

FIS Macro Report

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

15/11/2022

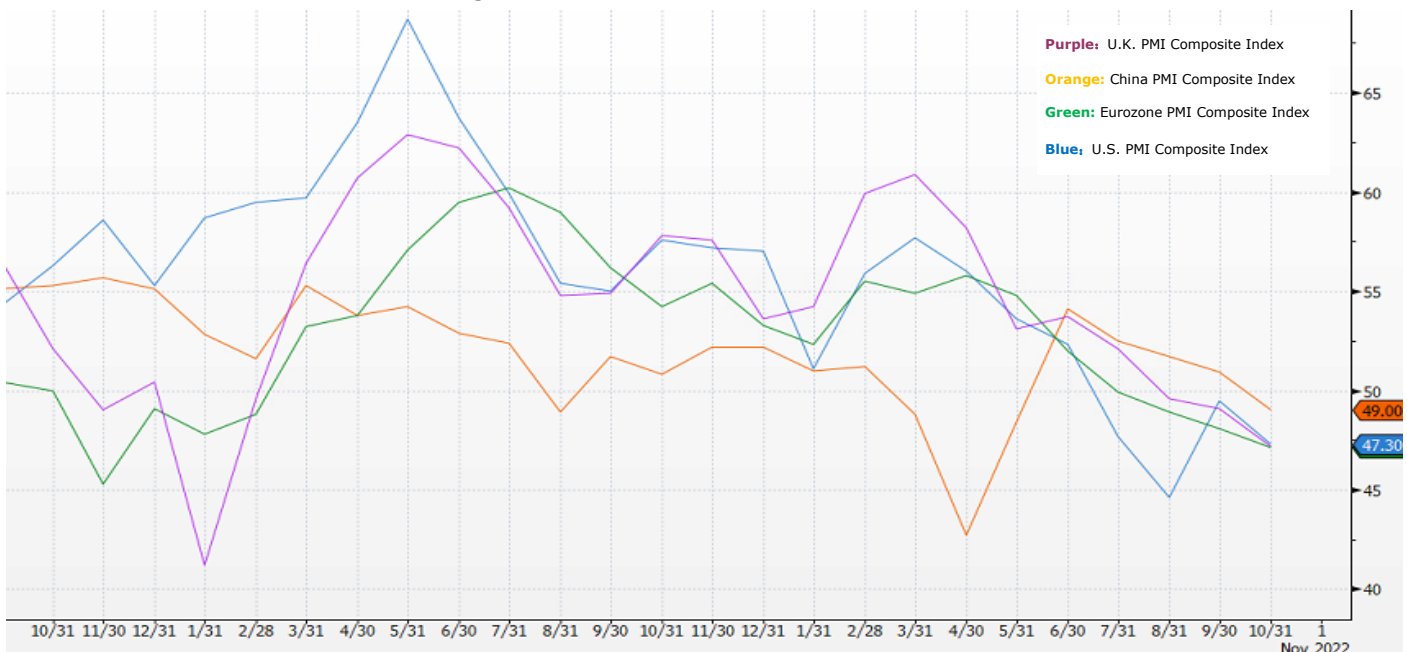
	Last	Previous	% Change
U.S. Dollar Index(DXY)	106.95	109.64	-2.45%
USD/CNY	7.0474	7.2302	-2.53%
U.S. FOMC Upper Interest Rate	4.00	3.25	23.08%
China Repo 7 day	1.85	1.75	5.71%
Caixin China Manufacturing PMI	49.20	48.10	2.29%
Markit U.S. Manufacturing PMI	49.40	52.20	-5.36%

Global CPI and PPI in October

The lower-than-expected U.S. Consumer Price Index (CPI) plus the marginal epidemic control ease in China triggered the best performance week in both commodity and equity markets globally.

U.S. CPI annual growth rate was up 7.7% in October, 0.5% lower than in September, the first time lower than 8% after seven consecutive months. The number fell below analysts' expectations. The CME FedWatch Tool almost simultaneously increased the probability of a 50 bps interest hike in December from 56% to 80%. The CPI data strengthened the confidence in fighting inflation. Nasdaq Index was up 5% during the day, and U.S. T-Bond slipped below the key level of 4%. However, the slowdown in the CPI growth rate was not the first time this year. The July CPI indicated slower growth. However, the strong data in the following two months cracked down the market confidence. It is hard to believe that U.S. inflation officially entered a descending trend unless seeing a significant proportionate change since the target long-run inflation rate at 2% was still far from the current level. Moreover, the market was concerned about the extension of the time length.

