

FIS Macro Report

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17/1/2022

	Last	Previous	% Change
U.S. Dollar Index(DXY)	102.27	103.24	-0.93%
USD/CNY	6.7403	6.7847	-0.65%
U.S. FOMC Upper Interest Rate	4.00	3.25	23.08%
China Repo 7 day	2.15	1.85	16.22%
Caixin China Manufacturing PMI	49.00	49.40	-0.81%
Markit U.S. Manufacturing PMI	45.50	46.00	-1.09%

The Recovery Year: 2023

Many major economies, including U.S., India, China, Japan, and Korea, are expected to see economic recovery, contributed by the slowing of inflation, eased-off pandemic and travel restrictions, more trades than sanctions, recovered supply chain and returned investment risk appetite. The December Consumer Price Index (CPI) published last week was up 6.5% on the year, while November was up 7.1%. The core CPI was 5.7% in December compared with 6% in November. The decrease in CPI potentially symbolised well-controlled inflation in 2023. Thus, bankers and economists tend to shift Dovish on the vote on slower interest hikes in the first few months of 2023.

The most significant contributor to the CPI decrease was the oil drop. However, the decline in oil would transfer to other commodity fields and generally slow down inflation in the coming months. In addition, the high base effect of last year on consumer prices and commodity prices would limit the growth rate of CPI in 2023. In the long run, coal supply is expected to expand from Southeast Asian countries and Australia, which saw a lift on the import ban from China and a quota increase in India. As a result, the coal supply is expected to recover. Ferrous element demand is likely to decrease due to the recovered automobile market globally and a slowdown in the housing sector. However, lithium, cobalt, copper, and all new energy-related metals are expected to become resilient as energy replacement is the leading tone in the current and next decade. Fresh energy consumption accounts for 10% of copper produced in 2022, which is expected to reach 12-13% in 2023 and 20% in 2030. Overall, traditional commodity prices are expected to become a dragging indicator to resist CPI growth in 2023, while new energy commodities potentially become a supporting indicator for CPI. Considering the new energy commodities have a much smaller scale, commodities tend to become a slight dragging indicator for CPI in 2023.

