FIS Macro Report

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30/05/2023

	Last	Previous	% Change
U.S. Dollar Index(DXY)	104.31	103.49	**0.79%**
USD/CNY	7.0822	7.0649	**0.24%**
U.S. FOMC Upper Interest Rate	5.25	5.00	**5.00%**
China Repo 7 day	2.15	1.90	**13.16%**
Caixin China Manufacturing PMI	49.50	50.00	**-1.00%**
Markit U.S. Manufacturing PMI	51.30	51.70	**-0.77%**

Update on U.S. Debt Impact

As expected from the market, the White House and Republicans in U.S. were accelerating to build constructive discussions by satisfying the proposal from both sides. The most recent debt ceiling discussion was in March, 2011, which caused a big correction and investment outflow before the U.S. president signed the approval to increase debt ceiling in August. However, the after-effect contributed towards a huge volatile period for the global market in the following 2 years.

In short, the debt ceiling was postponed to late 2024, after the presidential election. Some analysts believed that Joe Biden potentially reduced a portion of the $80 billion approved by Congress last year for the Internal Revenue Service. At the same time, the government need to raise the job standards to receive government aid to ensure that other expenses are not significantly reduced. Equities from U.S. and Europe, industrial commodities and bond price obviously reacted that investment market was ready to enter a risk-off phase. Similarly, the investment market recovered 90% of loss created during the debt risk period after the approval of debt ceiling in 2011.

The increase or delay on the debt payment was only a temporary way to calm down the quarter-length numbers in economic matrix. After the preliminary agreement on the debt, the probability of an interest rate raise by 25 bps in June climbed from 30% to 70%. In long-run the cut on government expense would decrease the benefits in Medicare, Education, and many social security fields.

