

FIS Macro Report

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	Last	Previous	% Change
U.S. Dollar Index(DXY)	104.76	104.18	0.56%
USD/CNY	6.9501	6.8926	0.83%
U.S. FOMC Upper Interest Rate	4.75	4.50	5.56%
China Repo 7 day	2.65	2.30	15.22%
Caixin China Manufacturing PMI	49.20	49.00	0.41%
Markit U.S. Manufacturing PMI	46.70	45.50	2.64%

Higher than Expected U.S. PCE

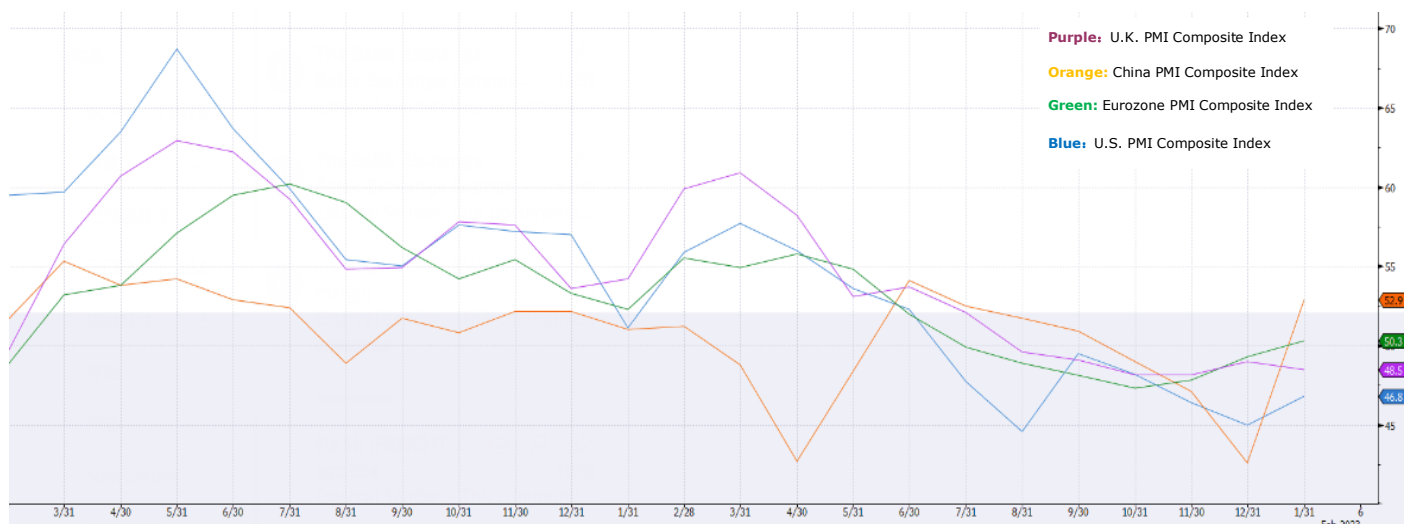
The personal consumption expenditures (PCE) price index January statistics in the U.S. were up 0.6% on the month, higher than the expected 0.5%, last December up 0.1%. The annual PCE growth rate, at 5.4%, was higher than the expected 5%. Energy and commodity products rebound contributed to a significant part of the growth. The predicted peak of interest hiked up 4 bp to 5.38%.

Energy and food growth was backed by the Chinese economic recovery and the recession risk of the U.S. and Europe decreasing. Core commodities are up 0.5%, compared to 0% in December. The apparel sector increased by 0.7% and maintained growth. The key service sector is up 0.6%, compared to 0.5% in December. House rent was up 0.7% in January, smaller than 0.8% in December, but stayed high.

The resilient factors, such as house rents, indicated that the U.S. economy essentially entered a “soft-landing” mode. Conversely, the high inflation would force the U.S. Federal Reserve to maintain interest hikes until a significant number decrease.

The largest risk factors towards inflation number are the recovery pace of China and the Labour market supply ease. Overall, the market is more concerned about the time length and peak level of interest hikes, which are closely related to the business cost and strategies, but not the percentage of a single-time hike.

