

FIS Macro Report

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	Last	Previous	% Change
U.S. Dollar Index(DXY)	101.22	101.75	-0.52%
USD/CNY	6.8980	6.8823	0.23%
U.S. FOMC Upper Interest Rate	5.00	4.75	5.26%
China Repo 7 day	2.55	2.25	13.33%
Caixin China Manufacturing PMI	50.00	51.60	-3.10%
Markit U.S. Manufacturing PMI	51.70	47.70	8.39%

Diverging Eurozone Manufacturing PMI and Service PMI

The last Eurozone Manufacturing PMI in April fell from 47.3 to 45.5, remaining below the boom and bust line for 10 consecutive months, indicating a continuous contraction in the manufacturing industry. Interestingly, the service PMI increased from 55 to 56.6, remaining above the boom and bust line for six consecutive months. This figure apparently indicates an expansion in the service industry. The divergence maintained a new-normal from a statistical angle. Germany and France are two typical cases to see the PMI divergence from past few months.

If looking at the two statistics separately, we potentially find rationales to support the maintenance of this diverging trend in the coming months. In the service industry, energy price and natural gas spike in 2022 pushed CPI growth and residents consumption costs. Thus, less consumption willingness decreased the entire service activities. However, as the fast decrease of energies occurred in last Q4, CPI eased quickly in last Q4 and Q1 2023, which stimulated a strong pent-up demand. In addition, the service industry was less relevant to the interest cycle and financial market risk.

Manufacturing industry prosperity was more closely related to the economic cycle. India was in an "expansion" phase. China was in a "recovery" phase. Europe and North America were in a pre-recession phase. Thus, manufacturing was in a descending tunnel, hit by war, energy crisis, bank-run, interest hike and all major macro factors. This thesis explains the rationales to support the diverging trend of Manufacturing PMI and Service PMI in Europe.

