

FIS Macro Report

info@freightinvestor.com | freightinvestorservices.com | (+44) 207 090 1120

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	Last	Previous	% Change
U.S. Dollar Index(DXY)	103.61	105.63	-1.91%
USD/CNY	7.1792	7.2928	-1.56%
U.S. FOMC Upper Interest Rate	5.50	5.50	0
China Repo 7 day	2.25	2.05	9.76%
Caixin China Manufacturing PMI	49.50	50.60	-2.17%
Markit U.S. Manufacturing PMI	49.10	50.60	-2.96%

What if US started to cut interest rate from Q3 2024?

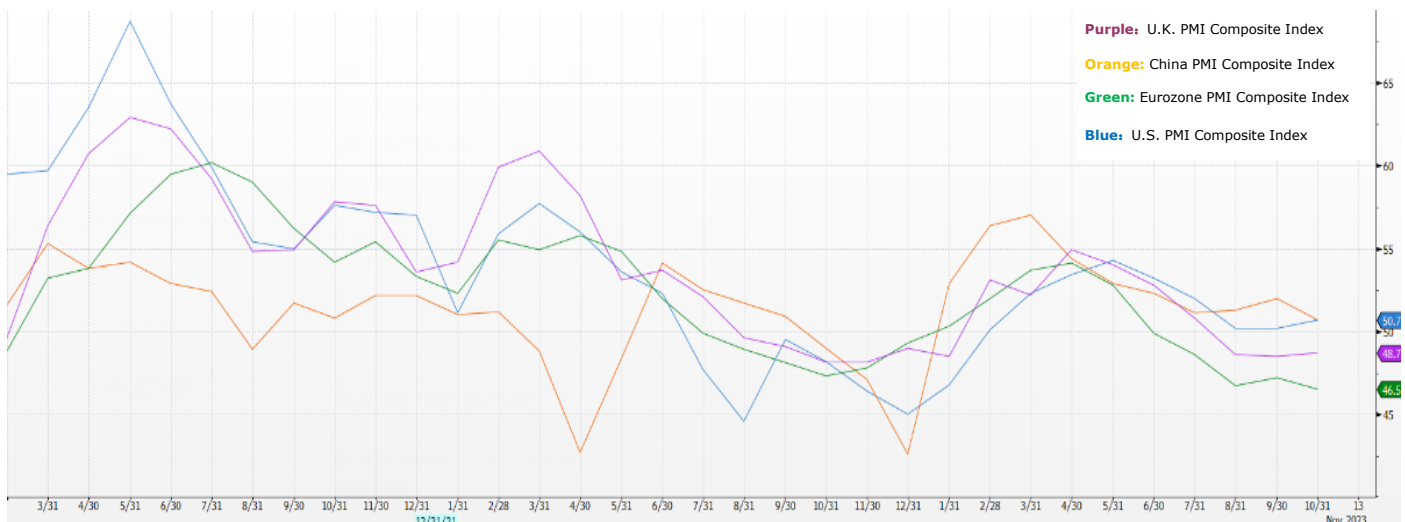
The sudden decrease of CPI of 3.2% in October from 3.7% in September strengthened the outlook of slow growth in US as a trend and symbolised an achievement against inflation. The market expected a slower interest rate cut in late 2023 and early 2024, which was delayed several times until we see a reasonable time point at Q3 2024. It looks like the academics and bankers reached a consensus on the route of interest rate change in 2024, remaining high for the first 8-9 months and then starting a flat descending trend in the last quarter.

From the traders side, the market bet on the US interest hike terminating and that it would enter a flat to decreasing period in the coming few years. US 10-year Treasury Bond yield dropped from 4.936% on the last day of October to 4.437% on November 17th. During the same period, S&P500 index up 8.4%, the best performing period in 2023. Major commodities including ferrous, metals and industrial materials eyed a big growth as well. In addition, the recovery of global financial assets were related to the easing of relationship between China and US. There were already some signs to see more barrier removals among major economies.

The statistical reason to grant this sharp fall on CPI was contributed by the fast crude oil drop in October, slow down in house rent and the low base effect of last Q4.

In general, the continuance of high rate will potentially last for 9 months, which potentially supports the inflation rate to become higher than target rate in foreseeable future.

