

FIS Macro Report

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	Last	Previous	% Change
U.S. Dollar Index(DXY)	107.54	106.40	1.07%
USD/CNY	7.1565	7.0484	1.53%
U.S. FOMC Upper Interest Rate	4.00	3.25	23.08%
China Repo 7 day	1.71	2.00	-14.45%
Caixin China Manufacturing PMI	49.20	48.10	2.29%
Markit U.S. Manufacturing PMI	49.40	52.20	-5.36%

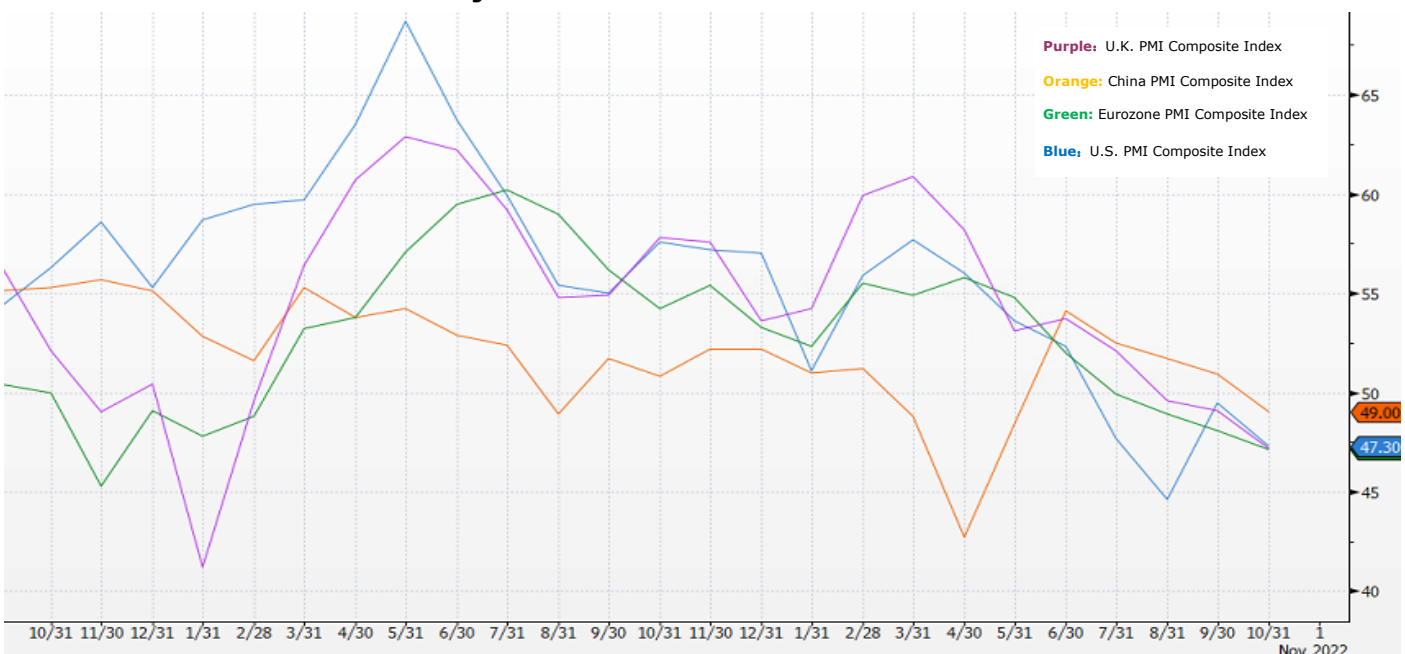
Global Housing Market Downturn

The downturn of the property market doesn't have to result in an economic recession. However, a global economic recession typically comes along with the collapse of the housing market in many countries. In particular, China and U.S., with heavy investment and mortgage values in property sectors.

Looking around the global housing market, the MSCI U.K. housing index dropped 4.3% in Q3 2022, creating the worst performance since 2009, excluding the pandemic lockdown period. The sales units were down 32% from the peak in 2021 this September. Oxford Research indicated that 9 of 18 developed economies might face a 15% or more correction in house prices, including Australia, Canada, Netherlands, and New Zealand. The International Monetary Fund (IMF) indicated a potential 25% property price decrease in new emerging economies. Mortgage rates reached a historical high in many countries, limiting new buying power and increasing default risk.

