

# FIS Macro Report

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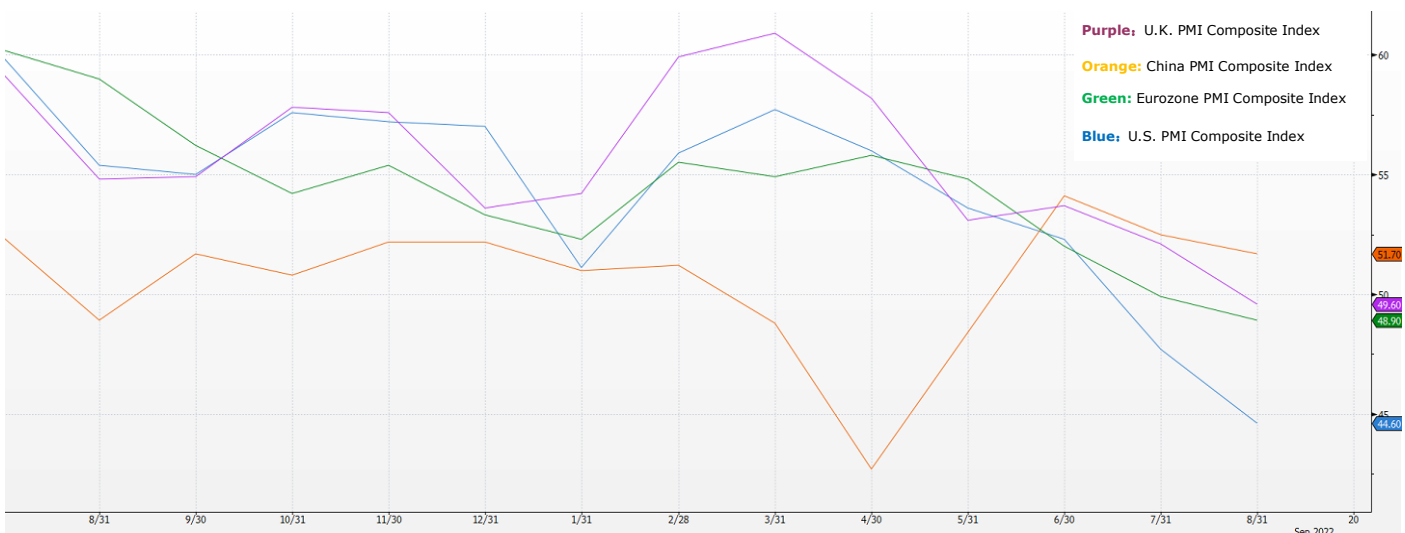
	Last	Previous	% Change
<b>U.S. Dollar Index(DXY)</b>	109.58	109.82	<b>-0.22%</b>
<b>USD/CNY</b>	7.0123	6.9828	<b>0.42%</b>
<b>U.S. FOMC Upper Interest Rate</b>	2.25	1.50	<b>50.00%</b>
<b>China Repo 7 day</b>	1.75	1.55	<b>12.90%</b>
<b>Caixin China Manufacturing PMI</b>	49.50	50.40	<b>-1.79%</b>
<b>Markit U.S. Manufacturing PMI</b>	51.20	52.50	<b>-2.48%</b>

## Ahead of Super Central Bank Week

The U.S. Federal Reserve will publish the new interest rate decision on the 21st September. We are waiting on nine countries to announce their interest rate changes during this super central bank week. The secondary market reacted to this sentiment with a sharp correction in the Dow Jones, Asian stocks, crude oil, and copper during a significant climb in the 5-year U.S. bond yield and U.S. dollar index. On the other side, the investment market started to stabilise after having priced in the aggressive decision ahead of the FOMC. CME FedWatch indicated a 90% probability of a 75 bps rate hike. Global equities and commodities recovered some losses from the past week. Moody's decreased global GDP growth predictions to 2.4% from 2.9% in June, dragged down by the energy crisis in Europe, inflation and tightened monetary policies across many countries. Moody's expected that the Eurozone would enter recession from late Q3, and the U.S. would enter mild recession from mid-2023.

The previous stronger than expected U.S. CPI contributed to the aggressive hike. Core CPI was up 6.3%, higher than the expected 6.1%, which ended the previous descending trend. The market gradually realised that the core sectors of CPI have a resilient growth rate, which makes it almost impossible to see a sharp turn around in the current months. Thus, the interest hike decision is expected to last for a longer cycle. As a result, many analysts have changed their expected terminal value of the rate in the year 2022.

