

FIS Macro Report

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	Last	Previous	% Change
U.S. Dollar Index(DXY)	109.64	108.77	0.80%
USD/CNY	6.9502	6.9236	0.38%
U.S. FOMC Upper Interest Rate	2.25	1.50	50.00%
China Repo 7 day	1.50	1.75	-14.29%
Caixin China Manufacturing PMI	49.50	50.40	-1.79%
Markit U.S. Manufacturing PMI	51.20	52.50	-2.48%

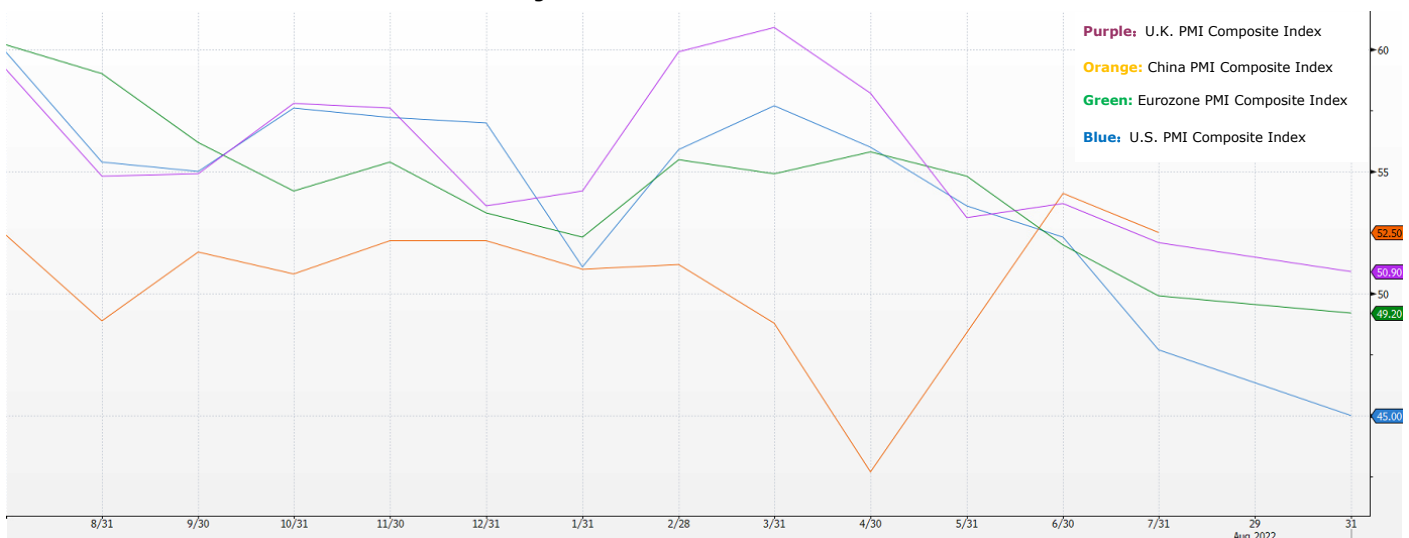
The Strong U.S. Non-Farm Payroll and Aggressive Interest Hike

After the central banks' party in Jackson Hole, plus the unexpected strong U.S. agriculture data last Friday, the interest hike by 75 bps in the next FOMC raised from 45% to 57%. In August, non-farm Payroll increased by 315,000, much higher than the estimated 298,000. The jobless rate reached 3.7%, higher than the expected 3.5%. The average hourly wage was up 5.2%, which was historically high. The strong data potentially reversed the weak August CPI to a positive range. Thus, the market expected an aggressive Federal decision if the CPI data proved strong.

There are several perspectives on these interesting non-farm statistics. On one side, previous Federal governor and Chicago University professor Randall Kroszner believed that more employees returning to work positions would alleviate the tight job market. The job market data indicated a marginal cooling. In addition, the slower growth in monthly wages could help decrease inflation pressure. On the other side, previous-U.S. Financial Minister Lawrence Summers indicated that the market exaggerated the impact of the Labour participation rate in inflation. From the perspective of economic studies, high employment growth would increase revenues and consumption. To control inflation at 2%, the jobless rate needs to exceed 6%. Thus, Lawrence believed that strong job participation would support inflation in the long run.

The major contributors to the non-farm payroll in August include healthcare, retail, and business service.