U.S. National Association of Realtors (NAR) statistics indicated that the total sales of houses in October at 4.43 million households on the year, down 28.4%, which refreshed a new low since December 2011, excluding the pandemic period. The streak of drops for nine months also historically restored the longest period of decline.

Major Economies PMI Chart



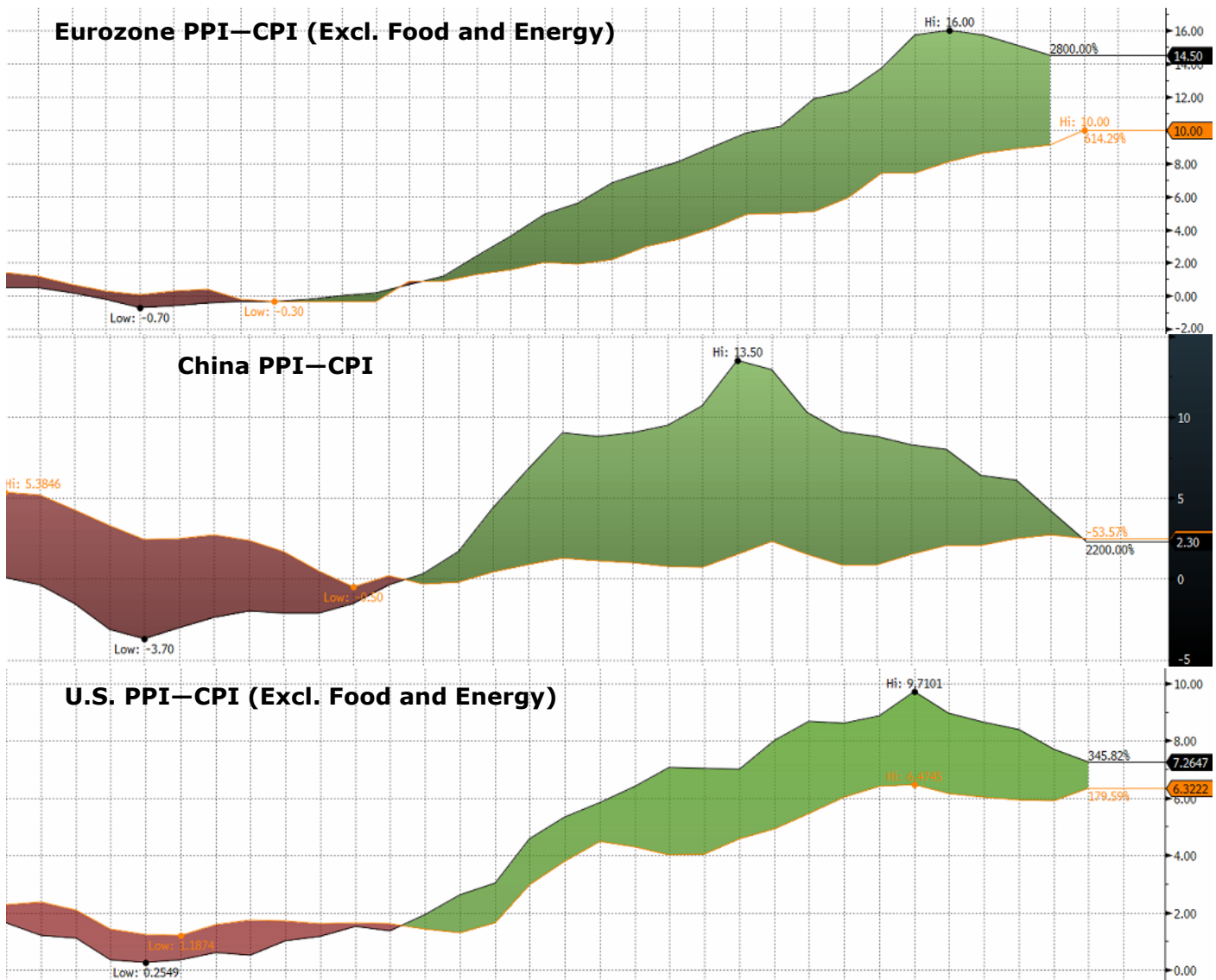
Sources: Bloomberg

	Last	Previous	
Shanghai&Shenzhen 300 Index	3769.13	3794.02	-0.66%
Dow Jones Industrial Average	33700.28	33536.70	0.49%
FTSE 100 Index	7376.85	7385.17	-0.11%
Nikkei 225 Index	27944.79	27963.47	-0.07%
BVAL U.S. 10-year Note Yield	3.8333	3.8840	-1.31%
BVAL China 10-year Note Yield	2.8637	2.8776	-0.48%

Global Housing Market Downturn (Cont'd)

Although the new buying market was sluggish, the inventories market indicator was also tight. The total houses for sale only lasted 3.3 months according to the current condition, compared with an average period of 6 months. Housing affordability was close to the lowest levels in decades, plus the rising interest rate; the housing market cooling is expected to continue in the U.S.

