

FIS Macro Report

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

13/12/2022

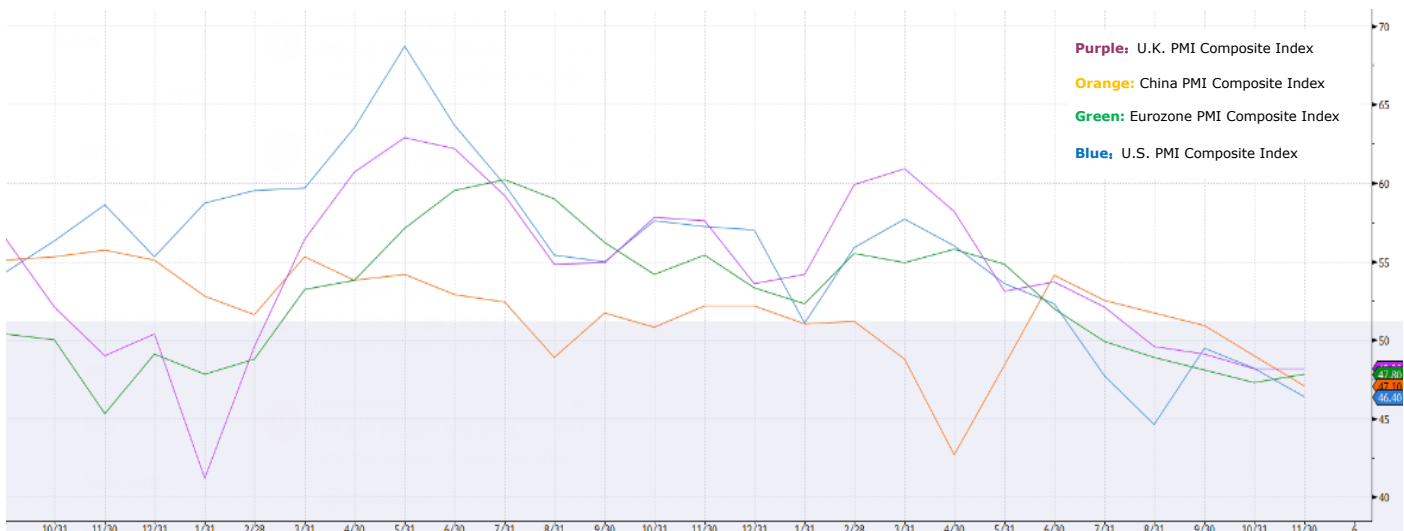
	Last	Previous	% Change
U.S. Dollar Index(DXY)	105.03	105.58	-0.52%
USD/CNY	6.9851	6.9807	0.06%
U.S. FOMC Upper Interest Rate	4.00	3.25	23.08%
China Repo 7 day	1.81	1.66	9.04%
Caixin China Manufacturing PMI	49.40	49.20	0.41%
Markit U.S. Manufacturing PMI	46.00	49.40	-6.88%

Interest Rate Hike Slowed

The global bankers almost reached a broad consensus that the interest rate hike would slow down in 2023, given the slowdown of the inflation rate based on the high number in 2022. The market was waiting on the last FOMC and CPI data on Wednesday. Many U.S. media predicted that the Federal government would announce a slowed interest hike at 50 bps, with the probability of FedWatch reaching 80% on this decision. Several countries had proven a smaller interest hike percentage earlier this month and set a theoretical roof in the next year. U.S. Fed has brought interest rates to a 15-year-high since June 2022. However, many economists believed that the interest hike had already decreased the recession risk by 65-70%. In other words, economists and the current equity boom in the U.S. indicated a soft landing in the economy. More than half of G20 members were expected to see a clear sign of economic reversal in 2023.

Jeffrey's Chief Financial economist, Aneta Markewska, indicated that the upcoming CPI data would strengthen the point that inflation has peaked. However, Markewska still believed that the U.S. economy and other high-inflation countries would encounter setbacks in the next few months. Core inflation PCE has dropped from 7% to 4.6%. The main driver of PCE has transmitted from the supply side to the demand side, observed from October's inflation data, where supply-related factors contributed 35%, and demand-related factors contributed 39%.

