

# FIS Macro Report

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	Last	Previous	% Change
<b>U.S. Dollar Index(DXY)</b>	102.38	101.61	<b>0.76%</b>
<b>USD/CNY</b>	6.9594	6.9250	<b>0.50%</b>
<b>U.S. FOMC Upper Interest Rate</b>	5.25	5.00	<b>5.00%</b>
<b>China Repo 7 day</b>	1.90	2.00	<b>-5.00%</b>
<b>Caixin China Manufacturing PMI</b>	49.50	50.00	<b>-1.00%</b>
<b>Markit U.S. Manufacturing PMI</b>	51.30	51.70	<b>-0.77%</b>

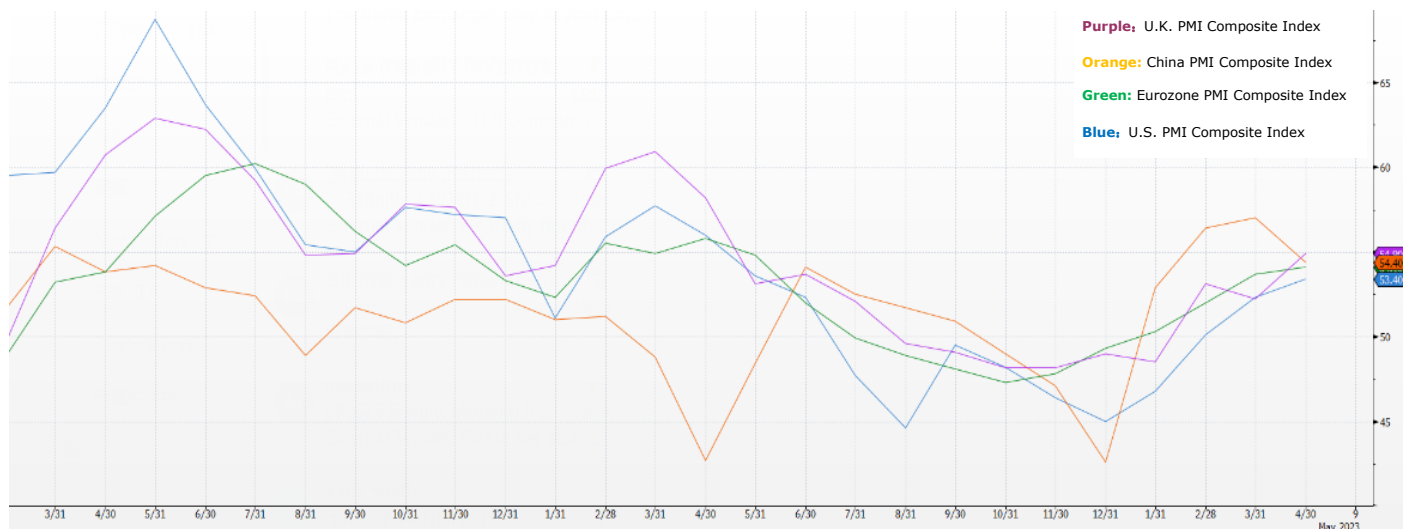
## Credit Crunch in U.S

The Bank of America's credit strategist Oleg Melentyev stated in a report that the impact of the economic recession and credit tightening in U.S. may lead to the ultimate default of around \$1 trillion in corporate debt area. Oleg Melentyev believed that the 15% of average corporate debt level is an apparent risk. The recession model of the New York Federal indicated that the recession probability in April 2024 has reached 68%.

On the other side, some economists believed that the tight credit cycle had caused very limited impact in economic activities. For example, the consumer staples had increased significantly in 2023 compared to the previous year. Automobile purchases are expected to recover in H2 2023 as well.

There is yet sufficient economic indicators or official statements to predict a recession in 2023 in U.S. From history, recession normally followed after an extreme inflation, which normally stayed at relatively high level for at least 2 years. However, the core inflation only stayed at relatively high level for 4 months.