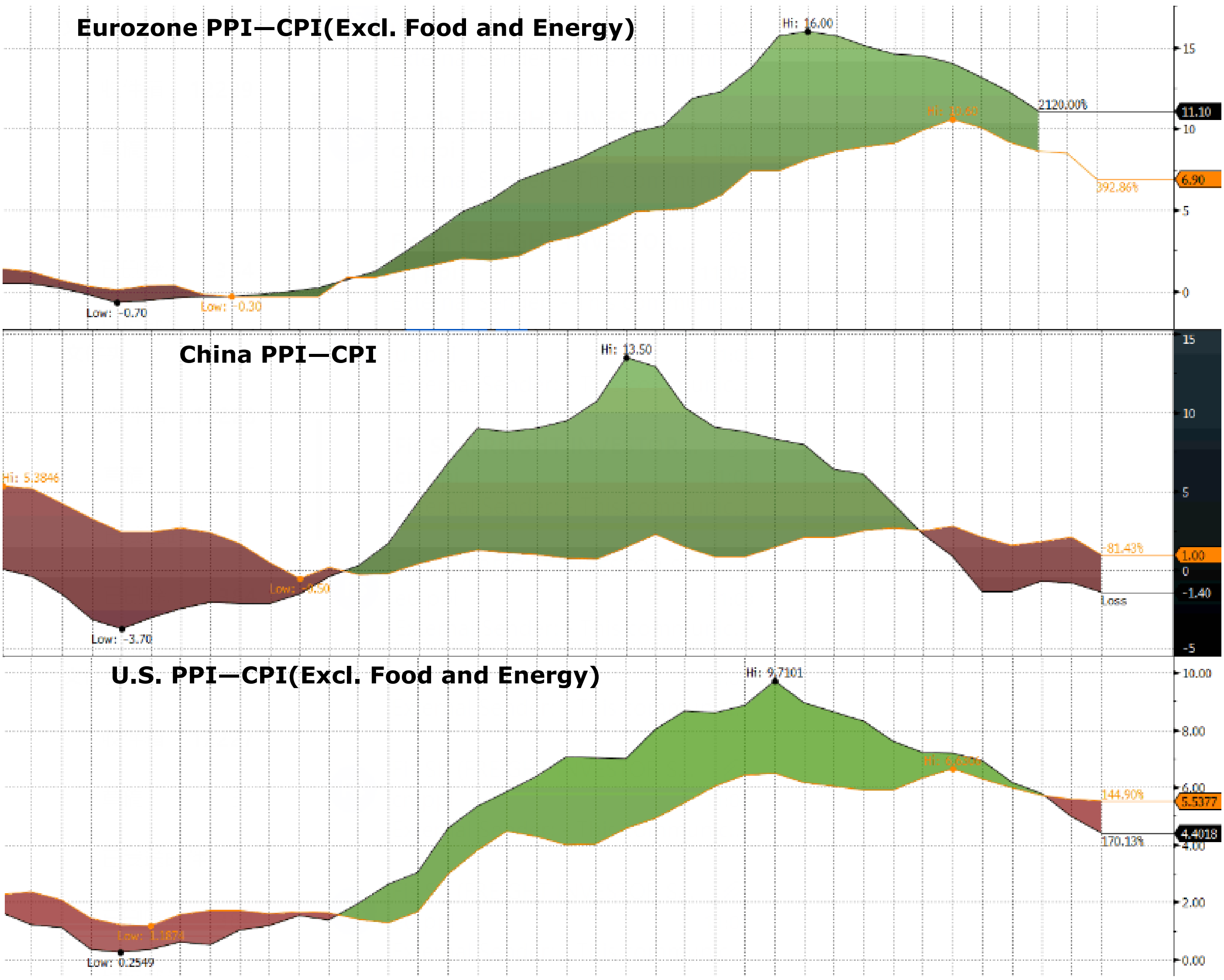
PMI Index

Sources: Bloomberg

	Last	Previous	
Shanghai&Shenzhen 300 Index	3850.95	3944.54	-2.37%
Dow Jones Industrial Average	33093.34	33426.63	-1.00%
FTSE 100 Index	7627.20	7756.87	-1.67%
Nikkei 225 Index	30916.31	30808.35	0.35%
BVAL U.S. 10-year Note Yield	3.8120	3.7099	2.75%
BVAL China 10-year Note Yield	2.7439	2.7521	-0.30%

China Local Debt Risk and Measures

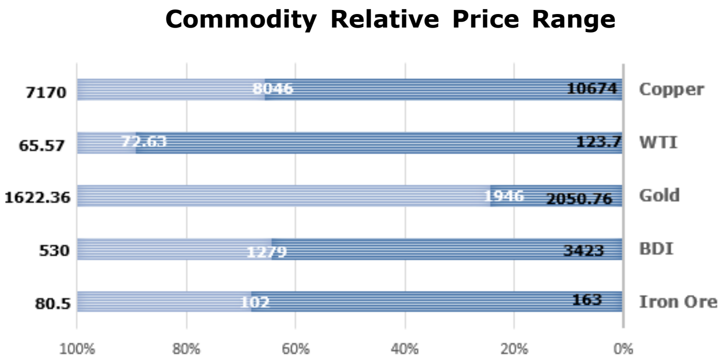
Although China has the lowest government leverage ratio among all big economies including U.S. , Germany, France and Japan, the local debt of China reached 75-80% in 2022, which created the highest level among these countries. Thus, the infrastructure investment from 2021 was majorly used to restructure and optimize local debt structure. The growth period would likely emerge after the local debt decreased to 50% in the future, according to some Chinese security houses.

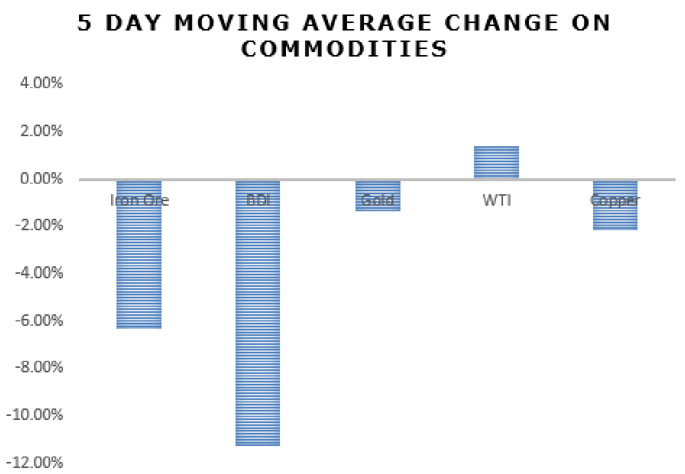


Sources：Bloomberg, FIS

	Last	Previous	
LME Copper 3 Month Rolling	8135.00	8251.50	**-1.41%**
LME Aluminium 3 Month Rolling	2237.50	2283.50	**-2.01%**
WTI Cushing Crude Oil	72.67	71.55	**1.57%**
Platts Iron Ore Fe62%	104.45	104.85	**-0.38%**
U.S. Gold Physical	1942.34	1975.23	**-1.67%**
BDI	1172.00	1384.00	**-15.32%**

Commodity Outlook and Major Economists Event





- Iron ore moved in a wide rangebound following the macro change. Risk appetite recovered, where market expect a slight rebound as well.
- Primary coal regained support as India demand recovered in June.
- BDI corrected following the U.S. debt risk and Chinese local debt risk.
- Copper inventories are currently in a stocking period, which caused pressure on the prices.
- Oil and energy market dipped slightly after multiple risks priced-in in late May and early June including U.S. debt ceiling, U.S. and Europe recession and PMI, and recovery of emerging market.

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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