Major Economies PMI Chart



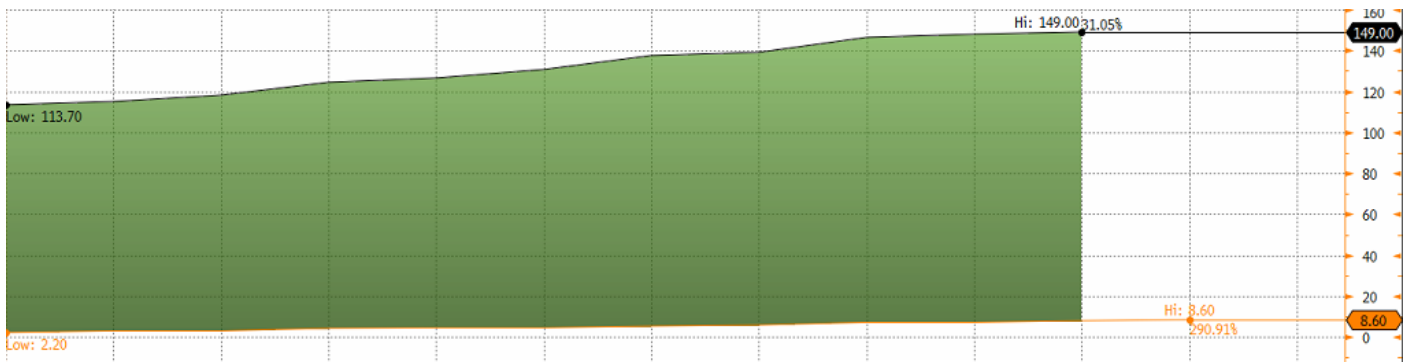
Sources: Bloomberg

	Last	Previous	
Shanghai&Shenzhen 300 Index	4015.43	4089.52	-1.81%
Dow Jones Industrial Average	31318.44	32283.40	-2.99%
FTSE 100 Index	7287.43	7427.31	-1.88%
Nikkei 225 Index	27619.61	27878.96	-0.93%
BVAL U.S. 10-year Note Yield	3.2125	3.0419	5.61%
BVAL China 10-year Note Yield	2.6836	2.7131	-1.09%

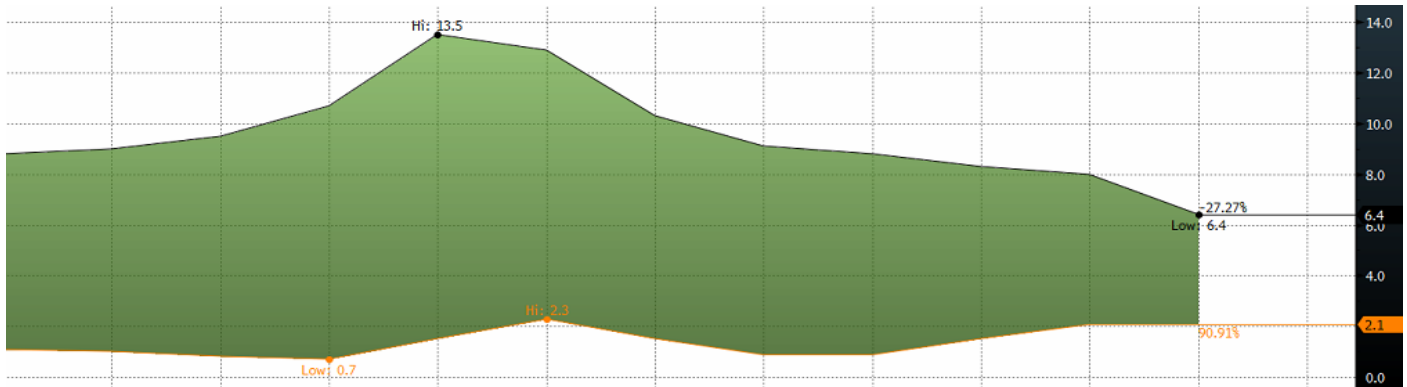
The Downturn in Europe Economy and Euro

The U.S. interest hike cycle determined that all currencies would enter slow or fast depreciation periods. U.S. Index DXY grew to a 20-year-high, while Euro fell to a 20-year-low. Major currencies were flowing back to the U.S. dollar market. In addition, the unsolvable energy shortage in most European countries accelerated the fall of the European economy and the Euro depreciation. Energy analysts, in general, believed that the energy shortage would last 2-3 years until the restructuring of the energy system, including settlements, imports and new facilities building. An exception would be the signing up for new trade alternatives from big economies.

