

# FIS Macro Report

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

21/02/2022

	Last	Previous	% Change
<b>U.S. Dollar Index(DXY)</b>	103.89	103.23	<b>0.64%</b>
<b>USD/CNY</b>	6.8638	6.8374	<b>0.39%</b>
<b>U.S. FOMC Upper Interest Rate</b>	4.75	4.50	<b>5.56%</b>
<b>China Repo 7 day</b>	2.30	2.00	<b>15.00%</b>
<b>Caixin China Manufacturing PMI</b>	49.20	49.00	<b>0.41%</b>
<b>Markit U.S. Manufacturing PMI</b>	46.70	45.50	<b>2.64%</b>

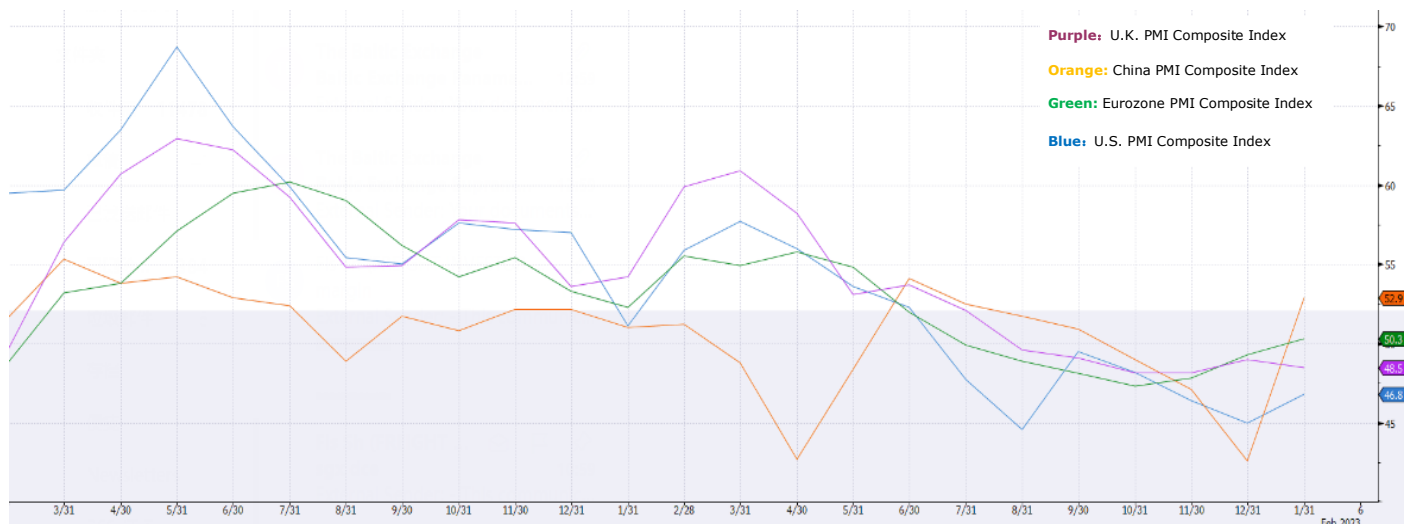
## The Boom of China Housing Investment

Thirty-six out of seventy sample cities' commercial house prices in China increased during the past January. In particular, Tier 1 cities contributed most of the growth. The house sales improved during the first two months of 2023 in line with the uptick in price. The boom in the housing market brought back investment sentiments. Moreover, China launched a pilot program to structure PE investments through funds to promote property market and infrastructure projects. The government are targeting institutional investors at an early stage. This is considered a stage 2 strategy following the previous financial support to developers with last year's cash crisis. Many investors indicated that they trust the government and the market participants could revive the property sector.

Goldman Sachs sent reports to indicate a 10-20% potential growth in Chinese equity. Moody increased the Chinese GDP growth forecast in 2023. The Chinese housing sector directly or indirectly relates to 33% of industries. Thus, house debt resolution or restructuring has become the top issue in China, which plays the most significant role in the economy.

However, some economists mentioned that the pandemic and financing restrictions had reduced the ratio of housing sales amount/Total GDP from 14.9% to 10.4%. In the long run, the urbanisation rate reaching a turning point, as well as a negative population growth rate, would reduce the investment preference for housing sectors. Secondly, individual savings created a consecutive increase from 2013 to 2022, while the consumer spending growth rate maintained a downward trend during the same period.

