

# FIS Macro Report

info@freightinvestor.com | freightinvestorservices.com | (+44) 207 090 1120

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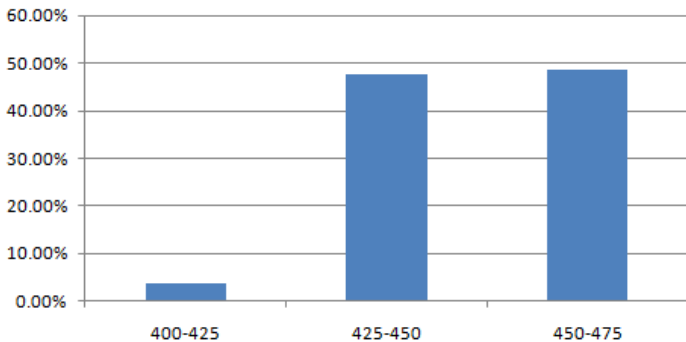
	Last	Previous	% Change
<b>U.S. Dollar Index(DXY)</b>	111.86	112.13	<b>-0.24%</b>
<b>USD/CNY</b>	7.3339	7.2241	<b>1.52%</b>
<b>U.S. FOMC Upper Interest Rate</b>	3.25	2.50	<b>30.00%</b>
<b>China Repo 7 day</b>	2.20	1.52	<b>44.27%</b>
<b>Caixin China Manufacturing PMI</b>	48.10	49.50	<b>-2.83%</b>
<b>Markit U.S. Manufacturing PMI</b>	52.20	51.20	<b>1.95%</b>

## U.S. Federal Reserve "Silent Period"

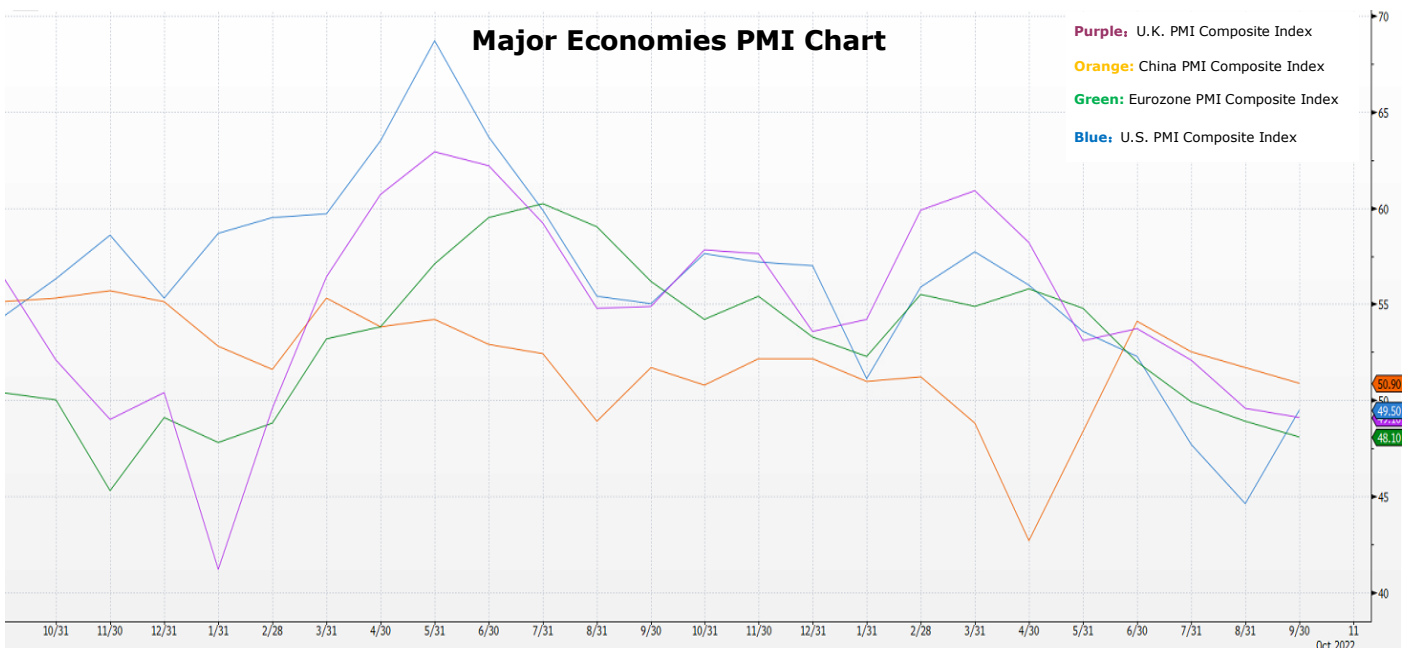
The last 3-4 weeks before a U.S. FOMC is normally a "silent period" with less official information or speeches regarding the interest rate decision. Nick Timiraos, the FedWatcher, said on the last day

before this period that the Federal Resever looks likely to increase interest rate by 75 bps in November and considering slow down the rate hikes in December. After Timiraos' article, Los Angeles Federal Reserve president Mary Daly made a similar announcement. The expectation on the terminal point of interest rate dropped from 5% to 4.86% after two important news items. The probability of 75 bps hike in December significantly dropped from 70% to below 50%. The Dow Jones Index was up 2.5% in response to the good news. The Dow Jones had its best single weekly increase in the past six months.