PMI Index



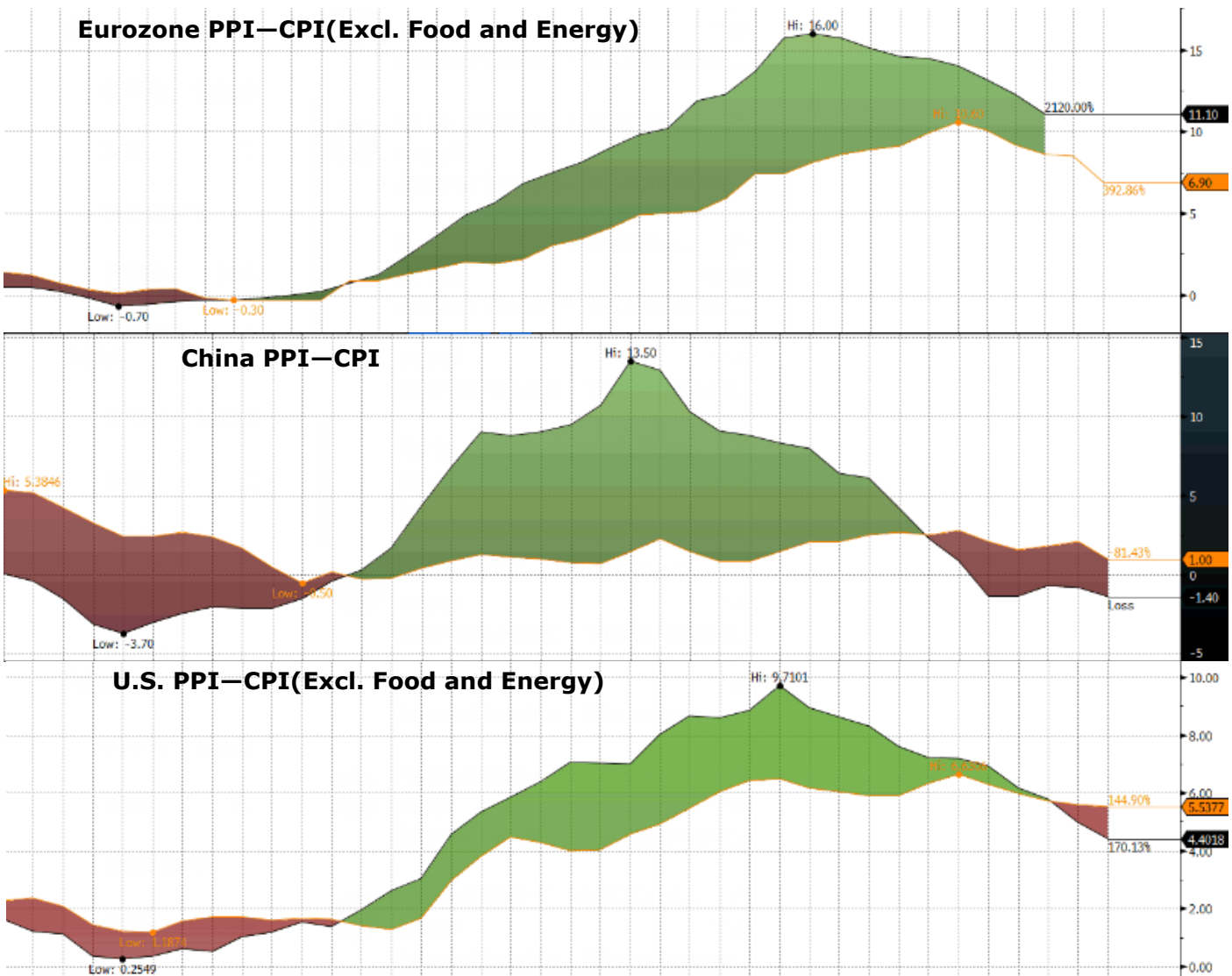
Sources: Bloomberg

	Last	Previous	
<b>Shanghai&amp;Shenzhen 300 Index</b>	3937.76	4016.88	<b>-1.97%</b>
<b>Dow Jones Industrial Average</b>	33348.60	33618.69	<b>-0.80%</b>
<b>FTSE 100 Index</b>	7777.70	7778.38	<b>-0.01%</b>
<b>Nikkei 225 Index</b>	29626.34	28949.88	<b>2.34%</b>
<b>BVAL U.S. 10-year Note Yield</b>	3.5067	3.5180	<b>-0.32%</b>
<b>BVAL China 10-year Note Yield</b>	2.7449	2.7832	<b>-1.38%</b>