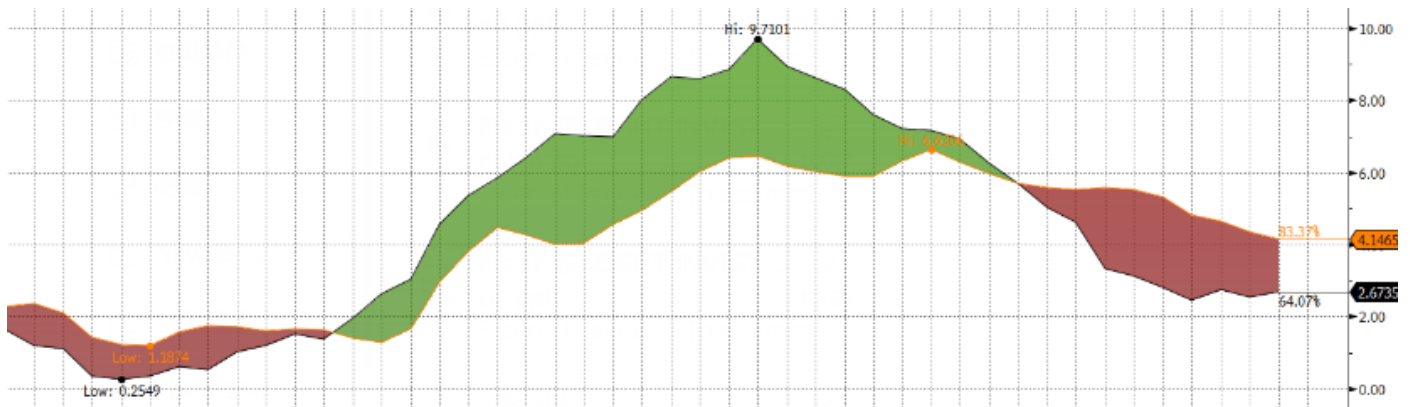
PMI Index



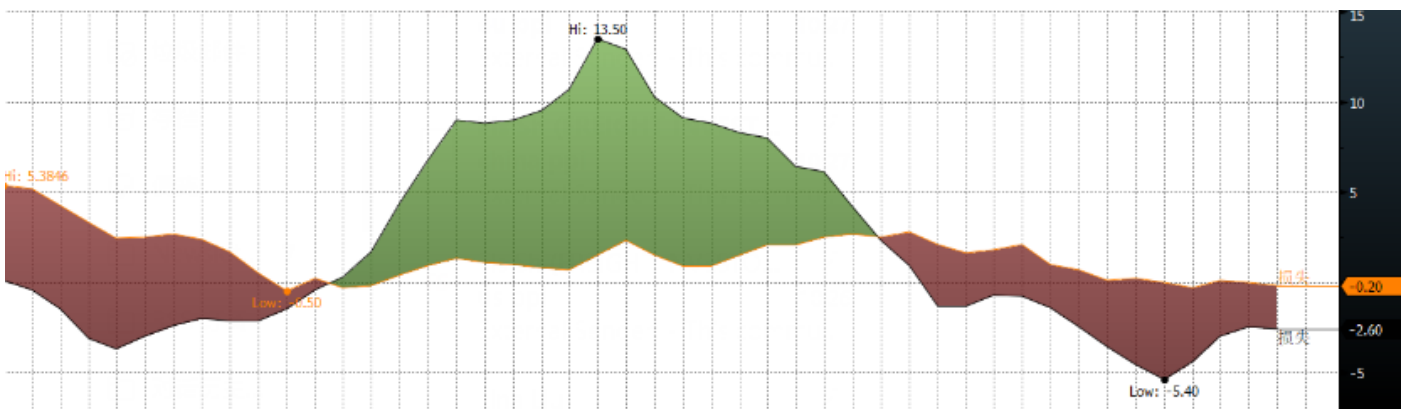
Sources: Bloomberg

	Last	Previous	
Shanghai&Shenzhen 300 Index	3568.07	3586.49	-0.51%
Dow Jones Industrial Average	34947.28	34283.10	1.94%
FTSE 100 Index	7504.25	7360.55	1.95%
Nikkei 225 Index	33585.20	32568.11	3.12%
BVAL U.S. 10-year Note Yield	4.4630	4.6403	-3.82%
BVAL China 10-year Note Yield	2.6757	2.6752	0.02%