This year's housing stimulus strategies prevented the market from defaulting in many cities in China. The government led the restructuring of debts and guaranteed the completion of unfinished houses. However, the soft landing only helps house prices from a considerable drop in the short run.



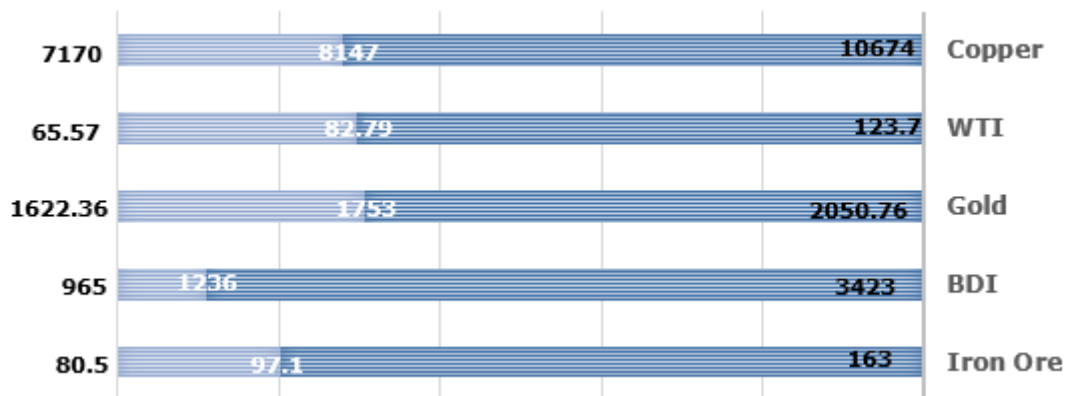
Sources: Bloomberg, FIS

	Last	Previous	
LME Copper 3 Month Rolling	7880.50	8375.00	-5.90%
LME Aluminium 3 Month Rolling	2379.00	2452.50	-3.00%
WTI Cushing Crude Oil	79.73	85.87	-7.15%
Platts Iron Ore Fe62%	96.25	95.30	1.00%
U.S. Gold Physical	1743.78	1778.94	-1.98%
BDI	1177.00	1325.00	-11.17%

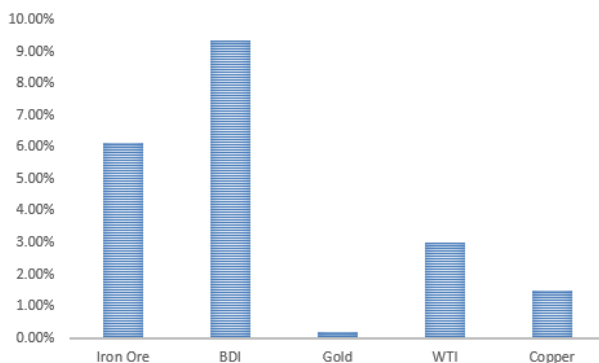
Global Housing Market Downturn (Cont'd)

The Chinese National Bureau of Statistics published the October housing figure, seeing a wider drop of 23.23% compared to September, indicating weak confidence in the front-end investment market. In October, the fully funded real estate developers decreased by 26.00% year on year, and there was no noticeable change in the liquidity tight. Tier 3 and 4 cities used to be the major drag sectors for the house price correction. However, Tier 1 and 2 cities started to see an accelerated decrease from September. Thus, the current housing sector is booming in the secondary market, potentially buying the expectation of a better housing market in the long run. However, it takes a longer period to see the next boom phase of the housing market as the housing cycle typically last decades, with many problems to fix, including debts, buying confidence and structured investments. However, the strategies look consistent as several Chinese departments announced to guarantee house deliveries and support housing financing and restructuring. Housing analysts believe the stimulus could last until most default risks are entirely hedged.

Commodity Relative Price Range



5 DAY MOVING AVERAGE CHANGE ON COMMODITIES



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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