

FIS Macro Report

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

1/11/2022

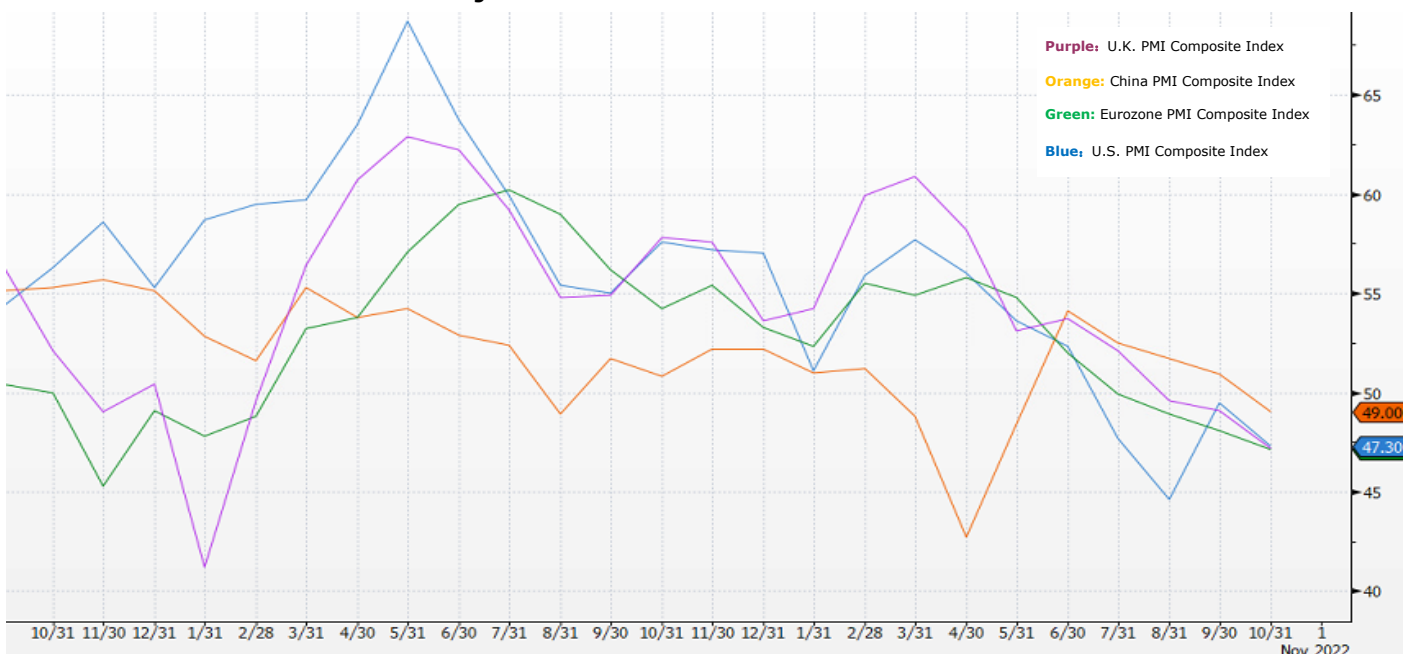
	Last	Previous	% Change
U.S. Dollar Index(DXY)	111.86	112.13	-0.24%
USD/CNY	7.3339	7.2241	1.52%
U.S. FOMC Upper Interest Rate	3.25	2.50	30.00%
China Repo 7 day	2.20	1.52	44.27%
Caixin China Manufacturing PMI	48.10	49.50	-2.83%
Markit U.S. Manufacturing PMI	52.20	51.20	1.95%

PMI Watch

The Purchasing Managers' Index (PMI) for most major economies fell in October's boom-and-bust line. U.S. October Markit manufacturing PMI 49.9 refreshed a 28-month low. U.K. manufacturing PMI of 45.8 created a new low since May 2020. Germany's manufacturing PMI at 45.7 made a 28-month low. The low PMIs lifted a warning sign of recession. Although U.S. Q3 GDP growth rate outperformed expectations at 2.6%, economists believed that the only support factor was the higher export amount. At the same time, consumption, individual investment, and government investment were lower in Q3 GDP. Economists generally believe that Europe will enter a recession in Q4. The technical means of recession require a consecutive negative growth for three-quarters.

China's manufacturing October PMI was 49.2%, compared to the previous 50.1%, the first time lower than the boom-and-bust line since May 2022. The construction sector was expected to lead the growth in the fourth quarter due to a stable operation rate in housing and building. However, other sub-sectors potentially become dragging sectors.

