

FIS Macro Report

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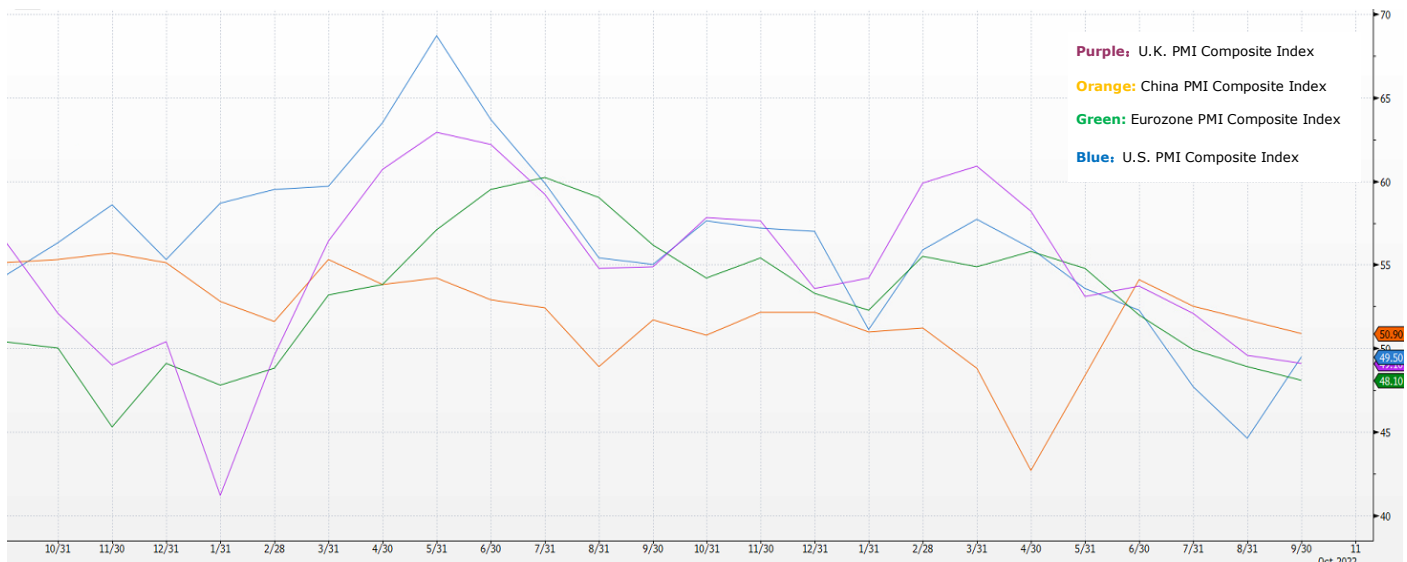
	Last	Previous	% Change
U.S. Dollar Index(DXY)	111.95	113.22	-1.12%
USD/CNY	7.1981	7.1733	0.35%
U.S. FOMC Upper Interest Rate	3.25	2.50	30.00%
China Repo 7 day	1.52	1.60	-4.69%
Caixin China Manufacturing PMI	48.10	49.50	-2.83%
Markit U.S. Manufacturing PMI	52.20	51.20	1.95%

U.S. Interest Rate Hike in November and December

U.S. September and core Consumer Price Index (CPI) exceeded the market expectation, raising the interest hike curve. The U.S. FedWatch Tool statistics indicated that the probability of a 75-bps interest rate hike in November had reached 94.7%. The total 150 bps hike probability for November and December reached 68%. However, the FedWatch Tools indicated that the peak level for the U.S. central bank interest rates would be 4.95% in May 2023, and the rate would decrease to 4.5% by the end of 2023. On the inflation side, some security house models predicted that the core CPI would drop to 4% in the late half of 2023. The combined numbers indicate that U.S. inflation may be under control in mid-2023.

Considering it might take more than nine months to see a correction in core CPI from investment bank models, cash may still become the preferred choice for investors. However, from mid-2023, with inflation hopefully under control, investors would look again at non-cash assets if the marginal impact of inflation has decreased. Rent, food, and healthcare became the three major contributors to the high inflation statistics in September. However, the September food sector price saw a flat number compared with August. Analysts believed that food could be a drag factor on inflation in October and November.