Major Economies PMI Chart

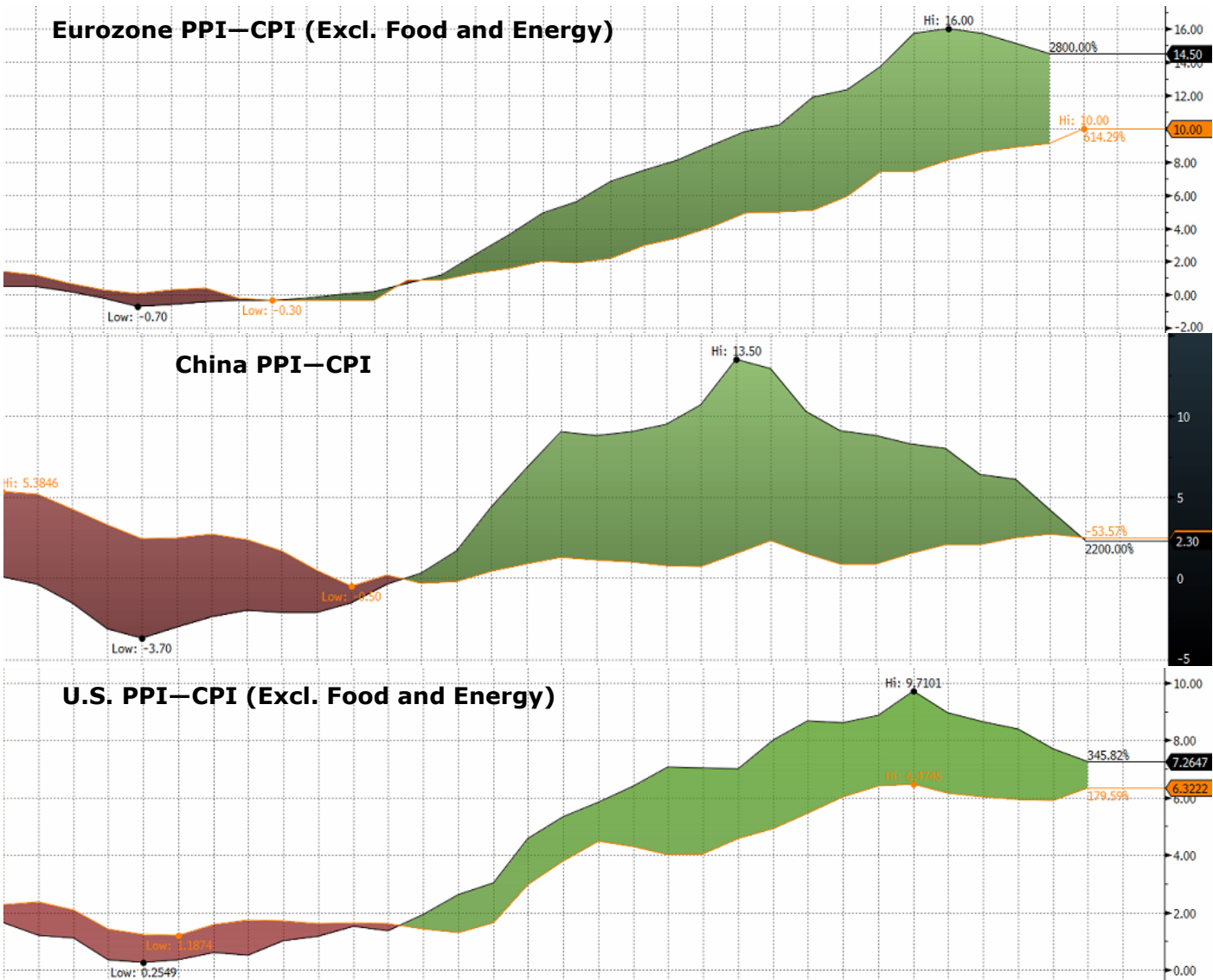


Sources: Bloomberg

	Last	Previous	
Shanghai&Shenzhen 300 Index	3794.02	3775.30	0.50%
Dow Jones Industrial Average	33536.70	32827.00	2.16%
FTSE 100 Index	7385.17	7299.99	1.17%
Nikkei 225 Index	27963.47	27527.64	1.58%
BVAL U.S. 10-year Note Yield	3.8840	4.1808	-7.10%
BVAL China 10-year Note Yield	2.8776	2.7617	4.20%

Global CPI and PPI in October (Cont'd)

China's CPI annual growth rate in October fell 0.7% to 2.1% on the month, which was much lower than expected. The sharp decrease was majorly due to the high base of last year. This drop indicated that China successfully approached the inflation control target below 3%, which means the September CPI could be the highest of the year. From the detailed market, pig price was the only factor to support the CPI number. As the government started to release frozen pork reserves several times, the supply shortage caused by import decrease and slow live pig sales rate would be expected to be resolved. Other than pigs, different food prices fell 1.8% during the month. China's October PPI shifted from an increase of 0.9% to a decrease of 1.3%.