Major Economies PMI Chart



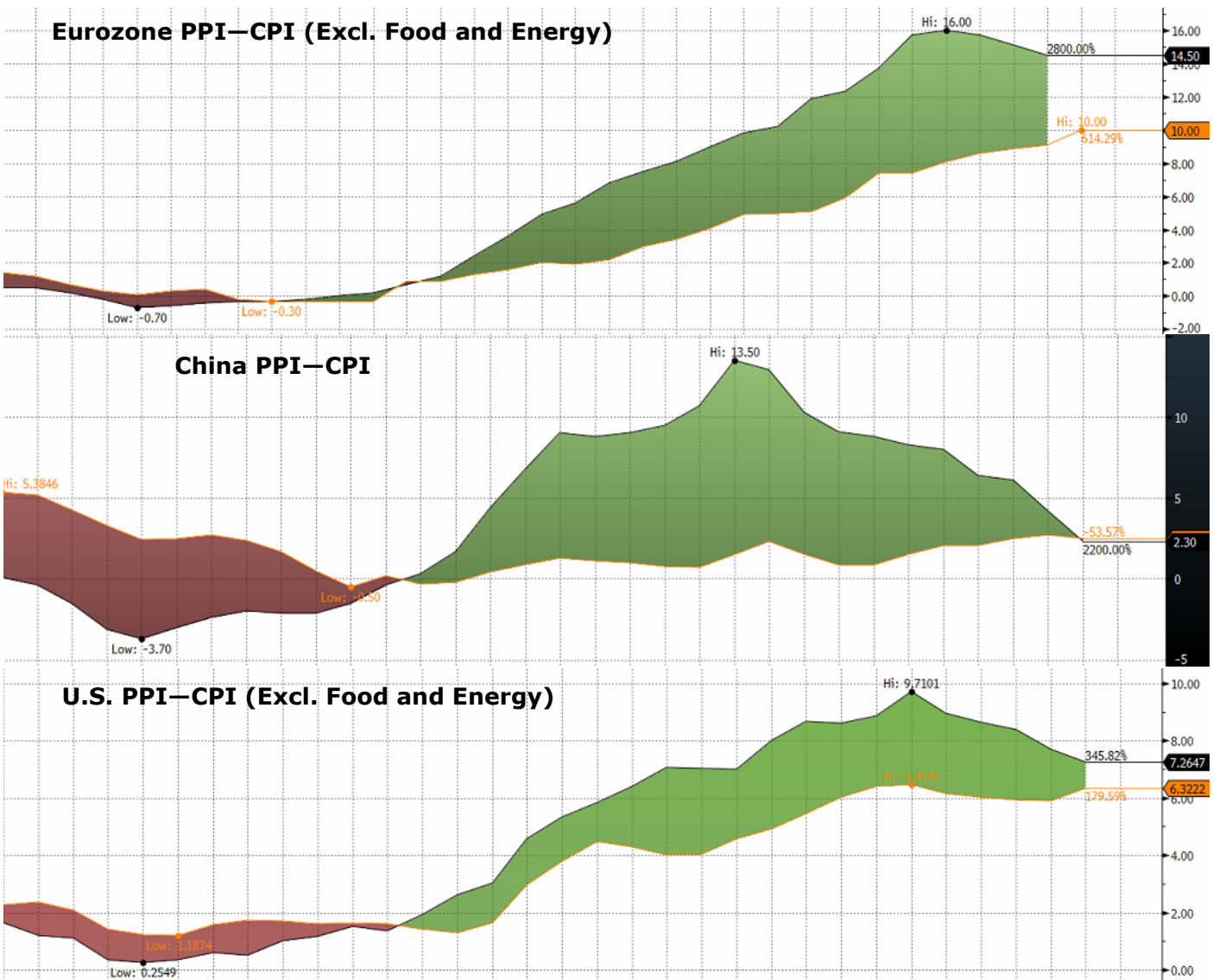
Sources: Bloomberg

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

PMI Watch (Cont'd)

Of the sectors of China’s production and operation activities within the manufacturing industry, 13 out of 21 surveyed industries were higher than the boom-and-bust line, including agricultural and food processing, railway, shipping, aerospace equipment, electrical machinery and equipment and others. The enterprises in these industries have strong confidence in future development.

Japan, India, and Vietnam saw their statistics above the boom-and-bust line. However, all three countries saw a slower growth rate than in September.