### Money supply decrease in China

China’s general money supply growth rate was at 12.4% in April, decreased by 0.3% on the month, up 1.9% on the year. There were some analysts warning some early signs of an end in interest cut. The reason of the decrease was due to the residents deposits for the first time decreasing after growing during the previous 13 months, which dragged down the growth rate by 0.2%. In addition, the house sales weakened in April, and high base effect in March also led to the month-to -month decrease.

Most analysts believed that it would be too early to consider a liquidity issue in investment market as long as the money supply growth number is above 10% in China.

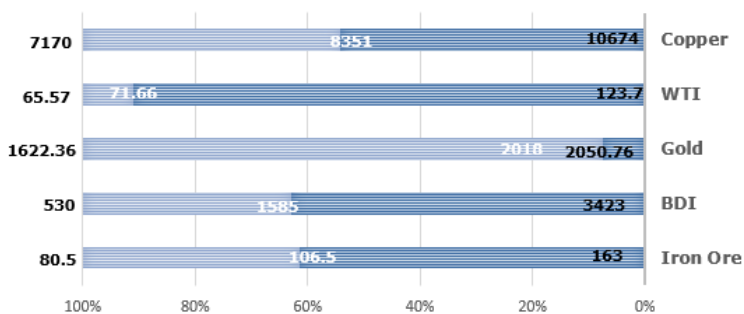


Sources: Bloomberg, FIS

	Last	Previous	
<b>LME Copper 3 Month Rolling</b>	8272.50	8581.50	<b>-3.60%</b>
<b>LME Aluminium 3 Month Rolling</b>	2259.50	2318.50	<b>-2.54%</b>
<b>WTI Cushing Crude Oil</b>	71.11	73.16	<b>-2.80%</b>
<b>Platts Iron Ore Fe62%</b>	108.40	109.95	<b>-1.41%</b>
<b>U.S. Gold Physical</b>	2016.15	2034.56	<b>-0.90%</b>
<b>BDI</b>	1522.00	1558.00	<b>-2.31%</b>

## Commodity Outlook and Major Economists Event

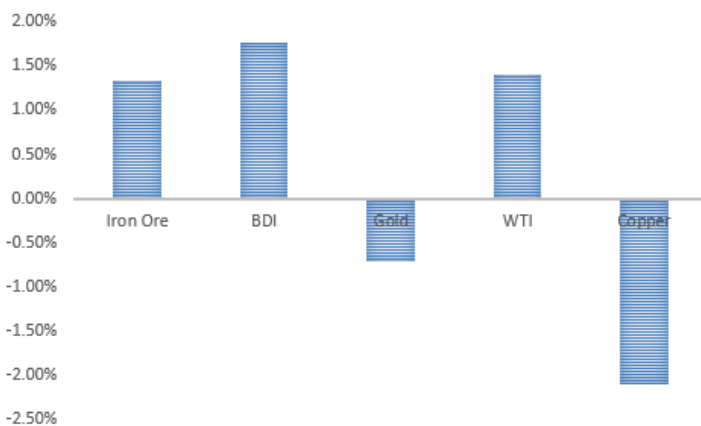
**Commodity Relative Price Range**



- Iron ore stabilised as risk appetite recovered on industrial commodities and housing equities. In addition, steel margin remained at high level from late April and early May.

- Primary coal regained support as India demand recovered. In addition, Inner-Mongolia provinces extended some coal mines suspension, which potentially caused a general tight supply on premium coking coals.

**5 DAY MOVING AVERAGE CHANGE ON COMMODITIES**



- BDI slightly rebounded, market expected a better Q2 as the increase delivery in coals and iron ores.

- Copper inventories are currently in a stocking period, which caused pressure on the prices.

- Oil and energy market recovered as U.S. announced to repurchase 3 million barrels delivered in August as the Special Petroleum Reservation.

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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