Major Economies PMI Chart

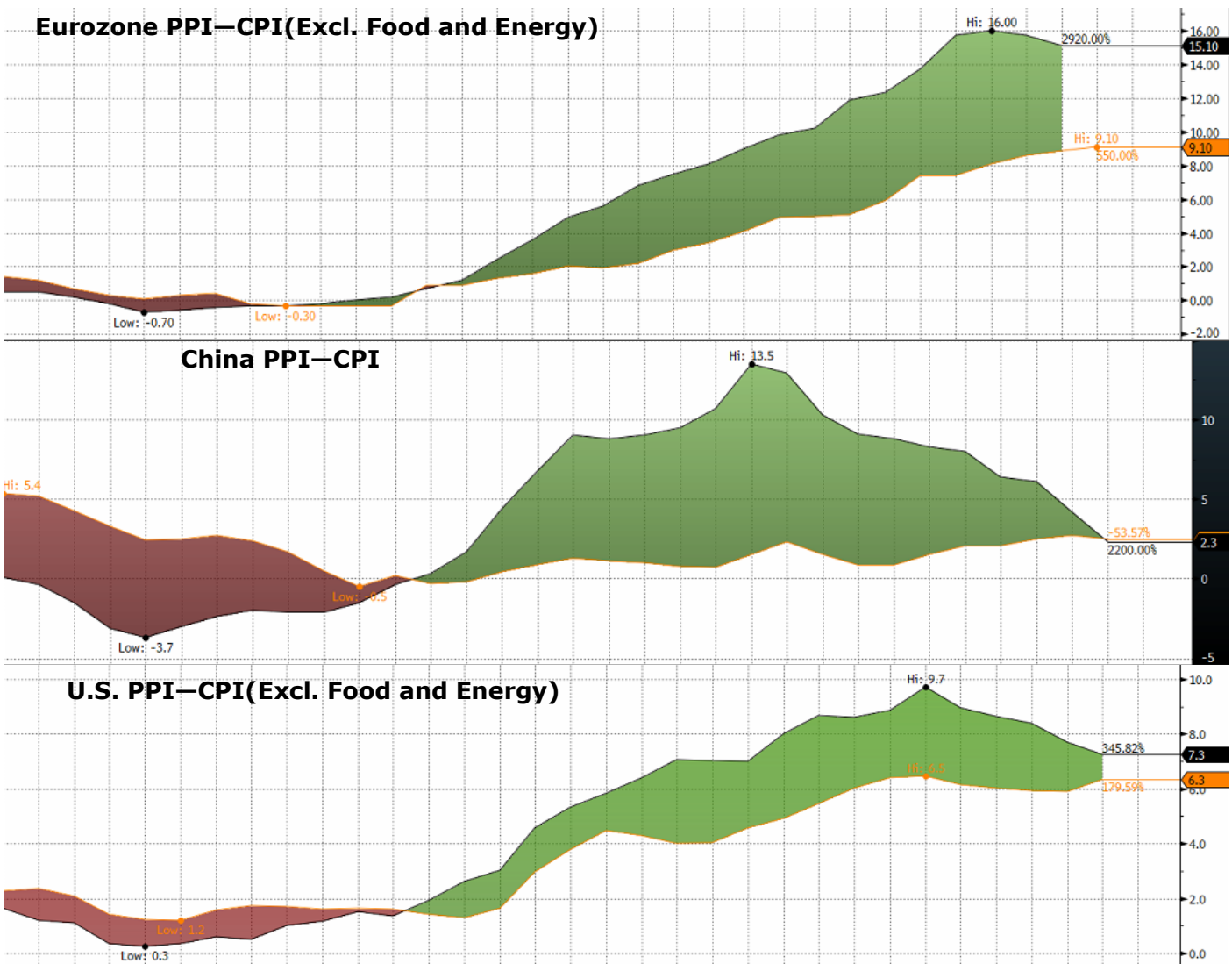


Sources: Bloomberg

	Last	Previous	
<b>Shanghai&amp;Shenzhen 300 Index</b>	3928.00	4093.79	<b>-4.05%</b>
<b>Dow Jones Industrial Average</b>	31019.68	32381.34	<b>-4.21%</b>
<b>FTSE 100 Index</b>	7236.68	7351.07	<b>-1.56%</b>
<b>Nikkei 225 Index</b>	27567.65	28214.75	<b>-2.29%</b>
<b>BVAL U.S. 10-year Note Yield</b>	3.4910	3.3625	<b>3.82%</b>
<b>BVAL China 10-year Note Yield</b>	2.7371	2.7002	<b>1.37%</b>

## Ahead of Super Central Bank Week(Cont'd)

China saw an improvement in August economic data. National fixed investment from January to August stood at 36.71 trillion yuan, up 5.8% on the year, and up 0.1% from January to July. August infrastructure investment is up 10.37% from last year, refreshing a single-month high since April 2020. In August, Chinese retail sales of consumer goods amounted to 3.63 trillion yuan, up 5.4% on the year, up 2.7% from July. Chinese August industrial value added amount above designated scale up 4.2%, increased 0.4% from July. Chinese PM Li Keqiang emphasised extending the tax payment cycle to help mid and small-capital enterprises and increase tax rebates for manufacturers. Lately, the guarantee on the delivery of houses alleviates the potential default on the liquidity chain between developers and banks.