### PMI Index

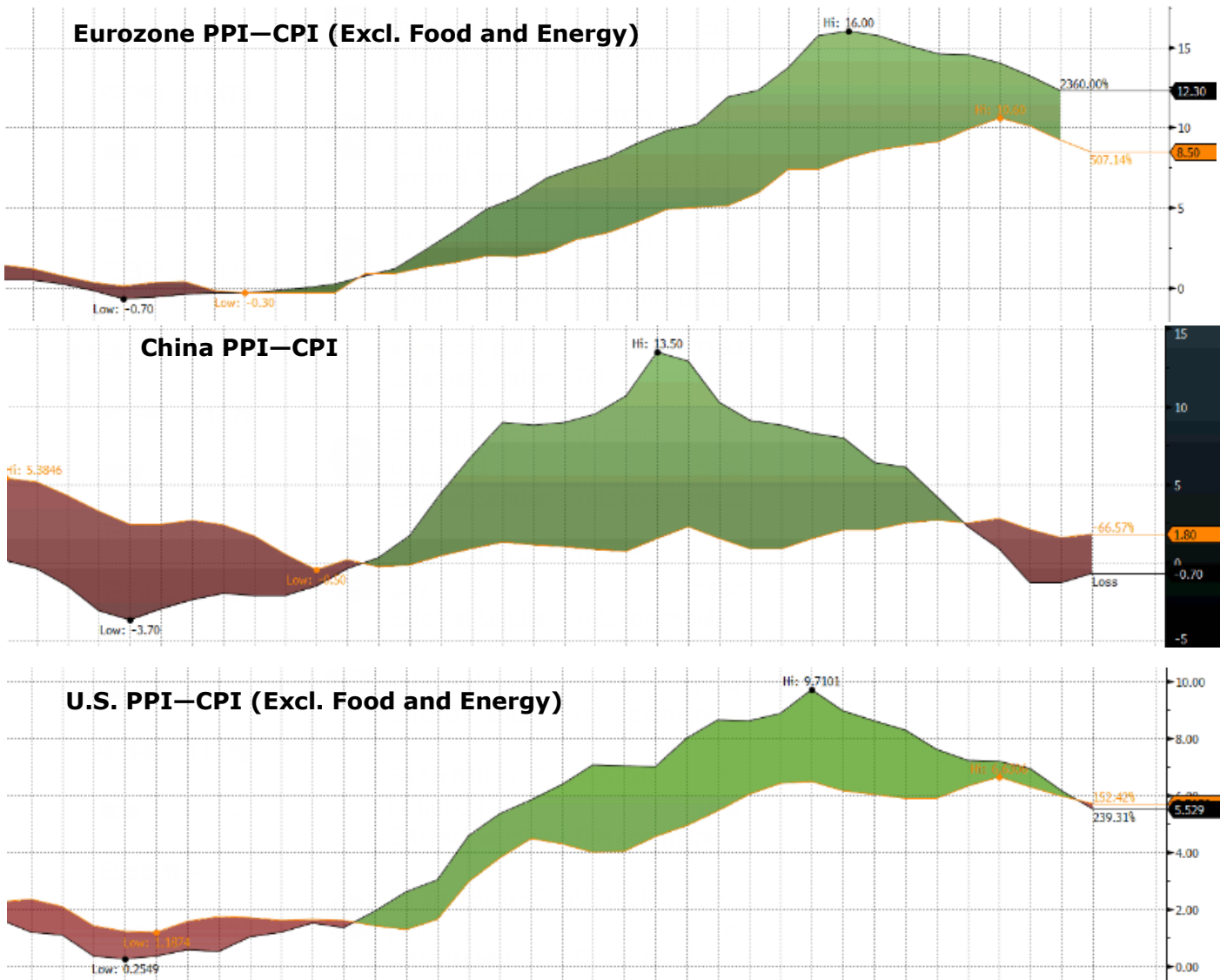


Sources: Bloomberg

	Last	Previous	
<b>Shanghai&amp;Shenzhen 300 Index</b>	4034.51	4106.31	<b>-1.75%</b>
<b>Dow Jones Industrial Average</b>	33826.69	33869.27	<b>-0.13%</b>
<b>FTSE 100 Index</b>	8014.31	7947.60	<b>0.84%</b>
<b>Nikkei 225 Index</b>	27531.94	27427.32	<b>0.38%</b>
<b>BVAL U.S. 10-year Note Yield</b>	3.8166	3.7436	<b>1.95%</b>
<b>BVAL China 10-year Note Yield</b>	2.9299	2.9085	<b>0.74%</b>