PMI Index



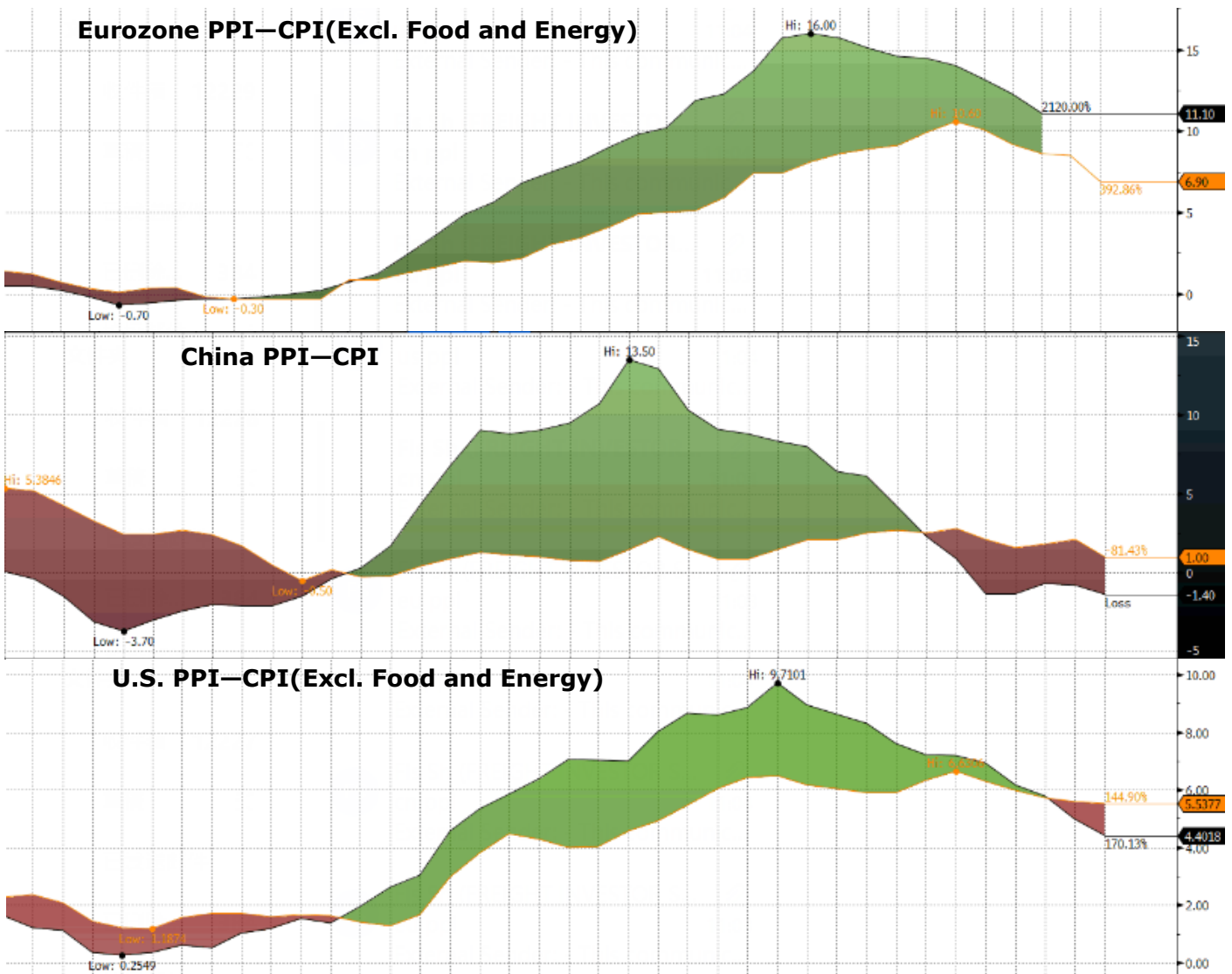
Sources: Bloomberg

	Last	Previous	
Shanghai&Shenzhen 300 Index	4032.57	4092.00	-1.45%
Dow Jones Industrial Average	33875.40	33987.18	-0.33%
FTSE 100 Index	7912.20	7879.51	0.41%
Nikkei 225 Index	28593.52	28514.78	0.28%
BVAL U.S. 10-year Note Yield	3.5105	3.5973	-2.41%
BVAL China 10-year Note Yield	2.8291	2.8469	-0.63%

Diverging Eurozone Manufacturing PMI and Service PMI (Cont'd)

However, there are some indicators in the long-run to pull back this divergence. For example, the labor market was in shortage. Moreover, the depreciation of Euro in the long-run is potentially prosperous for the manufacturing industry.

From a different perspective, credit risk and limited monetary policy are becoming major risks to resist the PMIs. Bank analysts in Europe believe that the recession is potentially delayed instead of absent.

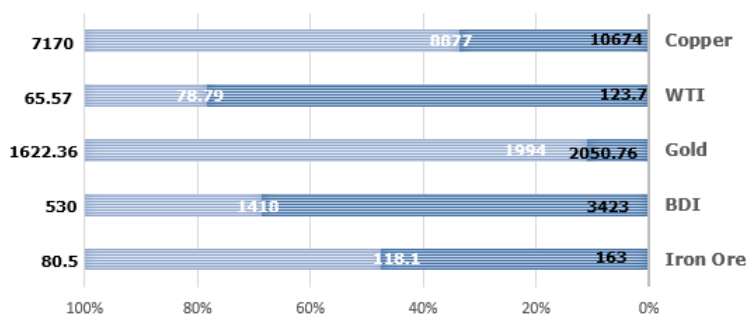


Sources: Bloomberg, FIS

	Last	Previous	
LME Copper 3 Month Rolling	8730.50	8964.50	-2.61%
LME Aluminium 3 Month Rolling	2381.00	2378.50	0.11%
WTI Cushing Crude Oil	78.76	80.83	-2.56%
Platts Iron Ore Fe62%	106.80	120.00	-11.00%
U.S. Gold Physical	1997.56	2005.45	-0.39%
BDI	1504.00	1435.00	4.81%

Commodity Outlook and Major Economists Event

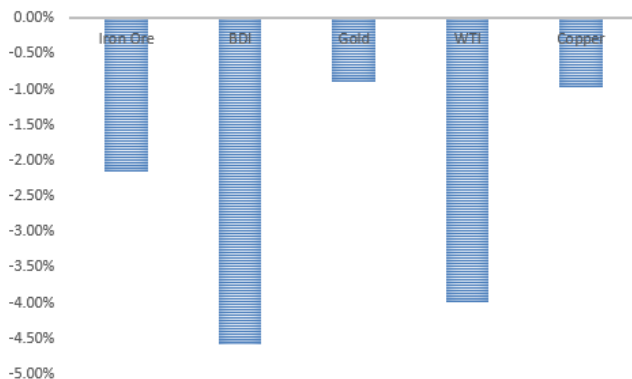
Commodity Relative Price Range



- Iron ore corrected as proactive production cut in some Chinese mills.

- Primary coals started to drop as ample seaborne supplies in nearby laycans.

5 DAY MOVING AVERAGE CHANGE ON COMMODITIES



- BDI retreated as the global ship capacity grew significantly during the past week.

- Copper corrected as traders see further rate hikes looming.

- Oil and energy market corrected as the further rate hike concerning, and the IEA's first increase on active drilling rigs for oil and gas over the past four weeks.

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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