

# FIS Macro Report

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12/12/2023

	Last	Previous	% Change
<b>U.S. Dollar Index(DXY)</b>	104.10	103.71	<b>0.37%</b>
<b>USD/CNY</b>	7.1904	7.1734	<b>0.24%</b>
<b>U.S. FOMC Upper Interest Rate</b>	5.50	5.50	<b>0</b>
<b>China Repo 7 day</b>	2.35	2.10	<b>11.90%</b>
<b>Caixin China Manufacturing PMI</b>	50.70	49.50	<b>2.42%</b>
<b>Markit U.S. Manufacturing PMI</b>	47.90	49.10	<b>-2.44%</b>

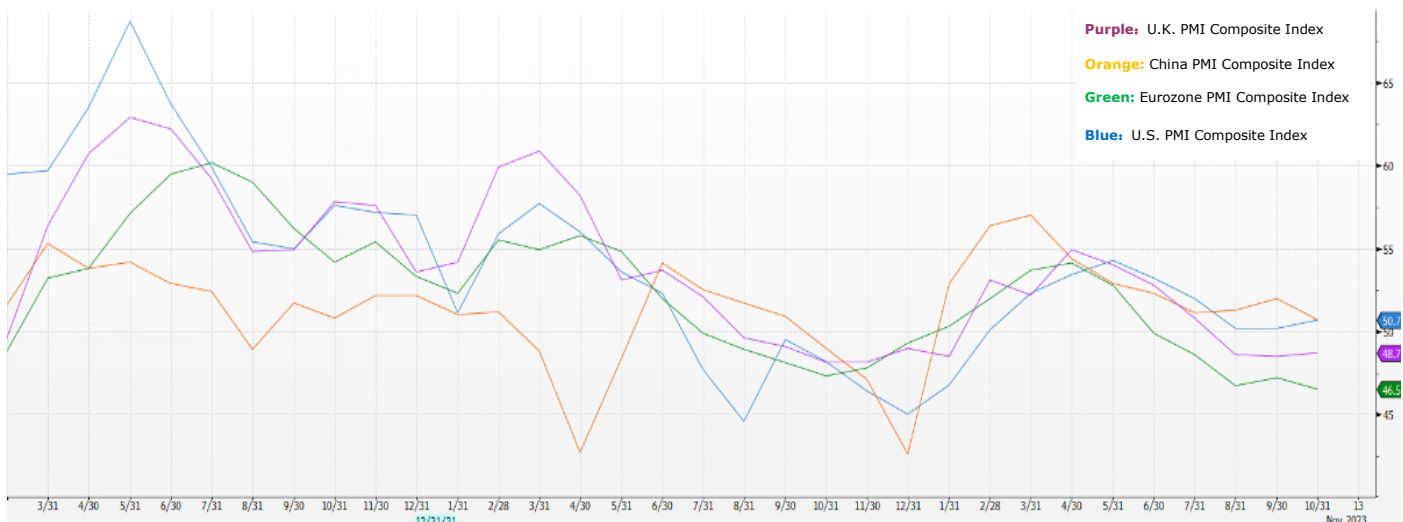
## The Takeaways from China Politburo in December

The Chinese December Politburo was considered the most important conference in Q4. The conference covered the general economic conditions in 2023, and revealed expectations on the policies in 2024. Before the politburo, the major market was on positive side for commodity market. China carried out 930 policies in total to support the housing market in 2023, creating a prehistoric number. Bloomberg analysis believe one more interest cut will take place within the last few weeks of the year. Late last week, Moody lowered China's sovereign credit rating outlook. However, historically the grade adjustment tends to have less significance to the commodity market.

The following are some takeaways from the politburo:

1. The economic growth rate is expected to stabilise in 2024, driven by One Belt One Road as well as the CPTPP trade union, which covered 11 countries.
2. The economic growth contributor of China shifts from financial cycle to technology innovation. At the same time, to stability and reform on financial market.
3. The financial support in 2024 expected to increase from the base of 2023. Monetary strategy changed from sufficient quantity in 2023 to effectiveness in 2024. There will be assessment to evaluate the effectiveness of the liquidity.
4. Improve the connection of consumption and investment.

