

FIS Macro Report

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	Last	Previous	% Change
U.S. Dollar Index(DXY)	102.75	102.54	0.20%
USD/CNY	7.2462	7.1823	0.89%
U.S. FOMC Upper Interest Rate	5.25	5.25	0
China Repo 7 day	2.35	1.95	20.51%
Caixin China Manufacturing PMI	50.90	49.50	2.83%
Markit U.S. Manufacturing PMI	51.30	51.70	-0.77%

What Caused a Money-Run in Commodity and Asian Equity Market

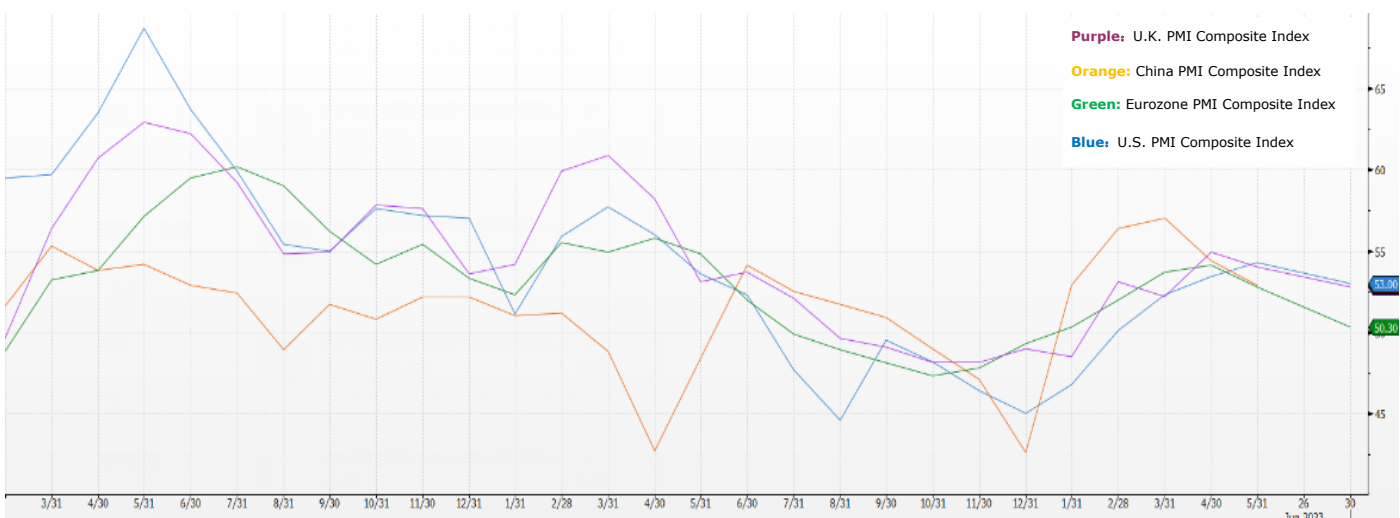
The global equities and commodities suffered a panic in the second half of last week. The investment sentiment shifted from an eased mode to tension mode.

U.S. Federal President, Jerome Powell, mentioned a tight monetary policy, a week later from a dovish interest decision in mid June. Federal officials thought two interest hikes were "reasonable" in H2. The determination on the interest hike strengthened U.S. dollar, and on the contrary lowered dollar-linked commodities, such as oil, iron ore and copper. WTI active futures contracted dropped 4.65% in late half of last week, Iron ore dropped 3.38% during the same period. Copper dropped 2.46%. In addition, BOE unexpectedly hiked interest rate by 50 bps, higher than expected 25 bps. Turkey increased interest rate from 8.5% to 15%.

In Asia, it is heard that some institutions started to increase their Japanese equity positions by selling derivatives tools, leading to a sudden drop by 1.45% in Nikkei Index last Friday. Nikkei Index rebounded 31.61% in the first six month of this year, which became the benchmark of Asian investment in 2023. Thus, many investors revealed concerns that the sharp correction of Japanese stocks would cool investment over global market.

