

# FIS Macro Report

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	Last	Previous	% Change
<b>U.S. Dollar Index(DXY)</b>	103.76	105.62	<b>-1.75%</b>
<b>USD/CNY</b>	6.8592	6.9939	<b>-1.93%</b>
<b>U.S. FOMC Upper Interest Rate</b>	4.75	4.50	<b>5.56%</b>
<b>China Repo 7 day</b>	2.20	2.00	<b>10.00%</b>
<b>Caixin China Manufacturing PMI</b>	51.60	49.20	<b>4.88%</b>
<b>Markit U.S. Manufacturing PMI</b>	47.70	46.70	<b>2.14%</b>

## A sum-up: U.S. lender default risk outspread and impact

The Silicon Valley Bank (SVB), a California lender, was seized by U.S. Federal regulators last week after its customer made large withdrawals. However, after 48 hours, the regulator created a bridge bank to hold SVB's deposits, and U.S. President Joe Biden said they would be protected. However, global equities suffered a significant loss last Friday and early Monday this week.

In short, the lender's failure differed from the Lehman failure in 2008, which triggered a global financial crisis.

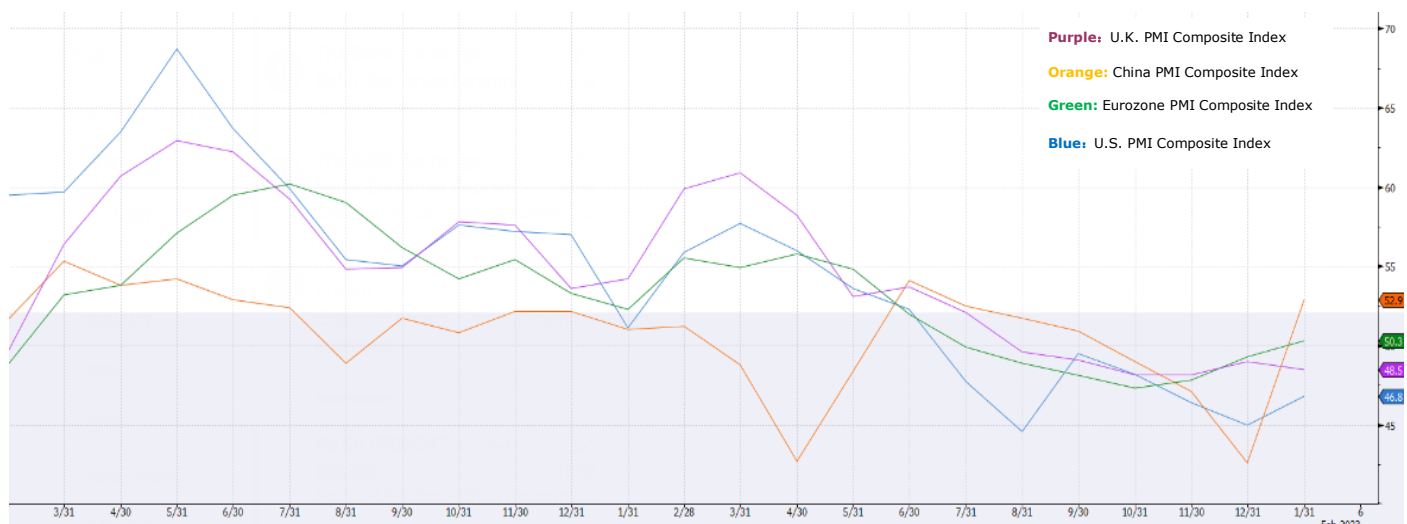
First, SVB clients were majorly from or related to private equity and venture capital companies operating in high debt structures.

Second, the high concentration in one field could naturally lead to significant risk without risk-hedging positions similar to an investment book.

Overall, SVB is a bank in a unique industry, which could hardly represent the general U.S. commercial bank or investment bank sectors. Thus, the spread over risk is limited to other countries and industries in the mid-run.

However, it is worth noting that the breakdown of industry chains was closely connected to interest hikes and inflation, which could resist the development of industries in the long run.

