FIS Macro Report

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26/09/2023
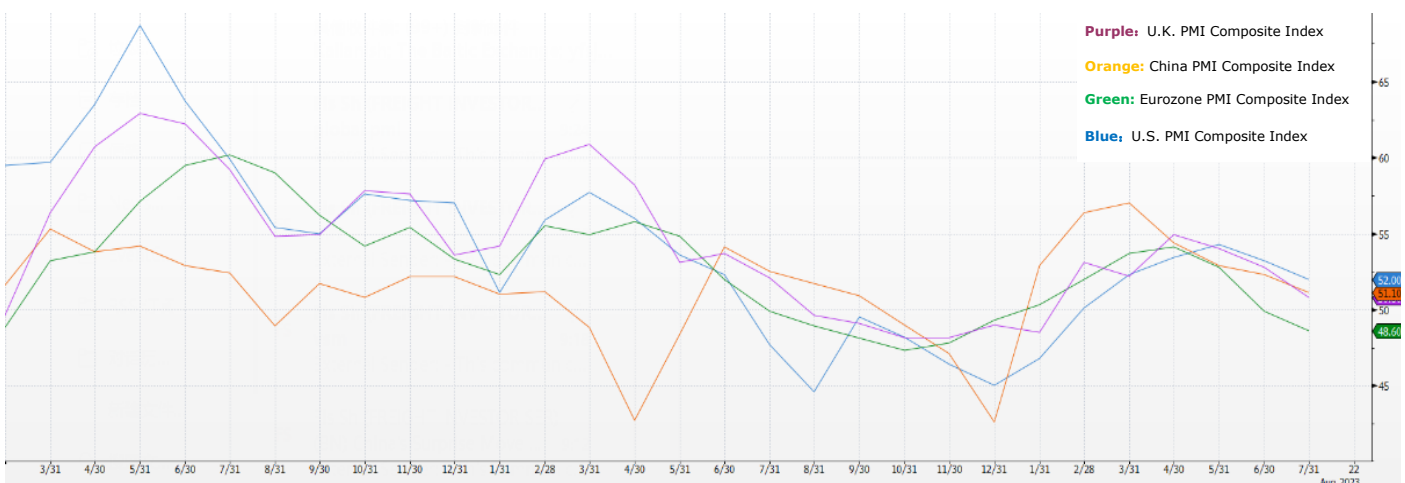
	Last	Previous	% Change
U.S. Dollar Index(DXY)	105.98	105.13	0.81%
USD/CNY	7.3159	7.3036	0.17%
U.S. FOMC Upper Interest Rate	5.50	5.50	0
China Repo 7 day	1.97	2.08	-5.17%
Caixin China Manufacturing PMI	51.00	49.20	3.66%
Markit U.S. Manufacturing PMI	47.90	50.50	-5.15%

When will Federal Reserve start interest cut?

Although the interest hike cycle in U.S. is generally expected to reach an end after hitting the 22-year high, most federal reserve governors were signaling "high for longer" to approach target inflation rate at 2%. In long-run, most economists and third party agencies believed the interest cut should take place in 2024. Some economies were concerned that the long-run interest hike which lasted the past three years would initiate outflow of investment from their own countries to US. Thus, the timing of the first interest cut became a focus for global investors. A popular market prediction is September.
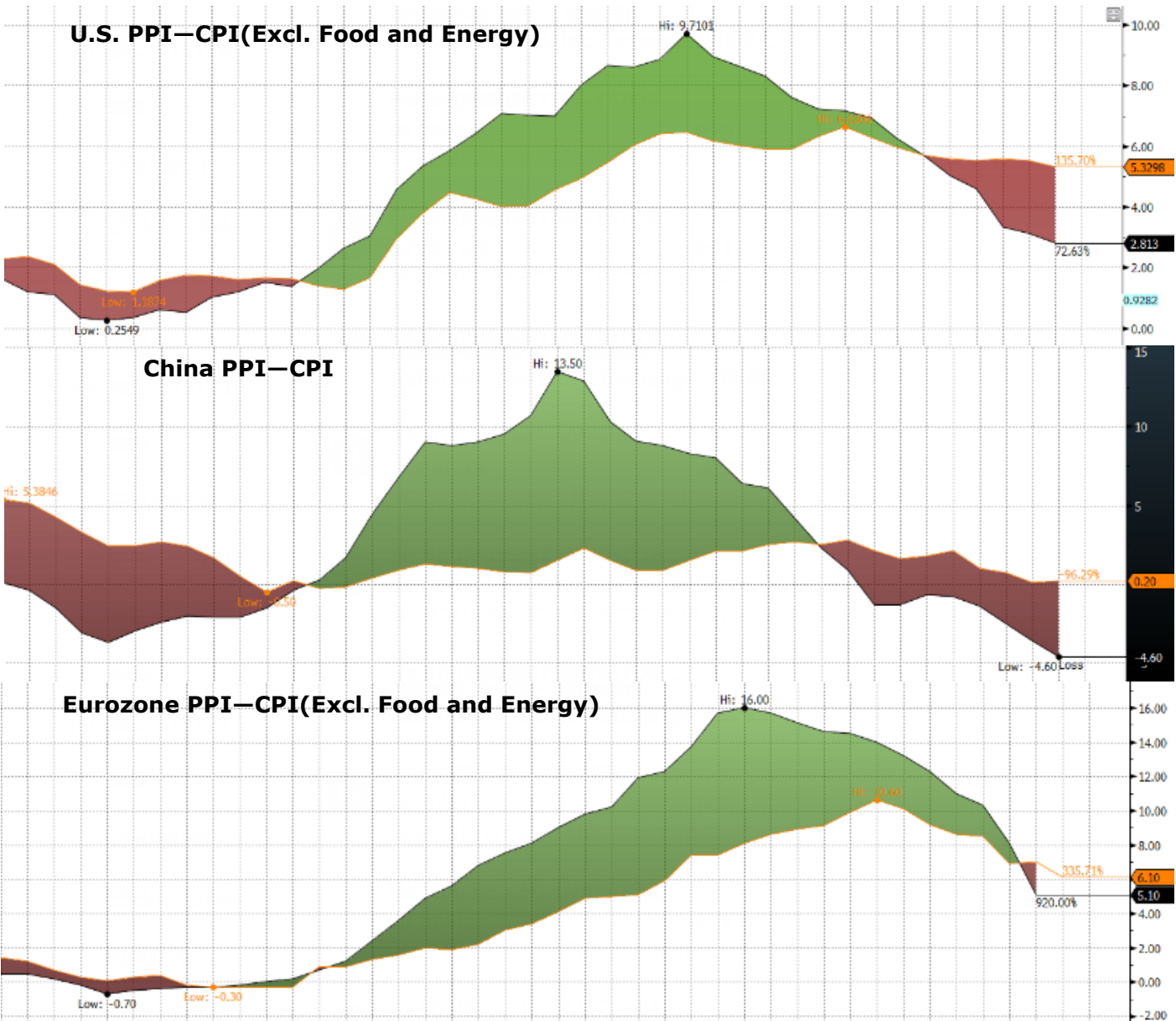
What were the triggers of interest cut in U.S.? If we look back in U.S. history, most interest cuts took place when the economic condition became "out of control", including economic recession, long-term low jobless rate and deflation risk going high. Thus, unexpected systematic risk events listed above would potentially bring this process to an earlier date. It is hard to predict a signal of early cuts since U.S. successfully prevented the default on banks last year. Considering that the financial system this year was believed more robust than 2022, then the three risks above were less likely to take place in 2023. Thus, the market should be more careful of the delay in the interest cut, given a slow decrease on inflation rate.