Sources: Bloomberg, FIS

	Last	Previous	
<b>LME Copper 3 Month Rolling</b>	7753.50	7955.50	<b>-2.54%</b>
<b>LME Aluminium 3 Month Rolling</b>	2251.00	2283.00	<b>-1.40%</b>
<b>WTI Cushing Crude Oil</b>	85.73	87.78	<b>-2.34%</b>
<b>Platts Iron Ore Fe62%</b>	97.70	101.95	<b>-4.17%</b>
<b>U.S. Gold Physical</b>	1676.09	1702.17	<b>-1.53%</b>
<b>BDI</b>	1553.00	1213.00	<b>28.03%</b>

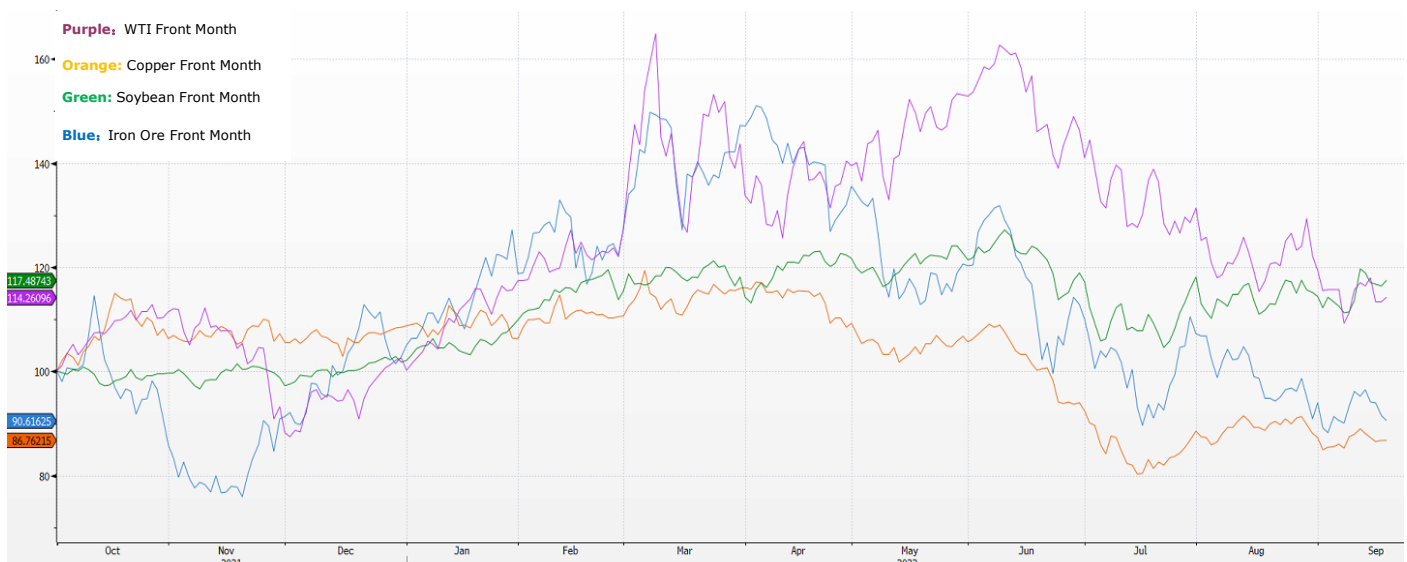
## The Downturn in Europe Economy and Euro

The Euro/USD is expected to stabilise around 1 after hearing some Forex traders taking out the short positions on euros. The August Markit comprehensive PMI in Eurozone was 49.2, higher than the estimated 49, still refreshing an 18-month low. Eurozone PMI fell under the boom-and-bust line for two consecutive months. Geo-political risk, energy supply shortages, extreme heat and drought triggered an economic downturn. Worse still, the wind strength and rainfalls were in the low range for the previous eight months, meaning less wind power and waterpower generation as alternatives to coal and oil.

The world's biggest steel maker and miner, Arcelor Mittal, announced to shut down some major blast furnaces in Germany, Austria and France. The steel group has shut 6-7 million tons of capacity during the year. To deal with the energy crisis, European countries have run full load on coal-based electricity generation. Thus, coal restocking became a long-run trend for Europe. New energy will take decades to replace traditional energy entirely, so the predicted death of thermal coal may have been premature.

Bloomberg analysts indicated that the probability of negative growth in Europe for two consecutive quarters had reached 80% because of the winter's unaffordable energy costs. This number was 60% three months ago. Two-quarter negative growth in a row is classified as a technical recession.

## 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 with high inflation (prices rising continuously) but no increase in the available jobs or business activity.

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