U.S. Interest Target Rate(bps)



Major Economies PMI Chart

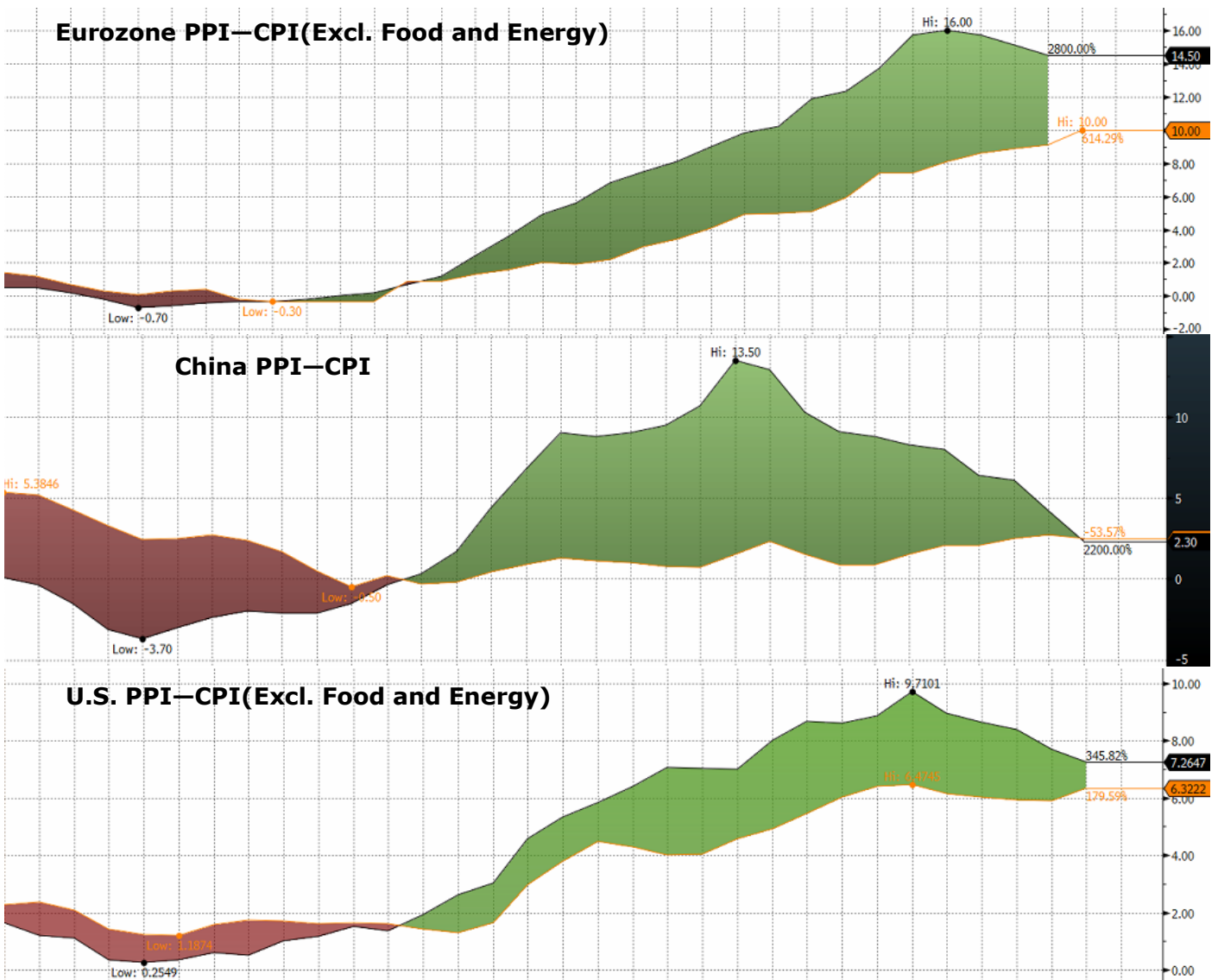


Sources: Bloomberg

	Last	Previous	
<b>Shanghai&amp;Shenzhen 300 Index</b>	3633.37	3846.41	<b>-5.54%</b>
<b>Dow Jones Industrial Average</b>	31499.62	30185.82	<b>4.35%</b>
<b>FTSE 100 Index</b>	7013.99	6920.24	<b>1.35%</b>
<b>Nikkei 225 Index</b>	26974.90	26775.79	<b>0.74%</b>
<b>BVAL U.S. 10-year Note Yield</b>	4.2543	4.0225	<b>5.76%</b>
<b>BVAL China 10-year Note Yield</b>	2.7772	2.7710	<b>0.22%</b>