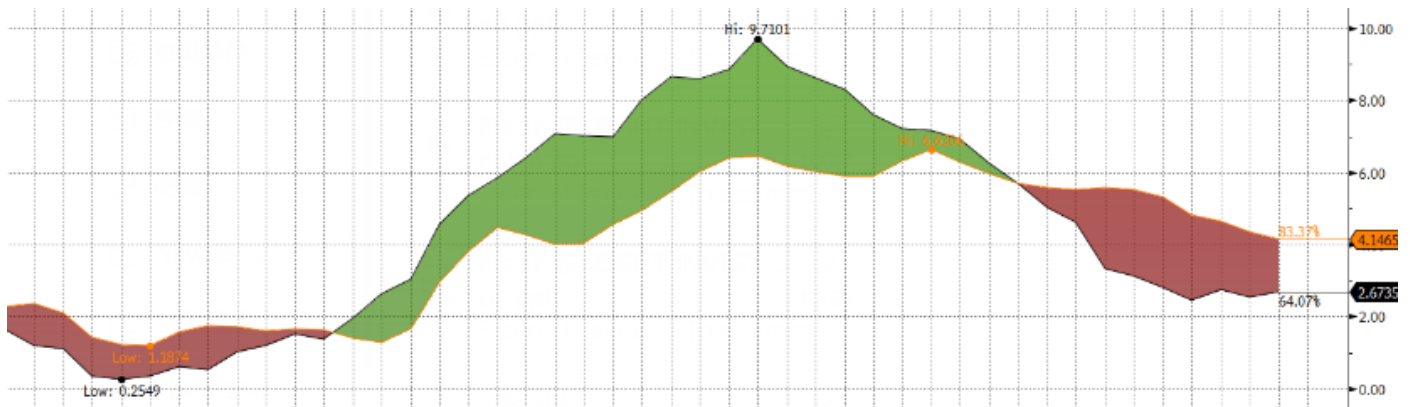
## PMI Index



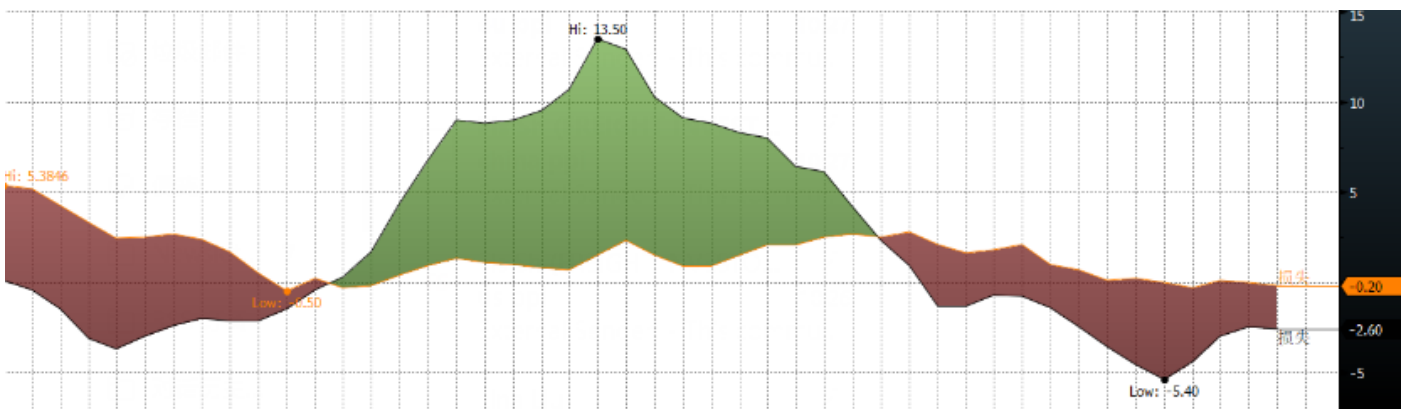
Sources: Bloomberg

	Last	Previous	
<b>Shanghai&amp;Shenzhen 300 Index</b>	3399.46	3482.88	<b>-2.40%</b>
<b>Dow Jones Industrial Average</b>	36404.93	36204.44	<b>0.55%</b>
<b>FTSE 100 Index</b>	7544.89	7512.96	<b>0.42%</b>
<b>Nikkei 225 Index</b>	32791.80	33231.27	<b>-1.32%</b>
<b>BVAL U.S. 10-year Note Yield</b>	4.2460	4.2902	<b>-1.03%</b>
<b>BVAL China 10-year Note Yield</b>	2.6725	2.6922	<b>-0.73%</b>