Sources: Bloomberg, FIS

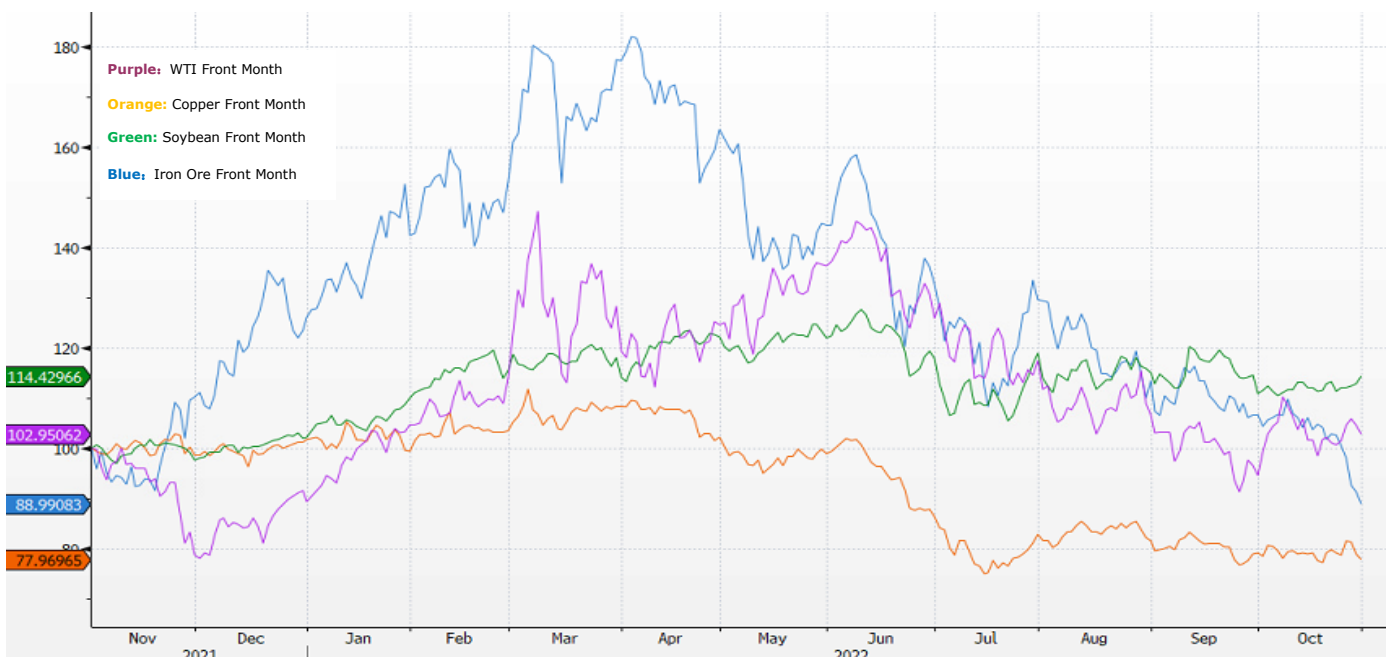
	Last	Previous	
LME Copper 3 Month Rolling	7556.00	7562.50	-0.09%
LME Aluminium 3 Month Rolling	2175.00	2229.00	-2.42%
WTI Cushing Crude Oil	86.23	85.46	0.90%
Platts Iron Ore Fe62%	93.00	96.15	-3.28%
U.S. Gold Physical	1652.08	1652.22	-0.01%
BDI	1797.00	1843.00	-2.50%

Before U.S. FOMC

The FedWatch tool indicated a 75 basis point hike in November probability is at 85%. However, the likelihood of a 75 bps hike in December decreased to 49%, leaving multiple expectations on the decision. Thus, the focus shifted from November to December. There is a vast divergence internally among Federal officials. Los Angeles chairman Mary Daly believes it is time to discuss slowing down the hike. However, Kansas chairman Ethan George thinks the market needs to see a clear sign of inflation decreasing before slowing down the interest hike.

One of the most critical indicators to value inflation, Personal Consumption Expenditures (PCE), increased by 6.2% in September. However, this number was three times bigger than the long-run inflation target. It is also worth noting that the previous food and energy PCE reached 5.1%, the highest since March 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.

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

Edited by **Mopani Mkandawire**, FIS Content Manager

News@freightinvestor.com, +44 207 090 1120

The information provided in this communication is not intended for retail clients. It is general in nature only and does not constitute advice or an offer to sell, or the solicitation of an offer to purchase any swap or other financial instruments, nor constitute any recommendation on our part. The information has been prepared without considering your investment objectives, financial situation, or knowledge and experience. This material is not a research report and is not intended as such. FIS is not responsible for any trading decisions taken based on this communication. Trading swaps and over-the-counter derivatives, exchange-traded derivatives, and options involve substantial risk and are not suitable for all investors. You are advised to perform an independent investigation to determine whether a transaction is suitable for you. No part of this material may be copied or duplicated in any form by any means or redistributed without our prior written consent. Freight Investor Services Ltd (FIS) is authorised and regulated by the Financial Conduct Authority (FRN: 211452) and is a member of the National Futures Association ("NFA"). Freight Investor Services PTE Ltd ('FIS PTE') is a private limited company, incorporated and registered in Singapore with company number 200603922G, and has subsidiary offices in India and Shanghai. Freight Investor Solutions DMCC ('FIS DMCC') is a private limited company, incorporated and registered in Dubai with company number DMCC1225. Further information about FIS including the location of its offices can be found on our website at freightinvestorservices.com