In general, we maintain the view from last report that most countries are thinking to reverse the tight monetary policy to an eased-mode. U.S. interest hike has potentially become a pure expectation management, which shows weaker marginal impact in H2 2023.

PMI Index

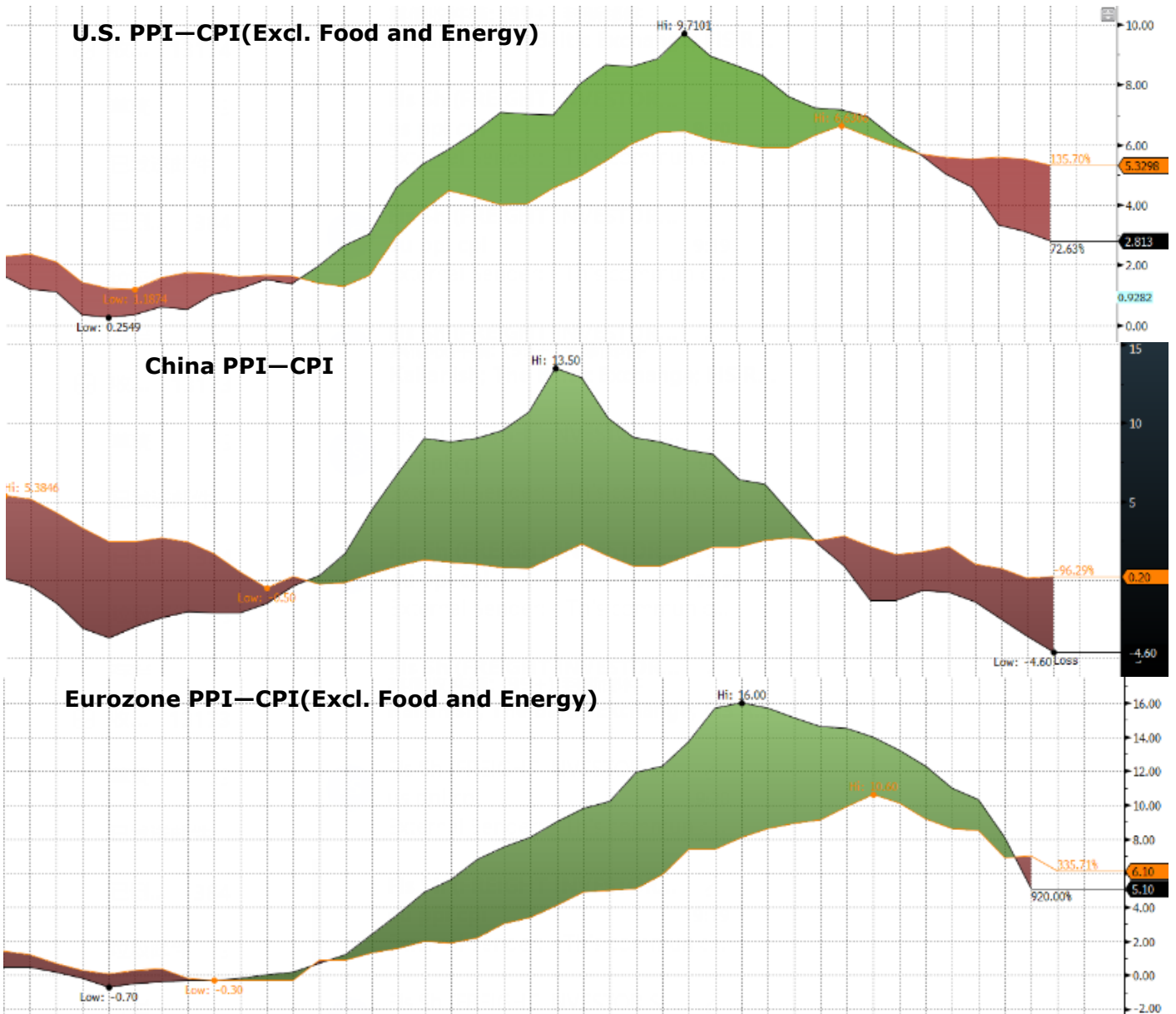


Sources: Bloomberg

	Last	Previous	
Shanghai&Shenzhen 300 Index	3864.03	3864.02	0.00%
Dow Jones Industrial Average	33714.71	34299.12	-1.70%
FTSE 100 Index	7453.58	7588.48	-1.78%
Nikkei 225 Index	32698.81	33370.42	-2.01%
BVAL U.S. 10-year Note Yield	3.7180	3.7731	-1.46%
BVAL China 10-year Note Yield	2.7060	2.6855	0.76%

Narrowing PPI and CPI Difference in H1 2023

The PPI was always believed as a leading indicator compared to CPI, because the orders happened ahead of consumption. Thus, the negative number from PPI minus CPI in H1 in U.S., China and Europe were viewed as an early indicator that the high inflation time has started to leave us. In particular, all three economies witnessed the highest number in 2022, when inflation peaked.

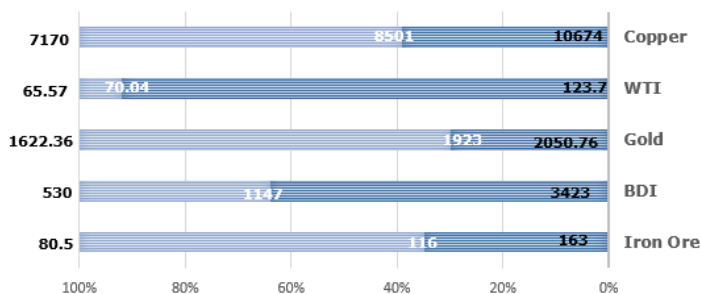