PMI Index

Purple: U.K. PMI Composite Index
Orange: China PMI Composite Index
Green: Eurozone PMI Composite Index
Blue: U.S. PMI Composite Index

Sources：Bloomberg

	Last	Previous	
Shanghai&Shenzhen 300 Index	3738.93	3708.78	**0.81%**
Dow Jones Industrial Average	34006.88	34624.30	**-1.78%**
FTSE 100 Index	7623.99	7652.94	**-0.38%**
Nikkei 225 Index	32678.62	33533.09	**-2.55%**
BVAL U.S. 10-year Note Yield	4.5532	4.3215	**5.36%**
BVAL China 10-year Note Yield	2.7264	2.7037	**0.84%**

U.S. PPI—CPI(Excl. Food and Energy)

China PPI—CPI

Eurozone PPI—CPI(Excl. Food and Energy)

Sources：Bloomberg, FIS

	Last	Previous	
LME Copper 3 Month Rolling	8145.50	8359.50	-2.56%
LME Aluminium 3 Month Rolling	2233.50	2220.00	0.61%
WTI Cushing Crude Oil	90.68	91.48	-0.87%
Platts Iron Ore Fe62%	118.80	124.45	-4.54%
U.S. Gold Physical	1915.37	1931.36	-0.83%
BDI	1593.00	1381.00	15.35%

Commodity Outlook and Major Economists Event

Commodity Relative Price Range

5 DAY MOVING AVERAGE CHANGE ON COMMODITIES
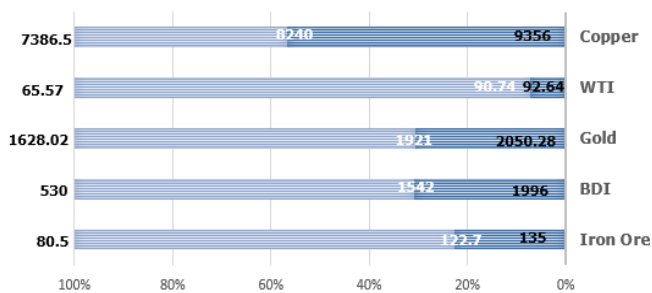
- Iron ore corrected as poor steel sales and the default from big house developers dragged down ferrous sector.

- Seaborne coking coal rebounded given the short-term disruption by BHP truck accident and coal mine accident in China.
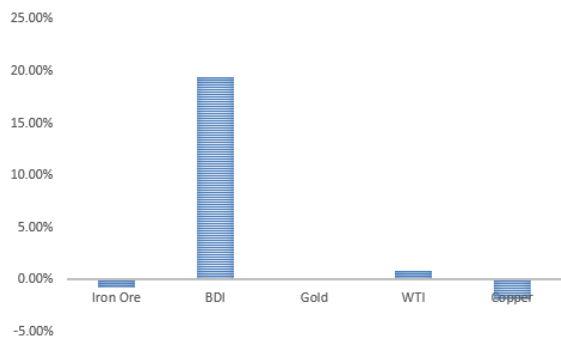
- The BDI improved due to the increased demand from Capesize market.

- Oil price remained flat during past week.

- The copper price remained stable in a 3% narrow range throughout the past month.

Sources：Bloomberg, FIS

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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