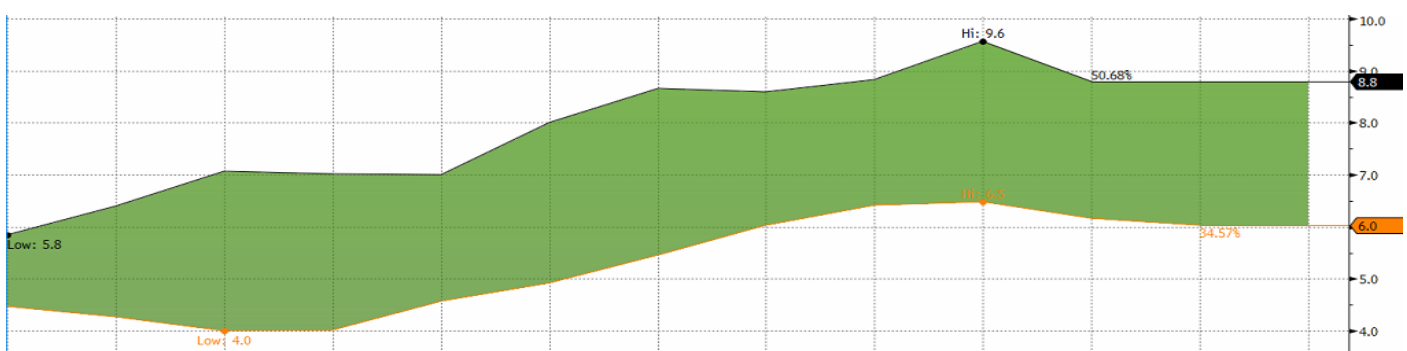
Eurozone PPI—CPI



China PPI—CPI



U.S. PPI—CPI(Excl. Food and Energy)



Sources: Bloomberg, FIS

	Last	Previous	
LME Copper 3 Month Rolling	7653.50	8160.50	-6.21%
LME Aluminium 3 Month Rolling	2285.50	2493.50	-8.34%
WTI Cushing Crude Oil	86.87	93.06	-6.65%
Platts Iron Ore Fe62%	98.00	97.60	0.41%
U.S. Gold Physical	1718.26	1724.02	-0.33%
BDI	1133.00	1082.00	4.71%

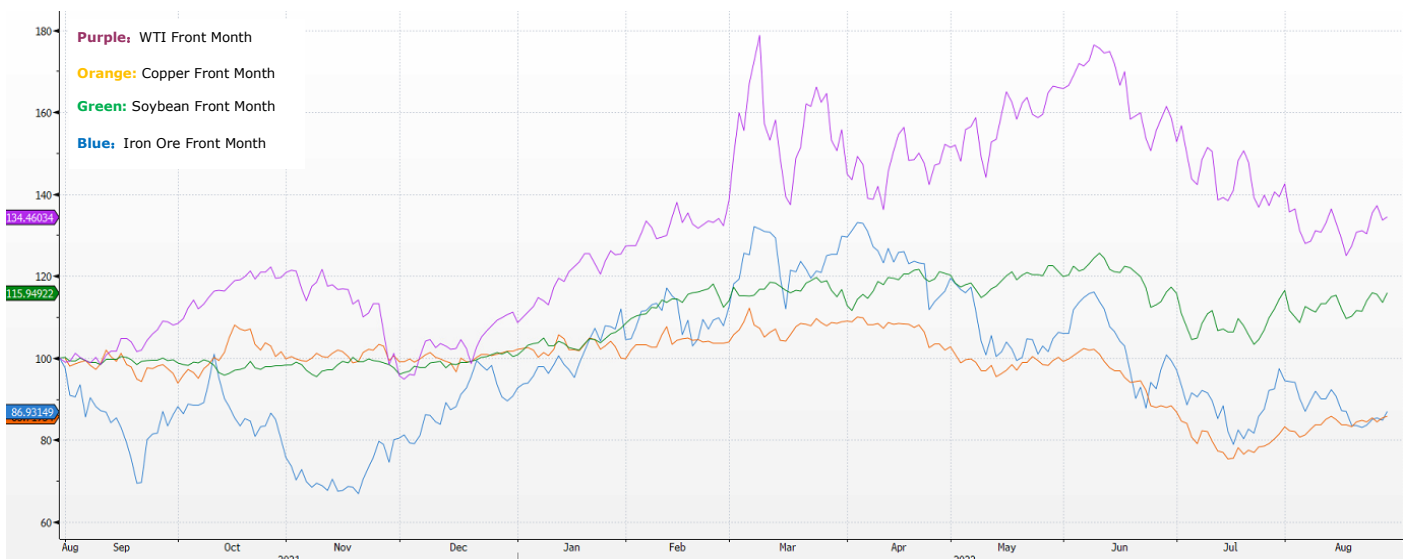
The Downturn in Europe Economy and Euro(Cont'd)

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 shortage, extreme heat and droughts triggered the economy's downturn. Worse still, wind strength and rainfalls were in the low range for the previous eight months, meaning less wind and waterpower generation as alternatives to coal and oil.

The world's biggest steel makers and miners, Arcelor Mittal, announced the shutting down of major blast furnaces in Germany, Austria, and France. Germany and Italy adjusted down on the auto-making figures three times a year, indicating the downstream materials shortage and low gains were becoming much more severe than expected. Germany has to control the air-conditioners and lighting usage to save energy, which would decrease economic activities.

The Commodity Futures Trading Commission indicated that the investors had increased 44,100 lots of net short positions on the Euro in the week of August 23rd, creating the most significant single-week increase since March 2020. The Bank of New York Mellon also proved that the bearish sentiment in Euro had grown significantly. In a previous report, Goldman Sachs indicated that Eurozone would enter recession with a -0.1% growth in Q3 2022 and -0.2% growth in Q4. Germany and Italy were predicted as the countries that will face the most trouble in this 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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