

# FIS Macro Report

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	Last	Previous	% Change
<b>U.S. Dollar Index(DXY)</b>	101.47	101.66	<b>-0.19%</b>
<b>USD/CNY</b>	6.9258	6.9272	<b>-0.02%</b>
<b>U.S. FOMC Upper Interest Rate</b>	5.25	5.00	<b>5.00%</b>
<b>China Repo 7 day</b>	2.00	2.40	<b>-16.67%</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>

## The U.S. Federal suspended Interest Hike

The FOMC decision on a 25 bps interest hike fell into the FedWatch diagrams expectations in March. The interest rate reached 5-5.25%, the highest since 2006. The meeting notes indicated a potential termination after this round of interest hike. However, like the Federal said, "the final decision should be data dependent and related to ongoing assessment ". The termination on hike was not equal to an immediate start to rate cut. Federal thought that it was essential to maintain the rate at a high level for longer periods, until inflation rate decreased significantly. In addition, the strong job market in April would probably force the inflation rate at high level. Jobless rate had decreased to a historic low in April. The interest hike has limited impact on the resilient job market so far.

The current interest hike indicated that the banks systemic risk are thought to be "well-treated". The rather stable equity market indicated that the risk was priced-in. The Federal potentially want to leave investors in the mid-place of a liquid market and tight market, because an ease on money supply would bring out more risks and increase inflation. On the other side, a tight market would drive economy into a recession.

Net, Federal potentially want to explain that their monetary decisions would effectively fight inflation as well as save U.S. from the recession.

