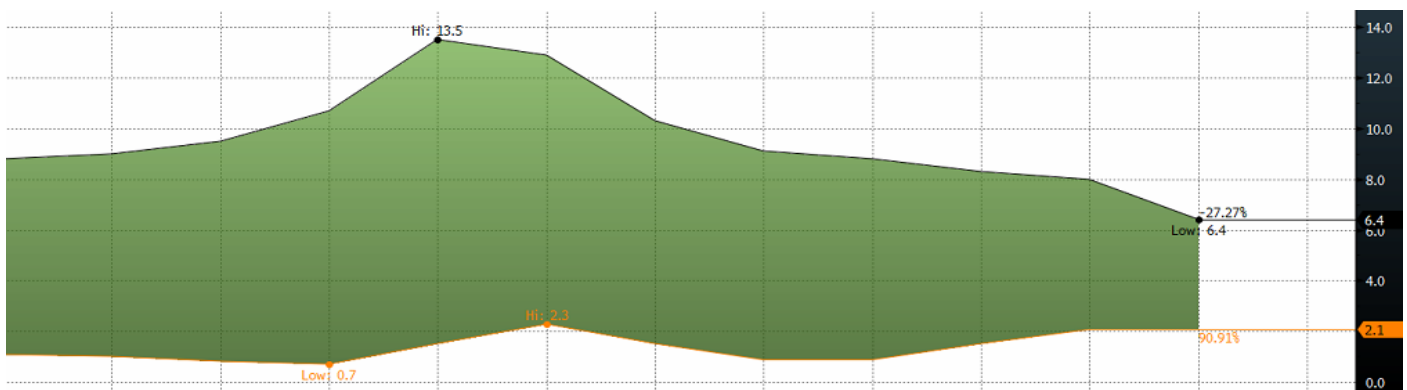
### The End Point of U.S. Interest Rate Hike(Cont'd)

The accumulated number of lay-offs in the U.S. job market refreshed its lowest level since 1993, down 31.3% from 2021. The automobile industry had the highest number of lay-offs, because of the high costs, negative business environment, and rejection of vaccinations. The high salaries and job vacancies would support high inflation in the mid-term. The rate hike would terminate only if the real policy rate reaches 0%. By this time, the Fed could have increased rates above 3.5%.