PMI Index

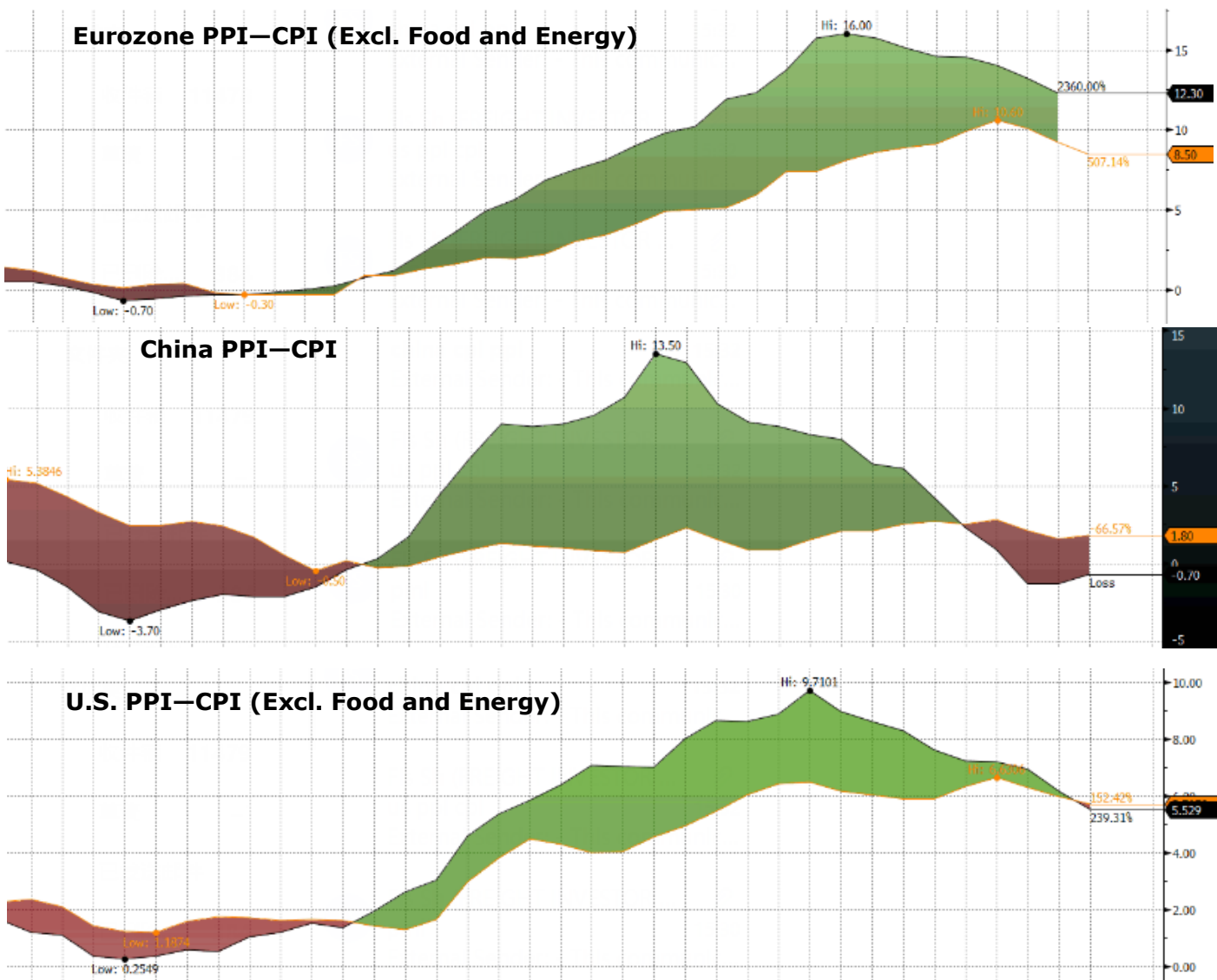


Sources: Bloomberg

	Last	Previous	
Shanghai&Shenzhen 300 Index	4043.84	4133.49	-2.17%
Dow Jones Industrial Average	32889.09	33826.69	-2.77%
FTSE 100 Index	7935.11	8014.31	-0.99%
Nikkei 225 Index	27423.96	27513.13	-0.32%
BVAL U.S. 10-year Note Yield	3.9212	3.8166	2.74%
BVAL China 10-year Note Yield	2.8979	2.9299	-1.09%

