FIS Macro Report

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	Last	Previous	% Change
U.S. Dollar Index(DXY)	101.91	101.35	0.56%
USD/CNY	7.1532	7.1372	0.22%
U.S. FOMC Upper Interest Rate	5.50	5.25	4.76%
China Repo 7 day	1.97	1.81	8.84%
Caixin China Manufacturing PMI	50.50	50.90	-0.79%
Markit U.S. Manufacturing PMI	45.20	47.10	-4.03%

Bank of Japan: Bond Yield Spike

After an unchanged interest rate decision, the Bank of Japan announced an unscheduled bond purchase operation allowing benchmark yields to climb as high as 1%, which triggered the yield spiking to a nine-year high at 0.605%. BOJ would buy the equivalent of more than $2 billion bonds at market rates.

The major impact on the policy in different timelines:

1. In short-run: The sudden climb on bond market could reduce attractiveness of Japan equity market. Indirectly creates pressure on global equities as well.
2. In mid-run: The flexibility of the adjustment allowing BOJ to smooth any sharp upward movements of the bond yield. The strategy symbolled a start to retreat from ultra loose monetary, after Japan was confident to control inflation risk.
3. In long-run: The widened range enable BOJ to observe the long-run yield and fully assess the market risks. However, economists generally believed that there should be small probabilities to reach 1% for the bond yield, given an estimated less than 2% CPI estimation in 2024. Thus, the long-term equilibrium interest rate could be less than 0.8%.

PMI Index

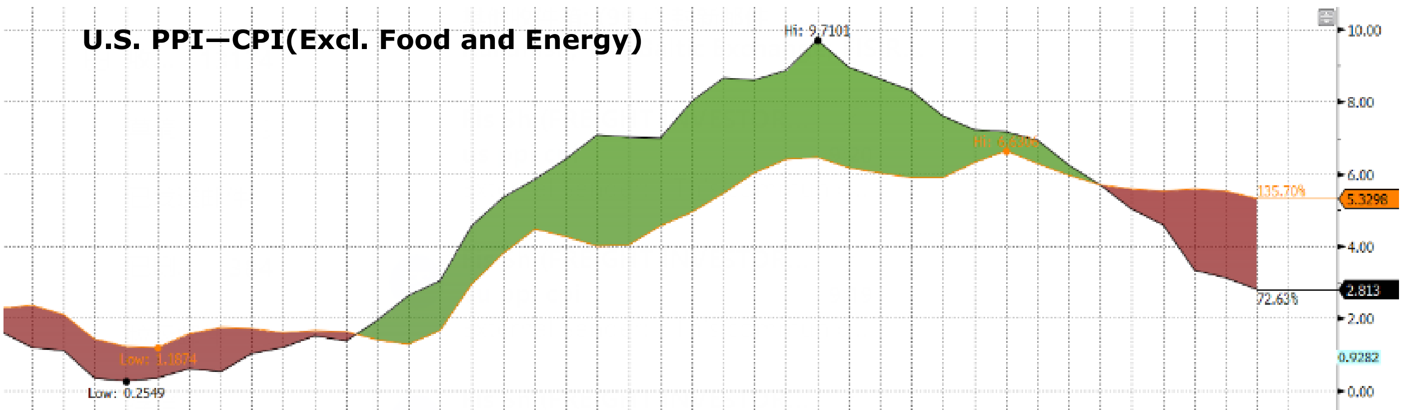
Sources：Bloomberg

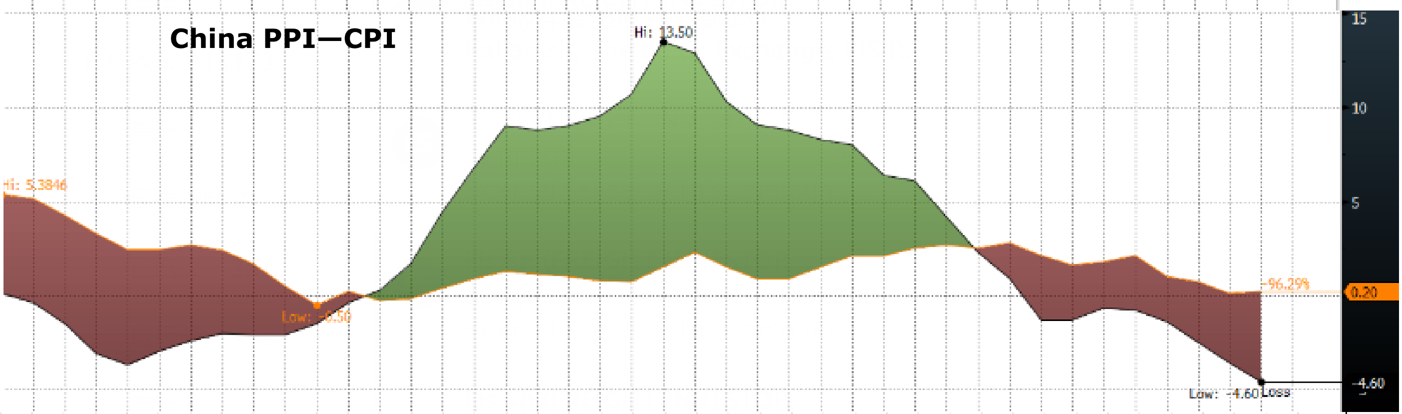
	Last	Previous	
Shanghai&Shenzhen 300 Index	3992.74	3821.91	**4.47%**
Dow Jones Industrial Average	35559.53	35411.24	**0.42%**
FTSE 100 Index	7699.41	7678.59	**0.27%**
Nikkei 225 Index	33172.22	32700.94	**1.44%**
BVAL U.S. 10-year Note Yield	3.9512	3.8708	**2.08%**
BVAL China 10-year Note Yield	2.7043	2.6584	**1.73%**