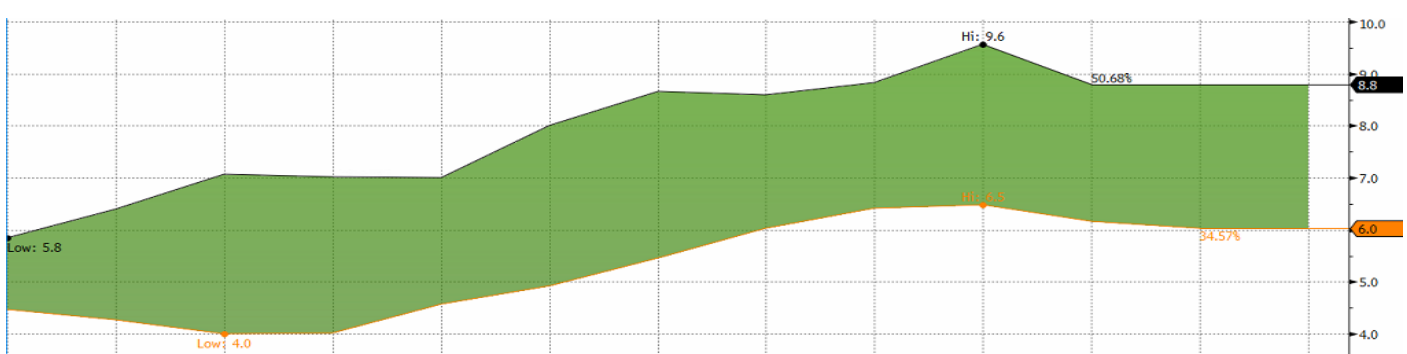
**Eurozone PPI—CPI**



**China PPI—CPI**



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



Sources: Bloomberg, FIS

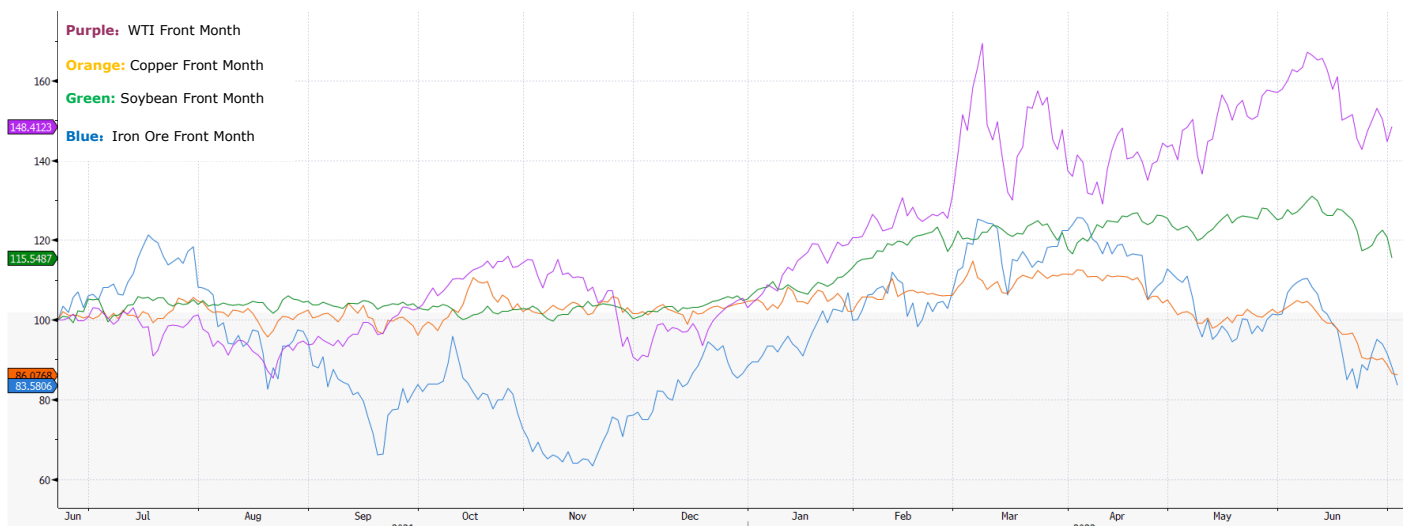
	Last	Previous	
<b>LME Copper 3 Month Rolling</b>	7987.50	7819.50	<b>2.15%</b>
<b>LME Aluminium 3 Month Rolling</b>	2445.50	2430.50	<b>0.62%</b>
<b>WTI Cushing Crude Oil</b>	90.76	93.89	<b>-3.33%</b>
<b>Platts Iron Ore Fe62%</b>	108.80	112.90	<b>-3.63%</b>
<b>U.S. Gold Physical</b>	1786.44	1760.39	<b>1.48%</b>
<b>BDI</b>	1566.00	1872.00	<b>-16.35%</b>

## Chinese Housing Policies and Infrastructure Motives

The mid-year Chinese political conference emphasised stability in the housing market, to accelerate the completion of building projects, increase cash support for developers, and strong liquidity in banks. Many cities and provinces started to urge the process of housing completion and timely handing over to buyers. Unfinished buildings would enter into the debt clearing and payment process. The policy to some extent guarantees the normal purchase and consumption on building materials such as steels, cements and flat glasses by developers. As a result, the market was expecting the construction season would come as normal after the hot summer passed.

A total of 3876 major projects have been started nationwide, with a total investment of 2.39 trillion yuan. Among them, infrastructure projects are still one of the key areas under intensive construction. Chinese Machinery Index indicated that H1 2022 operation hours up 6.86% on the year. Q2 operation rate 66.77%, significantly higher than Q1 at 53.98%. Machinery analysts expect Q3 number would increase by 5-7% in Q3. Regionally, five data centres were built in Guangdong Province, 48 projects including logistic, hospitals, green manufactures started in Guangxi Province, the national grid invested in mid-China areas. Some Chinese security background analysts expected the 2022 infrastructure investment could reach as high as 11% in 2022.

### 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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