## One-Month-CPI rebound can hardly impact Inflation Trend

The core CPI and PPI data both created positive growth. However, the one-month strong statistic doesn't change the gradual moderating inflation rate. Thus, the short-run growth on core CPI would only mean a high inflation rate for longer, while market participants believed that the U.S. Federal Reserve would not accelerate hikes based on these numbers.



Sources: Bloomberg, FIS

	Last	Previous	
<b>LME Copper 3 Month Rolling</b>	9141.50	8938.00	<b>2.28%</b>
<b>LME Aluminium 3 Month Rolling</b>	2457.50	2412.50	<b>1.87%</b>
<b>WTI Cushing Crude Oil</b>	76.34	79.72	<b>-4.24%</b>
<b>Platts Iron Ore Fe62%</b>	129.55	121.85	<b>6.32%</b>
<b>U.S. Gold Physical</b>	1841.84	1854.31	<b>-0.67%</b>
<b>BDI</b>	538.00	602.00	<b>-10.63%</b>

## Commodity Outlook and Major Economists Event

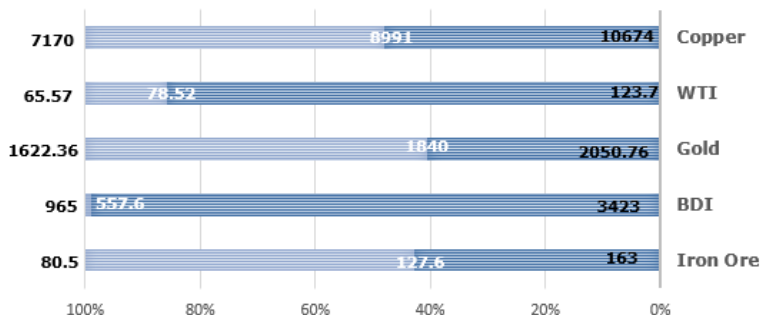
### Fed Spectrometer: Fed Members' Policy Inclinations

2023 FOMC Voting Members [-2 = dovish/ 0 = neutral/ +2 = hawkish (1)]		Alternate Voters (2)	
<b>Board of Governors</b>			
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		
<b>Voting Regional FRB Presidents</b>			
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		
<b>Non-Voters</b>			

(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.

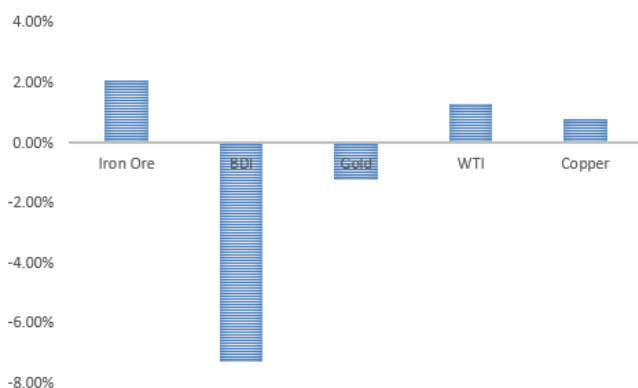
- On the left side, the Bloomberg Economics Fed Spectrometer subjectively classifies each governor or banker in a spectrum spanning from -2(Dove) to +2 (Hawk). Voters tilt Dovish in 2023 from this Spectrometer. The chart is updated on a weekly basis to observe the voter's decision expectations, as an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

### Commodity Relative Price Range



- Iron ore was supported by the strong Chinese housing growth data and the new PE fund project to support property and infrastructure investment.
- Primary coals price was supported by the postponed laycans and structural shortage. However, in the long run of the year, Mongolia and Australia would increase supply significantly.

### 5 DAY MOVING AVERAGE CHANGE ON COMMODITIES



- BDI retreated as the recovery in maritime capacity, as well as the recovery in the supply chain.
- Metals recovered due to the strengthened sentiments to fight inflation and improved global economic growth rate.
- The oil and energy market rebounded as Russia cut oil production in March.

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](http://freightinvestorservices.com)