Sources: Bloomberg, FIS

	Last	Previous	
LME Copper 3 Month Rolling	8391.00	8540.00	-1.74%
LME Aluminium 3 Month Rolling	2148.50	2241.00	-4.13%
WTI Cushing Crude Oil	69.37	71.78	-3.36%
Platts Iron Ore Fe62%	109.45	115.15	-4.95%
U.S. Gold Physical	1923.58	1936.42	-0.66%
BDI	1240.00	1076.00	15.24%

Commodity Outlook and Major Economists Event

Commodity Relative Price Range



- Iron ore corrected concerning the slowing down trade flow of steels.

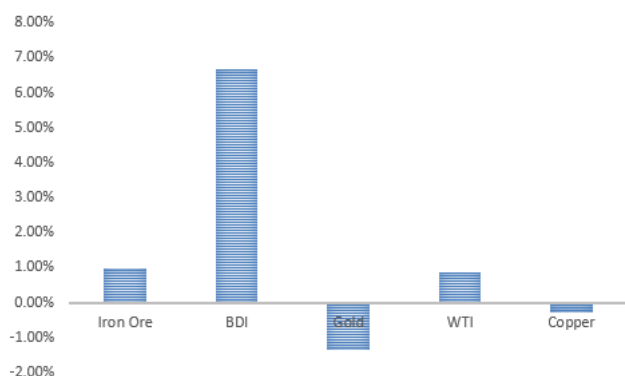
- Prime coal market gained support as the resilient Indian demand as well as the increasing Chinese domestic coke price.

- BDI recovered loss from previous 2 weeks, indicating a risk appetite shift in June and growing iron ore and coal shipments in late Q2. Moreover, the Panama Canal drought condition decreased the vessels transiting.

- Copper declined concerning the tight monetary policies and geo-political tension.

- Oil and energy market corrected as the unexpected interest hike in U.S.

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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