PMI Index

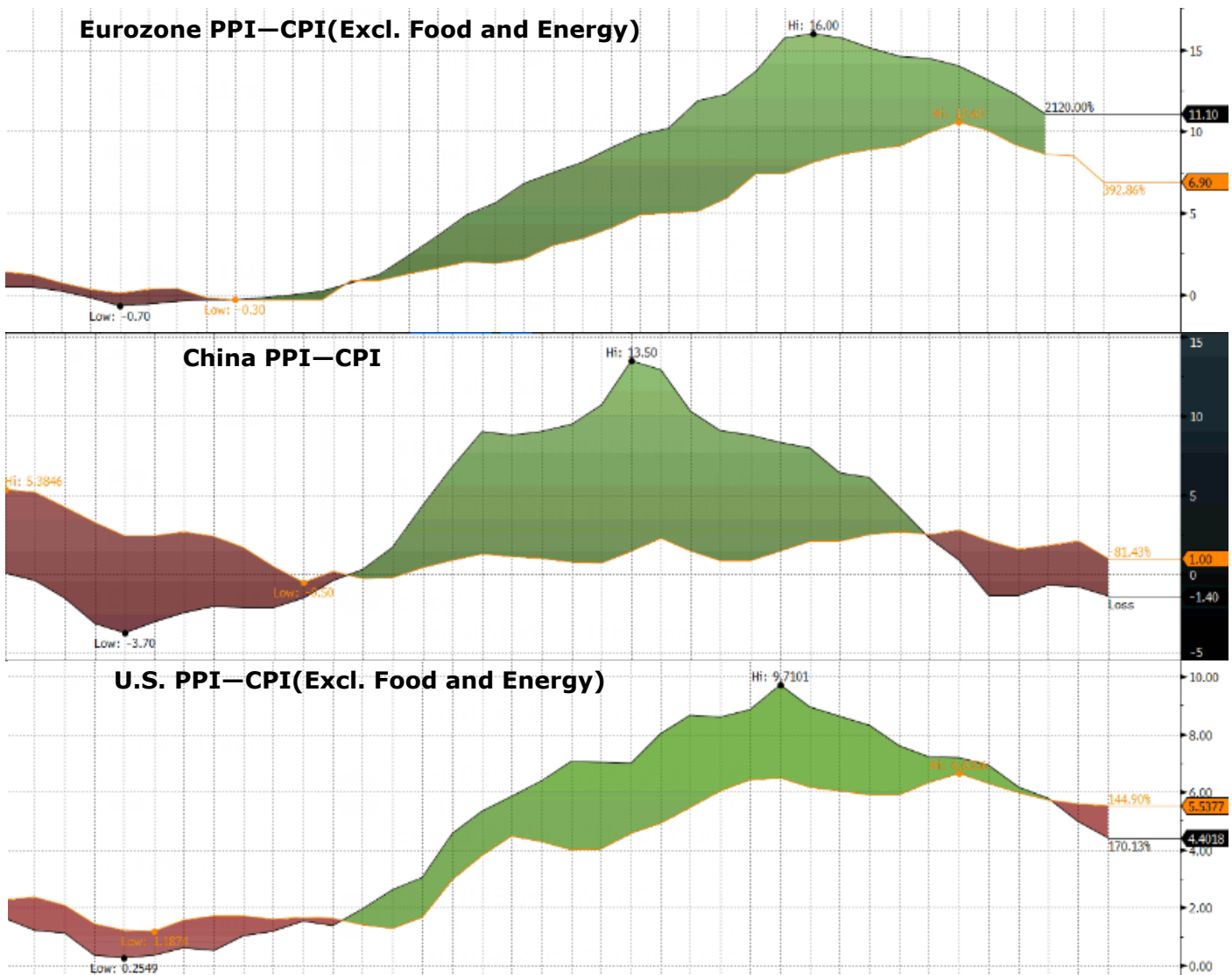


Sources: Bloomberg

	Last	Previous	
<b>Shanghai&amp;Shenzhen 300 Index</b>	4062.66	4029.09	<b>0.83%</b>
<b>Dow Jones Industrial Average</b>	33618.69	34098.16	<b>-1.41%</b>
<b>FTSE 100 Index</b>	7778.38	7870.57	<b>-1.17%</b>
<b>Nikkei 225 Index</b>	28949.88	28856.44	<b>0.32%</b>
<b>BVAL U.S. 10-year Note Yield</b>	3.5180	3.4277	<b>2.63%</b>
<b>BVAL China 10-year Note Yield</b>	2.7832	2.8101	<b>-0.96%</b>

## Housing Risk On

Although equity market “priced-in” the bank-run, the significant write-down on Commercial Real Estate (CRE) loans raised concerns. CRE risks started to be exposed after pandemic and less financial stimulus. The cashflow became tight while financing became difficult. According to The Associated Press, the vacancy rate of office buildings climbed 17.8% in Q1 2023, from Q4 2019. Worse still, CREs were bundled with mid and small banks as good collaterals.

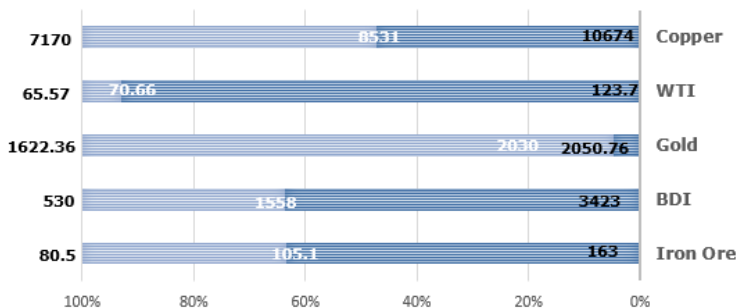


Sources: Bloomberg, FIS

	Last	Previous	
<b>LME Copper 3 Month Rolling</b>	8581.50	8595.50	<b>-0.16%</b>
<b>LME Aluminium 3 Month Rolling</b>	2318.50	2356.00	<b>-1.59%</b>
<b>WTI Cushing Crude Oil</b>	73.16	76.78	<b>-4.71%</b>
<b>Platts Iron Ore Fe62%</b>	109.95	106.50	<b>3.24%</b>
<b>U.S. Gold Physical</b>	2022.64	1990.00	<b>1.64%</b>
<b>BDI</b>	1558.00	1576.00	<b>-1.14%</b>

## Commodity Outlook and Major Economists Event

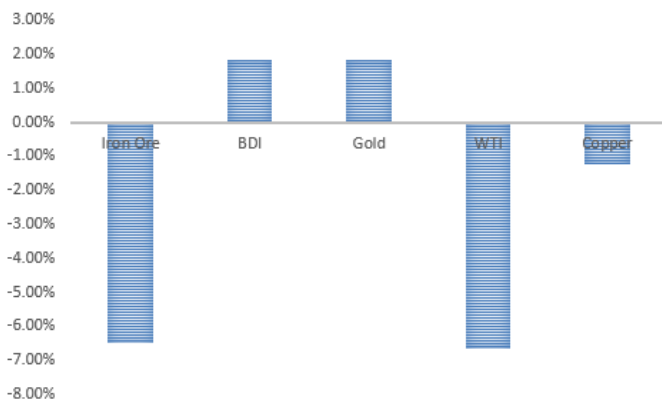
**Commodity Relative Price Range**



- Iron ore stabilised as risk appetite recovered on industrial commodities and housing equities. In addition, steel margin increased significantly from late April.

- Primary coal regained support as India demand recovered. However, thermal coals still in oversupply mode.

**5 DAY MOVING AVERAGE CHANGE ON COMMODITIES**



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

- Copper was in a risk-off period. The volatility became quiet.

- Oil and energy market recovered after the last Federal interest hike hit the ground.

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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