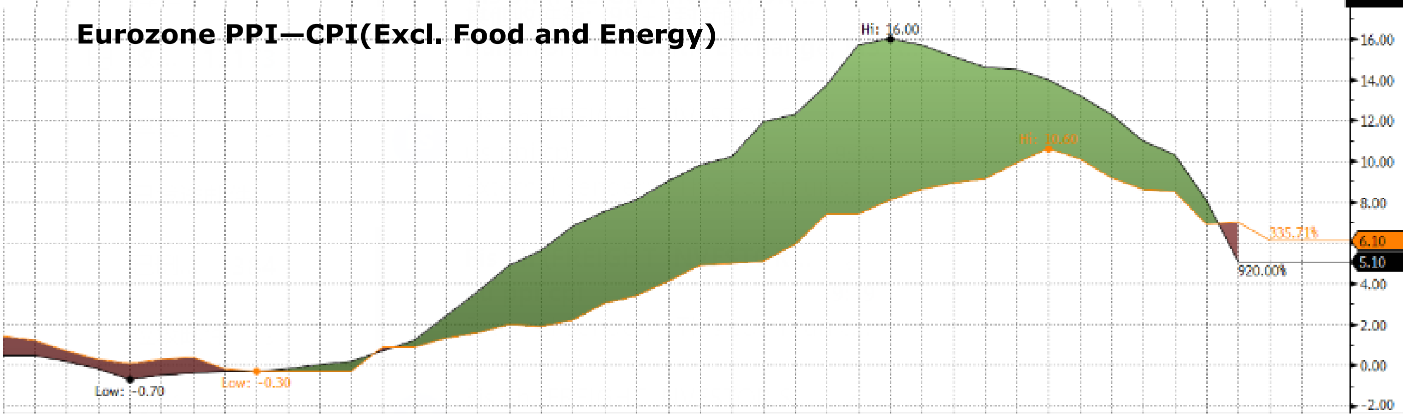
China Measures to Develop Domestic Demand in H2

Following the Politburo in late July, China took out some actions to boost economy and expand domestic demand market in H2.

1. Increase commodity consumption, accelerate the construction of charging piles and parking lots. Release automobile purchase restrictions.
2. Guarantee home deliveries and stability of job roles, improve property policies and satisfy basic home buying. Promote renovations in suburban areas in metropolitans.
3. Encourage private capital enrollment in major national projects and revitalize state-owned assets.
4. Accelerate the issuance of local debts.



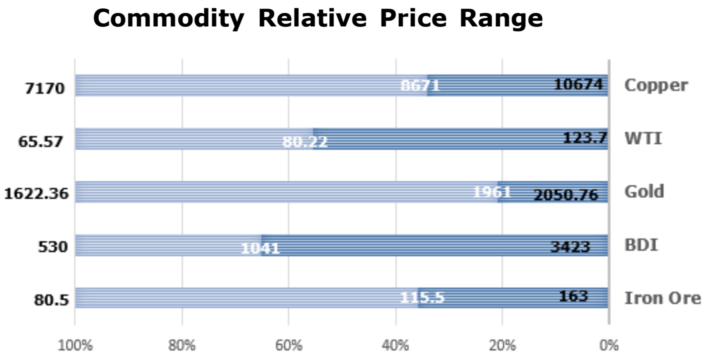


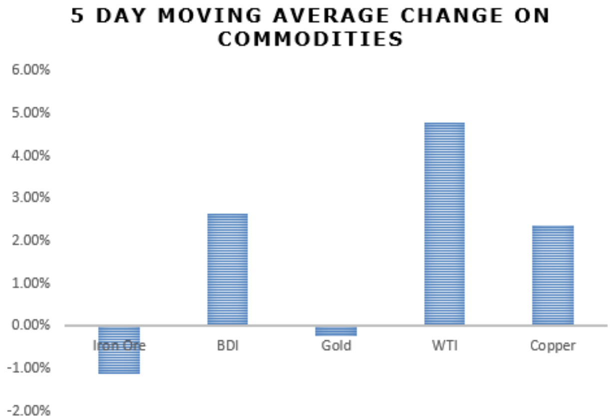


Sources：Bloomberg, FIS

	Last	Previous	
LME Copper 3 Month Rolling	8831.50	8517.00	3.69%
LME Aluminium 3 Month Rolling	2282.50	2209.00	3.33%
WTI Cushing Crude Oil	81.80	78.89	3.69%
Platts Iron Ore Fe62%	110.05	114.50	-3.89%
U.S. Gold Physical	1963.36	1964.96	-0.08%
BDI	1110.00	978.00	13.50%

Commodity Outlook and Major Economists Event





- Iron ore retreated as China potentially carry out annual crude steel production target, which would result in a decrease of pig iron usage in H2.
- Seaborne coking coal remain stable as the lowered Indian demand and picked up Chinese demand.
- The BDI improved as a risk-off mode in global financial market and pacific typhoons created lagging on laycans.
- Oil price rebounded as the interest hike decision was made, and FOMC saw an eased sentiment on future hikes.
- The copper price rebounded as China signaled economic recovery after the politburo, while U.S. GDP grew beyond expectation.

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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