Major Economies PMI Chart

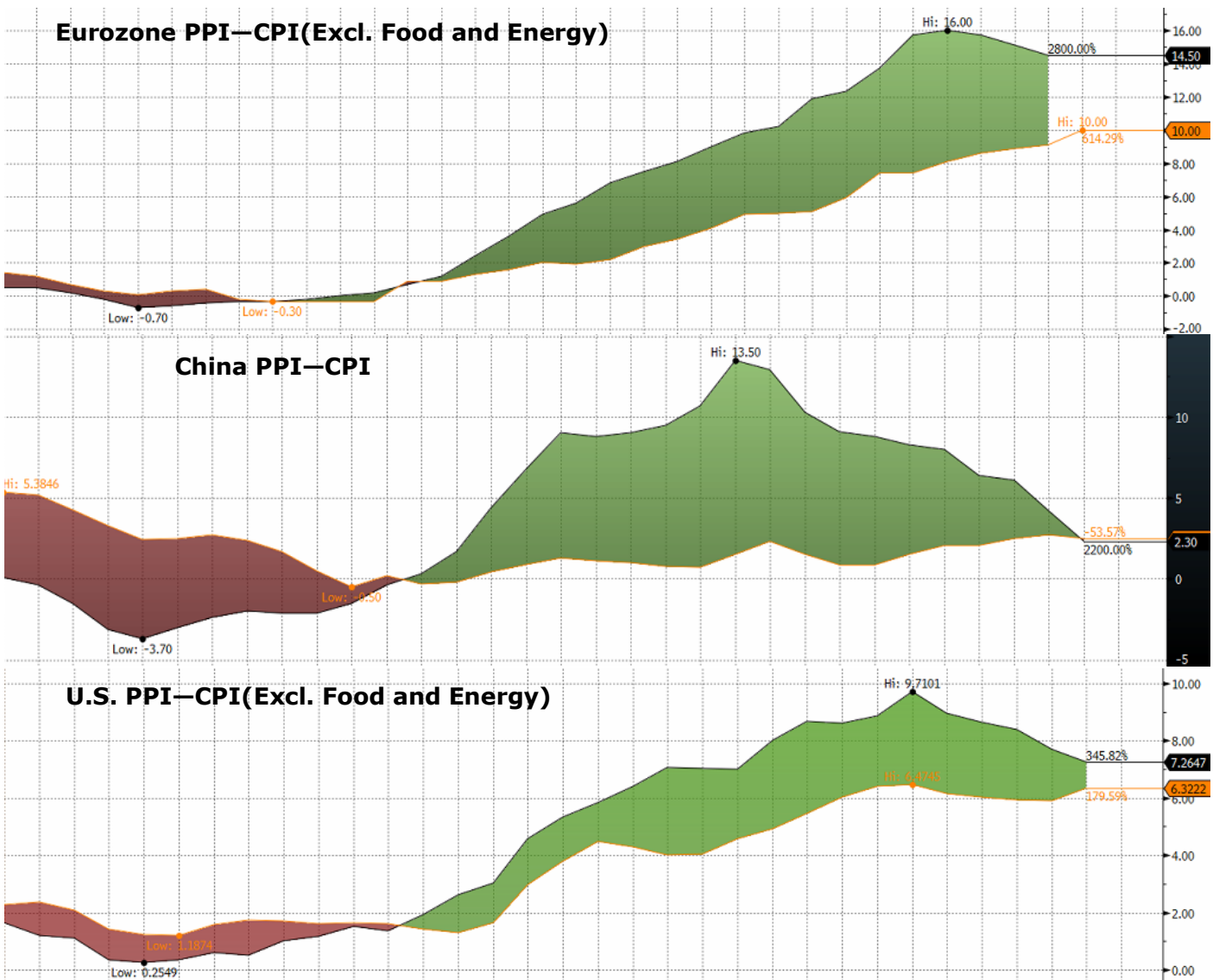


Sources: Bloomberg

	Last	Previous	
Shanghai&Shenzhen 300 Index	3846.41	3720.94	3.37%
Dow Jones Industrial Average	30185.82	29202.88	3.37%
FTSE 100 Index	6920.24	6959.31	-0.56%
Nikkei 225 Index	26775.79	27116.11	-1.26%
BVAL U.S. 10-year Note Yield	4.0225	3.8926	3.34%
BVAL China 10-year Note Yield	2.7710	2.8106	-1.41%

U.S. Interest Rate Hikes in November and December (Cont'd)

The determination of the U.S. Federal Reserve to fight inflation means that it will not cut interest rates immediately after seeing the peak. The Fed tend to maintain interest rates at a high level for a certain period and will not consider cutting rates until there is a consistent downward inflation trend.