Major Economies PMI Chart

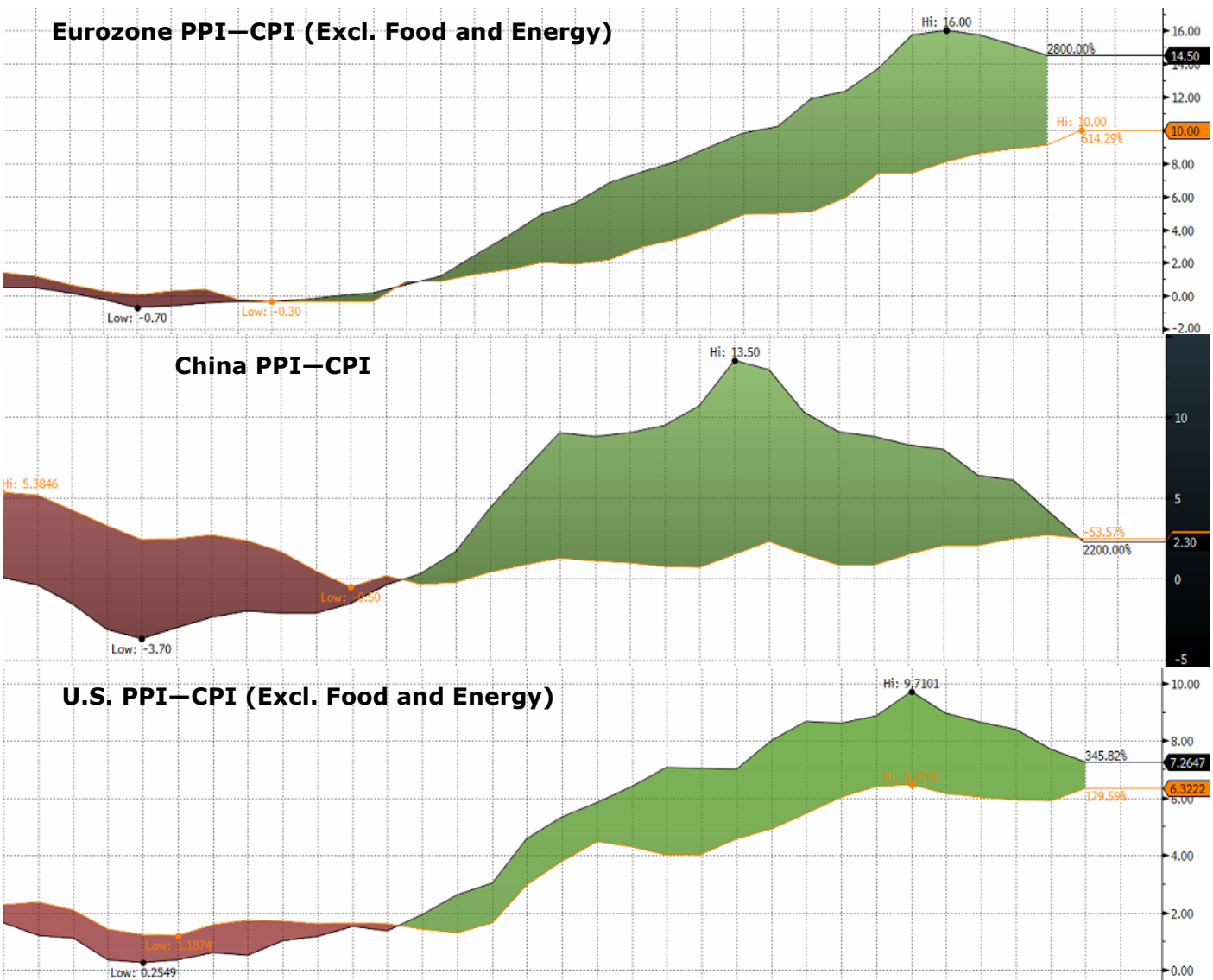


Sources: Bloomberg

	Last	Previous	
Shanghai&Shenzhen 300 Index	3953.44	3946.88	0.17%
Dow Jones Industrial Average	34005.04	33947.10	0.17%
FTSE 100 Index	7445.97	7567.54	-1.61%
Nikkei 225 Index	27842.33	27820.40	0.08%
BVAL U.S. 10-year Note Yield	3.6059	3.6033	0.07%
BVAL China 10-year Note Yield	2.9115	2.9210	-0.33%

Interest Rate Hike Slowed

The last speech from the Chair of the Federal Reserve, Jerome Powell, mentioned three significant factors as the drivers of inflation in the next year: core commodities, living houses and major services. In the commodity area, low demand and increasing supply helped to reach an equilibrium between supply and demand. However, the recovering economy would come along with stable consumer staples and service prices, which might decrease CPI. That way, the Fed might need to rethink the interest hike again next year.