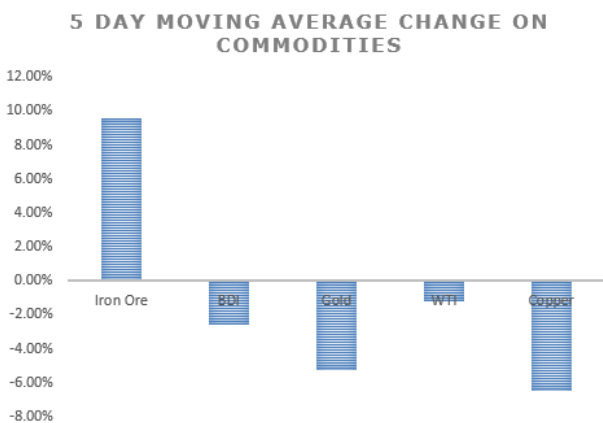
Sources: Bloomberg, FIS

	Last	Previous	
LME Copper 3 Month Rolling	8375.00	7914.50	5.82%
LME Aluminium 3 Month Rolling	2452.50	2337.00	4.94%
WTI Cushing Crude Oil	85.87	91.79	-6.45%
Platts Iron Ore Fe62%	95.30	87.95	8.36%
U.S. Gold Physical	1771.16	1712.42	3.43%
BDI	1325.00	1337.00	-0.90%

Global CPI and PPI in October (Cont'd)

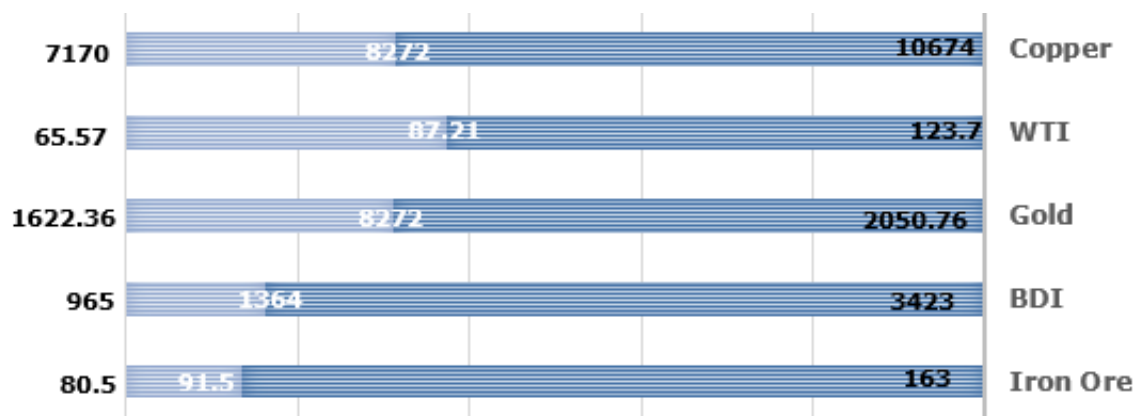
The inflation conduction from upstream to downstream profit once squeezed the downstream margin to a low level. However, the downstream margin is expected to recover after this conduction ends by witnessing both low CPI and PPI.

Europe Commission Autumn Economy Outlook



The Europe Commission published the Autumn 2022 economy outlook, expected GDP growth at 3.3% in the EU in 2022. However, GDP growth was expected at 0.3% in 2023. Most EU member countries are expected to fall into recession in the fourth quarter of this year due to increased uncertainties, including high energy prices, limited household purchasing power, and tight financing conditions. The recession will likely last at least until the first quarter of 2023. The report forecasts the EU inflation rate in 2022 and 2023 at 9.3% and 7%, respectively.

Commodity Relative Price Range



Sources: Bloomberg, FIS

**To visualise both recent and periodic movements on different commodities. The "normalised price chart" for the trailing 12 months was changed into the "Five-Day Moving Average Change" and the "Commodity Relative Price Range". **

—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