### PMI Index

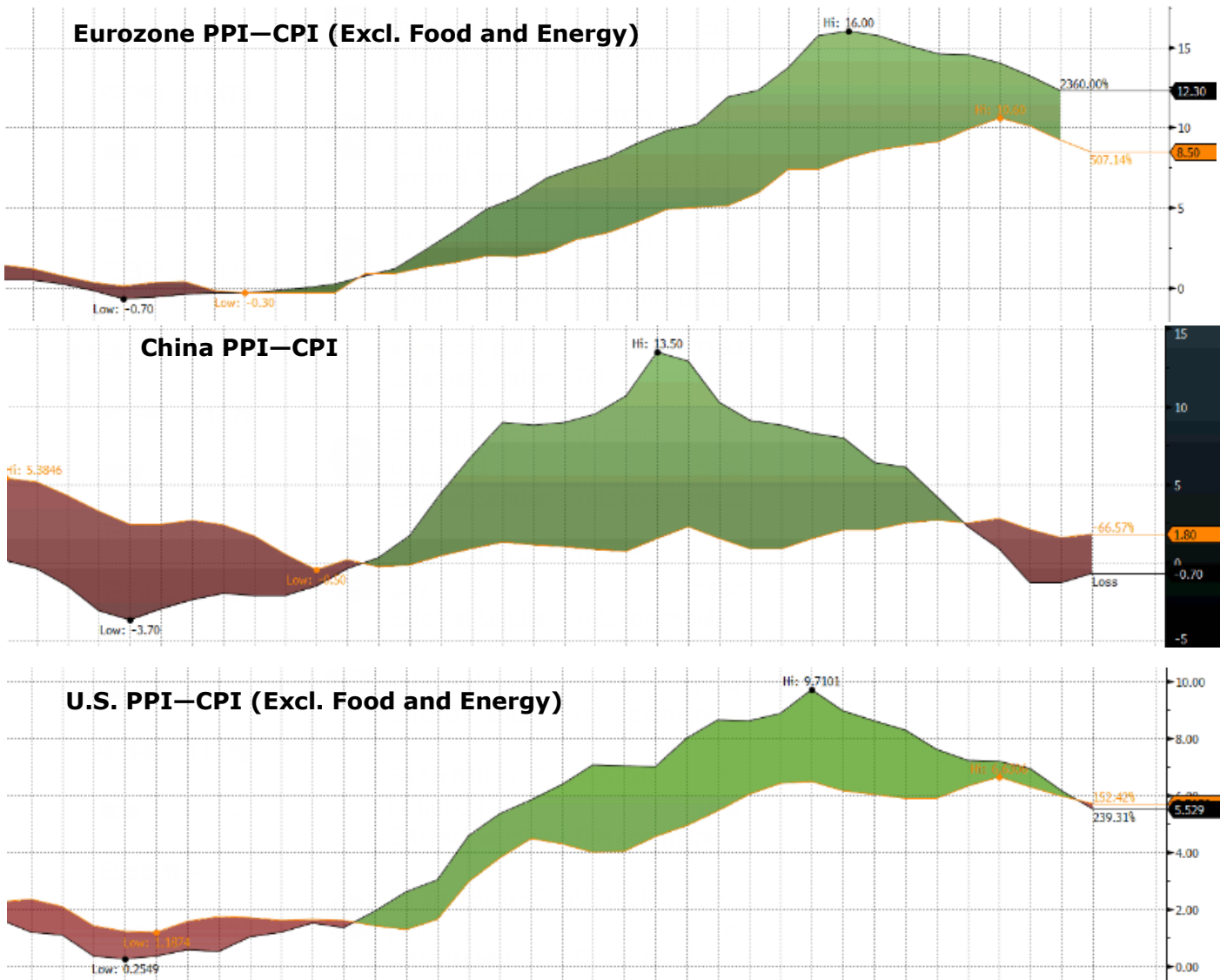


Sources: Bloomberg

	Last	Previous	
<b>Shanghai&amp;Shenzhen 300 Index</b>	3967.14	4130.55	<b>-3.96%</b>
<b>Dow Jones Industrial Average</b>	31819.14	33431.44	<b>-4.82%</b>
<b>FTSE 100 Index</b>	7548.63	7929.79	<b>-4.81%</b>
<b>Nikkei 225 Index</b>	27832.96	28237.78	<b>-1.43%</b>
<b>BVAL U.S. 10-year Note Yield</b>	3.5424	3.9796	<b>-10.99%</b>
<b>BVAL China 10-year Note Yield</b>	2.8790	2.8927	<b>-0.47%</b>