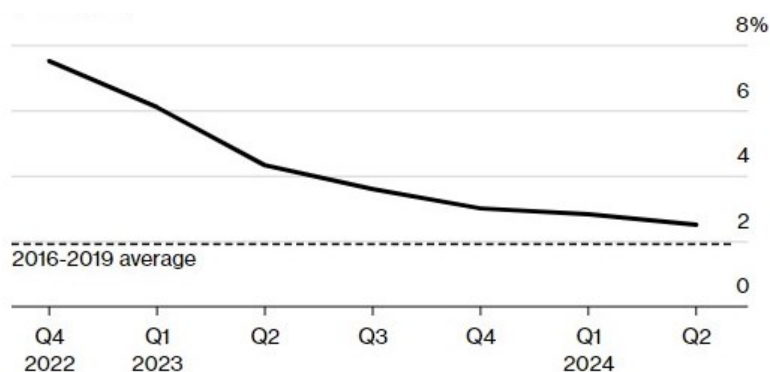


Sources: Bloomberg, FIS

	Last	Previous	
LME Copper 3 Month Rolling	8374.00	8391.00	-0.20%
LME Aluminium 3 Month Rolling	2414.00	2522.50	-4.30%
WTI Cushing Crude Oil	73.17	76.93	-4.89%
Platts Iron Ore Fe62%	110.25	109.60	0.59%
U.S. Gold Physical	1782.66	1771.04	0.66%
BDI	1361.00	1323.00	2.87%

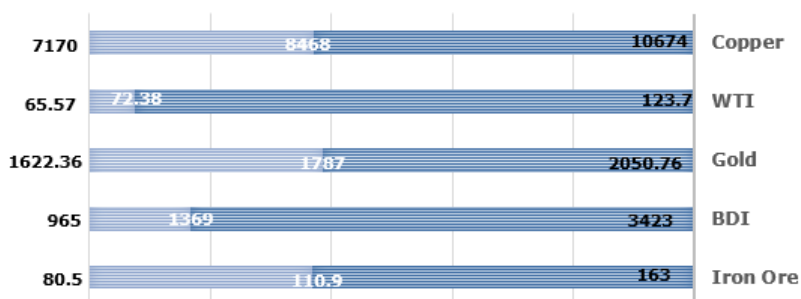
Interest Rate Hike Slowed

Economists Prediction on Interest Hike Route



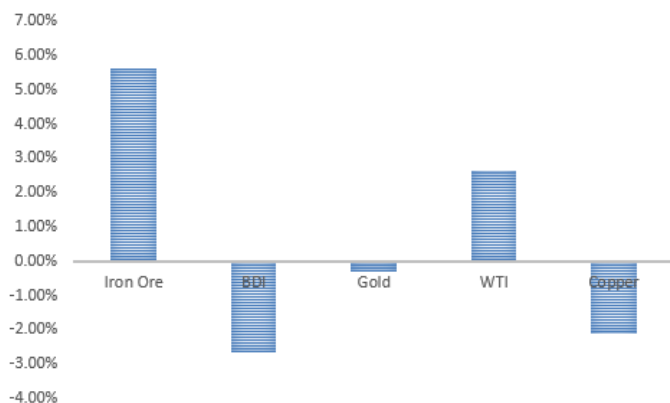
- Economists believed that the nominal inflation rate would drop below 4% in mid-2023 when inflation is expected to become a less significant factor to drive or impact the monetary decision. However, many economists disagreed with this hypothesis as the Fed and Banks underestimated the inflation rate for the previous six months.

Commodity Relative Price Range



- Iron ore and ferrous complex overperformed other commodities as the quick lift of China urged mills to restock. The secondary market became excited to purchase imported and mixed brands and supplies.

5 DAY MOVING AVERAGE CHANGE ON COMMODITIES



- BDI dropped following the last few weeks, hit by decreasing year-end demand on the seaborne freight market as well as the recovery of laycans in Q4.

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. Typical 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 the 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 with 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