PMI Index

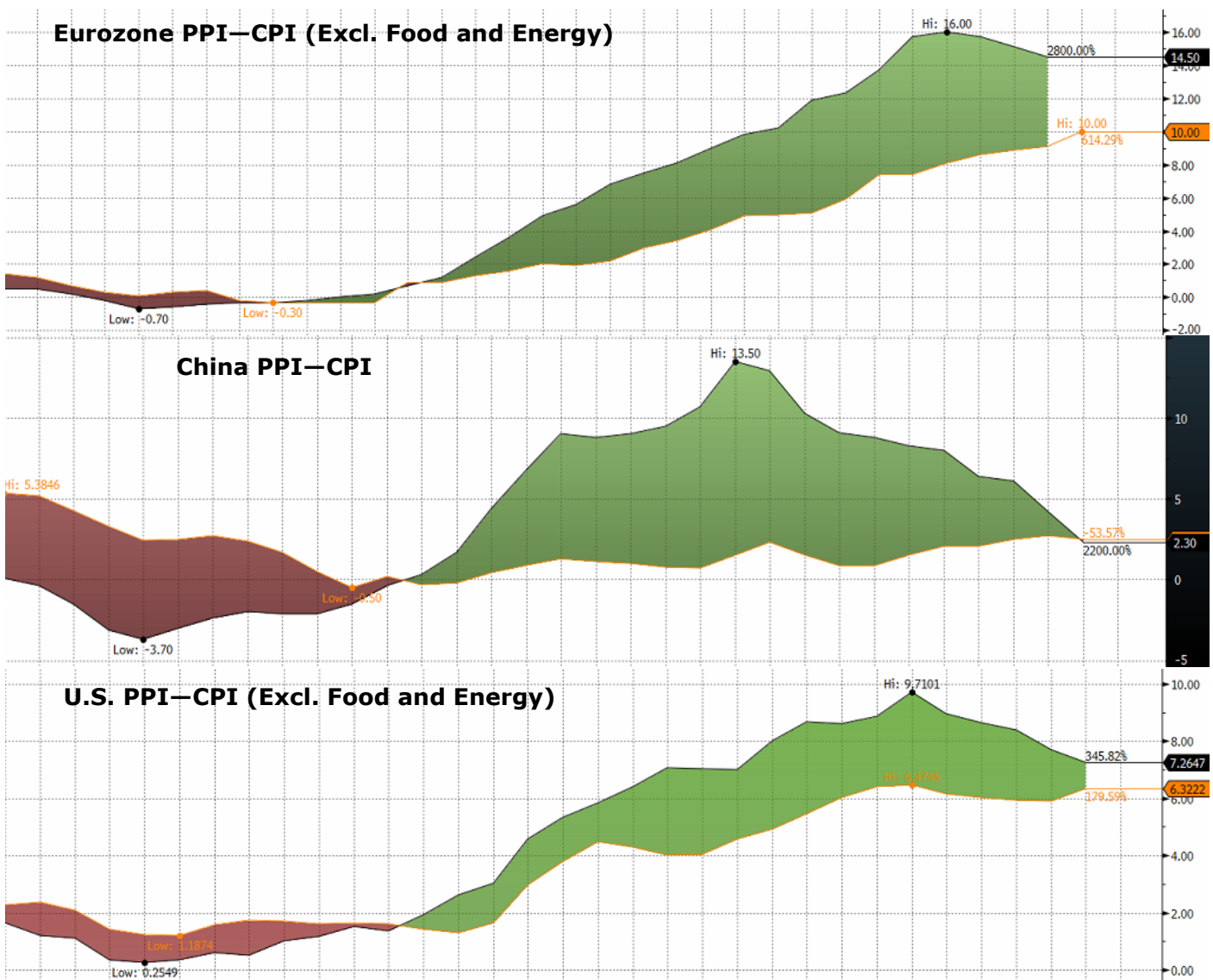


Sources: Bloomberg

	Last	Previous	
Shanghai&Shenzhen 300 Index	4074.38	3980.89	2.35%
Dow Jones Industrial Average	34302.61	33630.61	2.00%
FTSE 100 Index	7860.07	7724.94	1.75%
Nikkei 225 Index	25822.32	25973.85	-0.58%
BVAL U.S. 10-year Note Yield	3.4877	3.5504	-1.77%
BVAL China 10-year Note Yield	2.9451	2.8800	2.26%

The Recovery Year: 2023(Cont'd)

Some economists expect the growth of salaries in G7 countries to remain strong in 2023. However, the statistic hadn't covered the disappearance of privately owned companies, the income of freelancers, and bonus-based jobs. International Labour Organisation believes the job losses could reach 208 million in 2023, or 5.8%, slower than in 2021 and 2020. Thus, the statistic indicates that job loss conditions are expected to reverse in 2023 or 2024.



Sources: Bloomberg, FIS

	Last	Previous	
LME Copper 3 Month Rolling	9104.50	8859.50	2.77%
LME Aluminium 3 Month Rolling	2621.00	2438.50	7.48%
WTI Cushing Crude Oil	79.86	73.77	8.26%
Platts Iron Ore Fe62%	120.75	118.70	1.73%
U.S. Gold Physical	1915.92	1877.03	2.07%
BDI	946.00	1130.00	-16.28%

Commodity Outlook and Major Economists Event

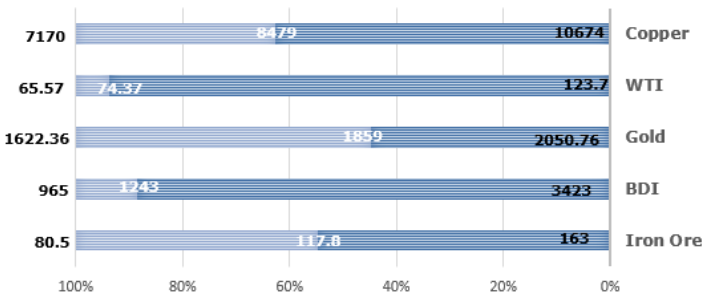
Fed Spectrometer: Fed Members' Policy Inclinations

2023 FOMC Voting Members [-2 = dovish/ 0 = neutral/ +2 = hawkish (1)]		Alternate Voters (2)	
Board of Governors			
Jerome Powell, Chair	+1	Helen Mucciolo, Interim First VP of FRB New York	N/A
Lael Brainard, Vice Chair of Board of Governor(3)	-2	Loretta Mester, Cleveland	+1
Michael Barr, Vice Chair for Supervision	0	Thomas Barkin, Richmond	0
Michelle Bowman, Governor	+1	Raphael Bostic, Atlanta	-1
Christopher Waller, Governor	+1	Mary Daly, San Francisco	+1
Lisa Cook, Governor	-1		
Philip Jefferson, Governor	0		
Voting Regional FRB Presidents			
John C Williams, New York	0	James Bullard, St Louis	+2
Austan Goolsbee, Chicago	-1	Esther George, Kansas City	+1
Patrick Harker, Philadelphia	0	Susan Collins, Boston	0
Neel Kashkari, Minneapolis	+2		
Lorie Logan, Dallas	0		
Non-Voters			

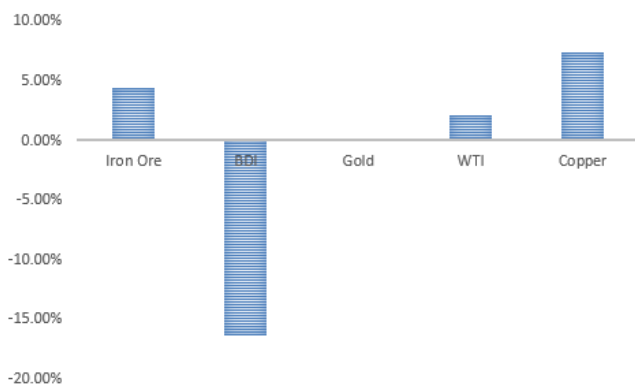
(1) Numerical ratings are subjective assessments of Bloomberg's U.S. Economics team based on recent comments.
 (2) Alternate Voters are non-voting unless required to vote in the absence of a voting member.

- On the left side, the Bloomberg Economics Fed Spectrometer subjectively classifies each governor or banker in a spectrum from -2(Dove) to +2(Hawk). Voters tilt Dovish in 2023 from this Spectrometer. The chart is updated weekly to observe the voters' decision expectations as an early indicator of FOMC decisions.

Commodity Relative Price Range



5 DAY MOVING AVERAGE CHANGE ON COMMODITIES



- Iron ore growth potentially slows down after squeezing the physical steel margin to a negative area again. In addition, the wet weather in Australia and Queensland impacted the coal supply. However, the demand market was seeing a better picture in China and India.
- BDI retreated as the recovery in maritime capacity and the recovery in the supply chain.
- Demand increase became slower than supply for copper from January to November, and the risk appetite for investment recovered. However, the market expected a consolidation instead of a strong rebound because of Chinese production growth in January.

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.

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