## Risks piled up for global energy demand

Argus’s report mentioned that U.S. and E.U. bans on Russian imports and price caps might achieve some near-term goals. However, this could lead to future disruptions in the energy supply. The major energy price tone was connected to policy change, when investors almost ignored the fundamental fact. The phenomenon happened in every field of commodities from 2022, including oils, agricultures and metals. In addition to the export ban, which cut the world energy map into different sectors, climate control prevents developers from opening more energy projects. With new projects shortage and intervention in the logistic, as well as the recovery of global demand, energy is now facing risks both on the head and tail.



Sources: Bloomberg, FIS

	Last	Previous	
<b>LME Copper 3 Month Rolling</b>	8931.00	8920.50	<b>0.12%</b>
<b>LME Aluminium 3 Month Rolling</b>	2333.50	2382.00	<b>-2.04%</b>
<b>WTI Cushing Crude Oil</b>	74.80	80.46	<b>-7.03%</b>
<b>Platts Iron Ore Fe62%</b>	132.85	125.35	<b>5.98%</b>
<b>U.S. Gold Physical</b>	1913.56	1813.45	<b>5.52%</b>
<b>BDI</b>	1424.00	1211.00	<b>17.59%</b>

## Commodity Outlook and Major Economists Event

Fed Spectrometer: Fed Members' Policy Inclinations			
2023 FOMC Voting Members [-2 = dovish/ 0 = neutral/ +2 = hawkish (1)]			
<b>Board of Governors</b>		<b>Alternate Voters (2)</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>		<b>Non-Voters</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		

(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 voter's decision expectations as an early indicator of FOMC decision.

- The iron ore and steel sector boosted after over-expected consumption data in China last week, and speculation funds became crowded in the sector.

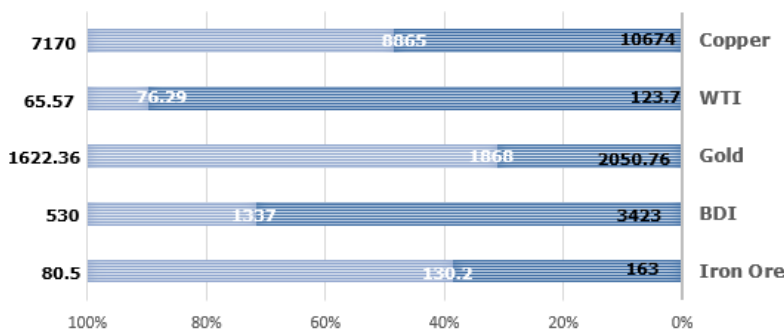
- Primary coal saw resilient demand, and supply was also relieved.

- BDI improved fast, following the recovery sentiment on the global economy.

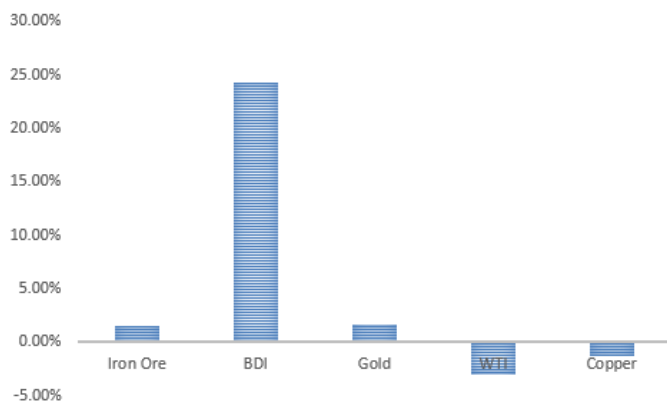
- Copper slightly corrected, dragged by the lender's spread over risk in the U.S.

- The oil and energy market corrected, impacted by lenders' default potential, shifted investors to risk-hedging assets from the oil market, for example, gold and JPY.

**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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