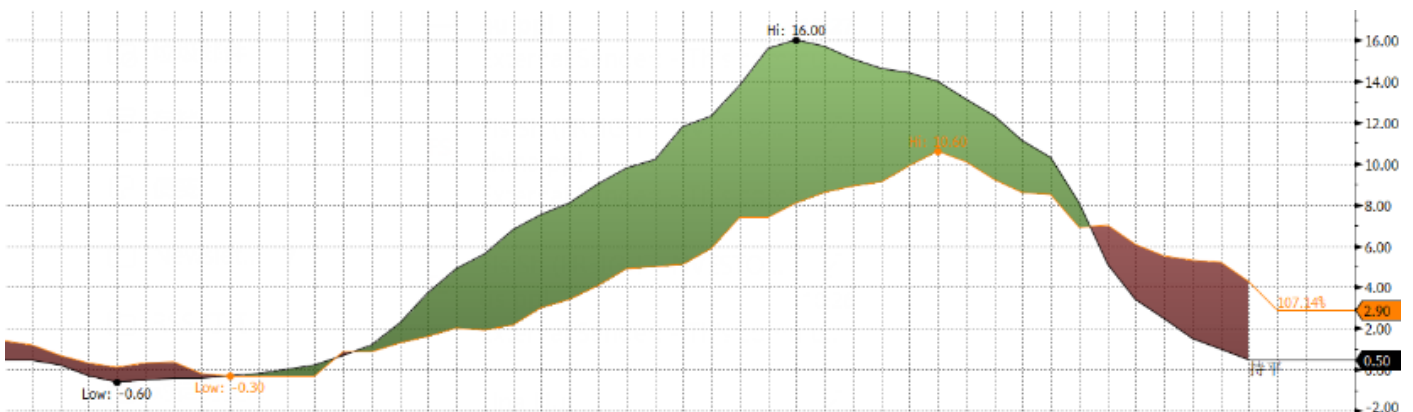
### U.S. PPI—CPI(Excl. Food and Energy)



### China PPI—CPI



### Eurozone PPI—CPI(Excl. Food and Energy)

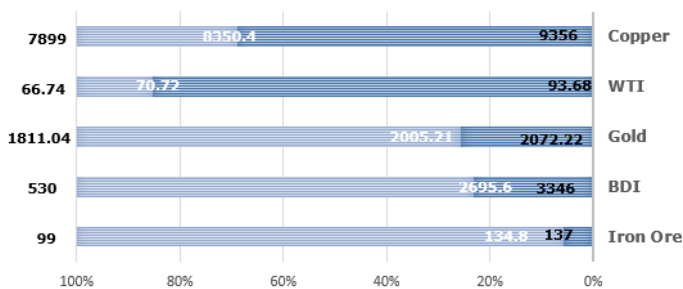


Sources: Bloomberg, FIS

	Last	Previous	
<b>LME Copper 3 Month Rolling</b>	8341.00	8443.00	<b>-1.21%</b>
<b>LME Aluminium 3 Month Rolling</b>	2117.00	2182.00	<b>-2.98%</b>
<b>WTI Cushing Crude Oil</b>	71.32	73.04	<b>-2.35%</b>
<b>Platts Iron Ore Fe62%</b>	136.85	131.05	<b>4.43%</b>
<b>U.S. Gold Physical</b>	1985.39	2019.36	<b>-1.68%</b>
<b>BDI</b>	2483.00	2937.00	<b>-15.46%</b>

## Commodity Outlook and Major Economists Event

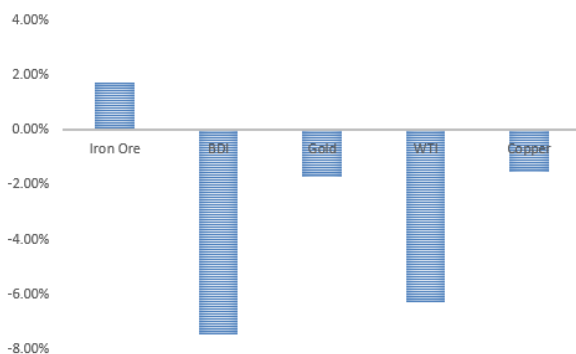
Commodity Relative Price Range



- Iron ore rebounded due to the stocking demand on Brazilian cargoes. However pig iron consumption is on the decreasing trend.

- Seaborne coking coal rebounded due to the stocking demand from Indian market as well as lower supply in China because of snowy weather.

5 DAY MOVING AVERAGE CHANGE ON COMMODITIES



- The BDI gave back some gains after the sharp increase in previous weeks.

- WTI Oil price corrected for seven months, refreshed the longest consecutive drop since 2018. Market participants were concerned with the effectiveness of oil cut.

- Although copper corrected, Anglo-American announced a production cut in its south America mines.

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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