Sources: Bloomberg, FIS

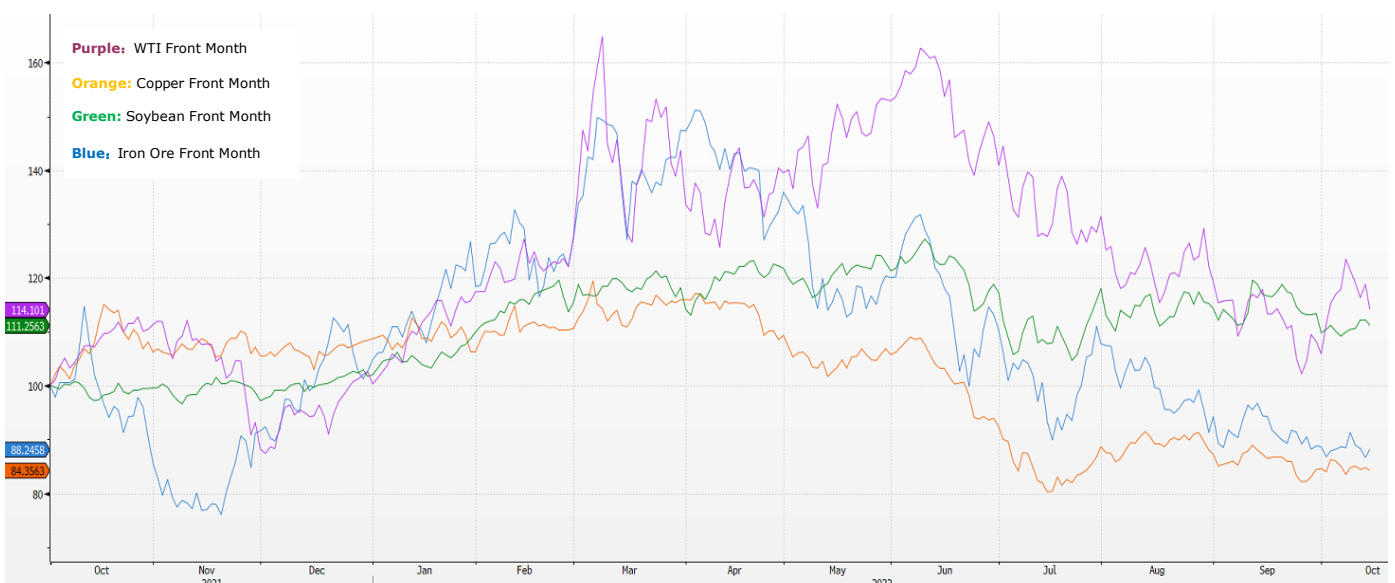
	Last	Previous	
LME Copper 3 Month Rolling	7562.50	7578.50	-0.21%
LME Aluminium 3 Month Rolling	2229.00	2260.00	-1.37%
WTI Cushing Crude Oil	85.46	91.13	-6.22%
Platts Iron Ore Fe62%	93.75	98.75	-5.06%
U.S. Gold Physical	1656.53	1666.34	-0.59%
BDI	1843.00	1944.00	-5.20%

Chinese National Conference Takeaways

China held its 20th Communist Party Congress, considered one of the most important global meetings in the last few years. China reiterated the zero Covid-19 policy, optimised commodity supply and trade globally, and belief in long term economic growth. In more detail and commodity-related lines:

- China will further intensify its efforts to encourage foreign investment.
- China improved grain capacity and security, looking to improve global supply and trade.
- China set a 2035 target to significantly enhance economic strength, scientific and technological capabilities and composite national strength, increasing GDP per capita.
- Achieve new industrialisation, information, urbanisation and agricultural modernisation
- Establish eco-friendly ways of working, lower carbon emissions, and improve the environment. Increase non-fossil energy consumption by 20% and 25% by 2025 and 2030.
- Increase energy self-sufficiency. Achieve an annual comprehensive energy production capacity of more than 4.6 billion tons of standard coal by 2025. Build energy reserves, including oil, natural gas, and coal.
- Reiterate dynamic zero Covid-19 control policy.

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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