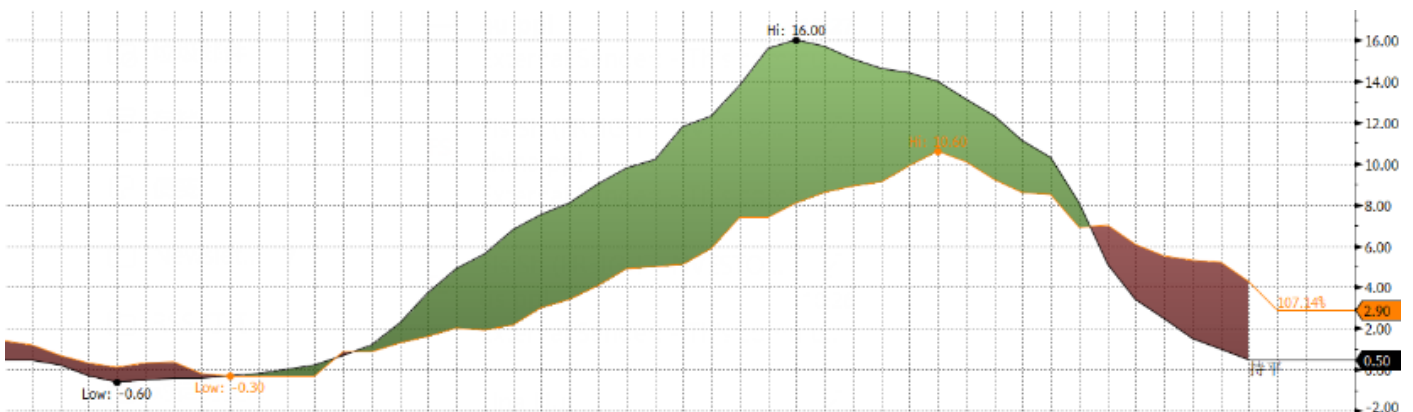
U.S. PPI—CPI(Excl. Food and Energy)



China PPI—CPI



Eurozone PPI—CPI(Excl. Food and Energy)

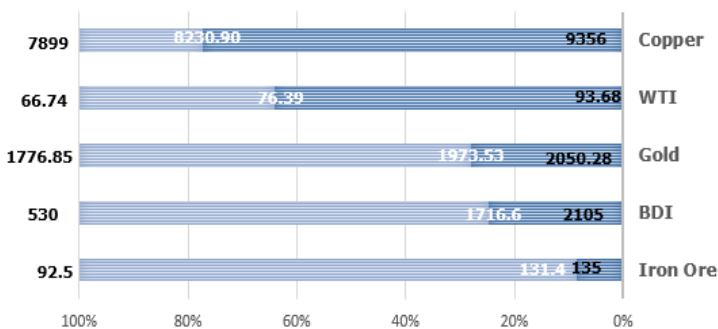


Sources: Bloomberg, FIS

	Last	Previous	
LME Copper 3 Month Rolling	8267.00	8035.50	2.88%
LME Aluminium 3 Month Rolling	2207.00	2215.00	-0.36%
WTI Cushing Crude Oil	75.89	77.17	-1.66%
Platts Iron Ore Fe62%	129.75	129.80	-0.04%
U.S. Gold Physical	1981.81	1946.92	1.79%
BDI	1820.00	1598.00	13.89%

Commodity Outlook and Major Economists Event

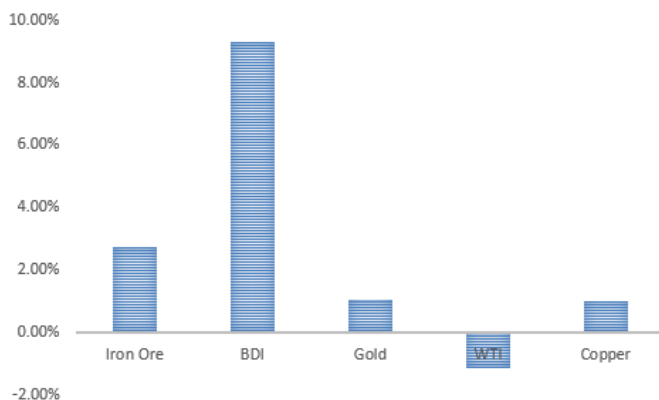
Commodity Relative Price Range



- Iron ore corrected by the strict surveillance on iron ore futures from DCE and NDRC second half of last week, and supported by the BHP strike news looming this Monday.

- Seaborne coking coal rebounded given the return of Indian buyers after long holiday as well as safety check in China.

5 DAY MOVING AVERAGE CHANGE ON COMMODITIES



- The BDI increased substantially, with potential increase in iron ore, coals and grains in coming weeks. In addition, the congestion of ships are expected to increase in US Gulf areas.

- Oil price corrected as market priced-in geo-political tensions in short-run.

- The copper price has remained stable during past three weeks as slow movement on fundamental and risk-off sentiment on geo-political tensions.

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.

Written by **Hao Pei**,
FIS Senior Research Analyst

Edited by **Luke Hanley**
FIS Content Manager

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