## Sluggish Performance in Asian Market

China executed multiple stimulus policies in financial markets last Friday, including increasing re-financing leverage rate by 40bps to meet with the low cost financing of security companies, allowing qualified real estate companies to get finance in equity market, and national funds started to repurchase some propriety trading positions and books. However, metals, petro-chemicals and onshore equities were all dragged down by the Hangseng Index, which corrected by 6.36%, creating the biggest single day correction since October, 2008. Chinese fixed investment dropped by 8% for the first nine months of the year, but had increased by 0.5% from first eight months. Chinese GDP for first three quarters was reported to have grown 3%.



Sources: Bloomberg, FIS

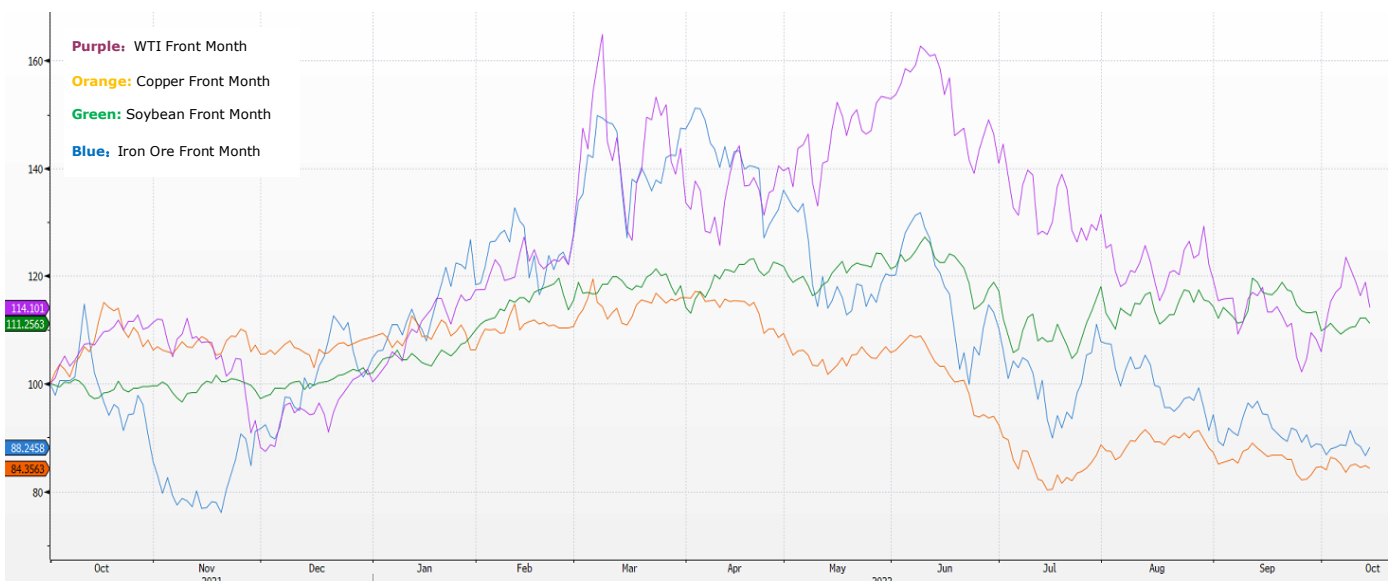
	Last	Previous	
<b>LME Copper 3 Month Rolling</b>	7556.00	7562.50	<b>-0.09%</b>
<b>LME Aluminium 3 Month Rolling</b>	2175.00	2229.00	<b>-2.42%</b>
<b>WTI Cushing Crude Oil</b>	86.23	85.46	<b>0.90%</b>
<b>Platts Iron Ore Fe62%</b>	93.00	96.15	<b>-3.28%</b>
<b>U.S. Gold Physical</b>	1652.08	1652.22	<b>-0.01%</b>
<b>BDI</b>	1797.00	1843.00	<b>-2.50%</b>

## Sluggish Performance in Asian Market(Cont'd)

Chinese GDP figures have increased by 0.5% from H1. Q3 GDP was 3.9%, up from 3.4% in Q2, and 0.9% lower than Q1. The GDP data improved both from the last quarter and last year. The marginal improved data failed to save the investment preference in Chinese market. Chinese offshore yuan refreshed 20-year-low versus U.S. dollar, which potentially trigger an acceleration in foreign investment flowing out of emerging market.

Chinese housing data would take a few quarters to recover due to the significant impact the economic issues have had on the sector. Regional economic growth become a minor impact compared with the impact of foreign exchange rates, interest rate hikes or geo-political change.

**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.

Written by **Hao Pei**, FIS Senior Research Analyst

Edited by **Chris Hudson**, FIS Communications Director

News@freightinvestor.com, +44 207 090 1120

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