Recession Indicators of U.S. in Long-Run

Although the U.S. economy showed short-run resilience, long-run indicators indicate unavoidable recession risks. The interest hike tends to have a non-linear impact on economic recovery, which is to say, some "side-effects" would last for years after the inflation rate enters a stable or even declining phase. The first round of impact was majorly concentrated in manufacturing and corporations. It is expected to take more time to see the implications for residential living and service sectors. The increased trades on gold and hedging positions on commodities gave some hints of the risk-averse attitudes of investors or early sentiment on recession trading. Moreover, the 10/2 U.S. Bond Yield difference refreshed the lowest of the past 20 years, symbolising a recession risk.



Sources: Bloomberg, FIS

	Last	Previous	
LME Copper 3 Month Rolling	8802.00	9141.50	-3.71%
LME Aluminium 3 Month Rolling	2363.00	2457.50	-3.85%
WTI Cushing Crude Oil	75.68	76.34	-0.86%
Platts Iron Ore Fe62%	122.50	129.55	-5.44%
U.S. Gold Physical	1818.61	1835.09	-0.90%
BDI	935.00	552.00	69.38%

Commodity Outlook and Major Economists Event

Fed Spectrometer: Fed Members' Policy Inclinations

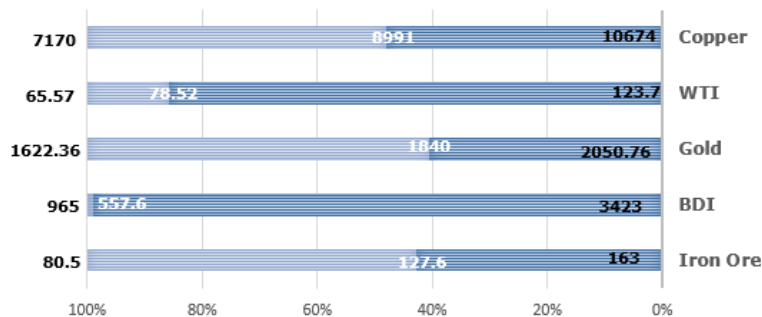
2023 FOMC Voting Members [-2 = dovish/ 0 = neutral/ +2 = hawkish (1)]

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

(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.

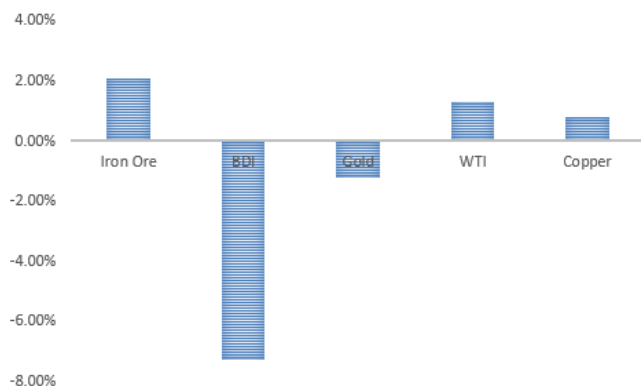
- On the left side, the Bloomberg Economics Fed Spectrometer subjectively classifies each governor or banker in a spectrum spanning from -2(Dove) to +2 (Hawk). Voters tilt Dovish in 2023 from this Spectrometer. The chart is updated weekly to observe the voters' decision expectations as an early indicator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

Commodity Relative Price Range



- Iron ore retreated by taking gains as well as Tangshan production cut.
- Primary coal prices dropped after the recovery of supply bottlenecks.
- BDI improved fast, following the weather improved in Australia and Brazil, with more Capesize arranged on the routes.

5 DAY MOVING AVERAGE CHANGE ON COMMODITIES



- Copper retreated as the fast-appreciated U.S. dollar. As a result, the currency linked movement would face a fast reversal after the currency stabilisation, according to history.
- The oil and energy market supported by Russia cutting oil production in the coming March, however, resisted by potential hawkish interest hike voices from U.S. Federal.

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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