

FIS Macro Report

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

27/02/2024

| | Last | Previous | % Change |
|---------------------------------------|--------|----------|---------------|
| U.S. Dollar Index(DXY) | 103.79 | 104.08 | -0.28% |
| USD/CNY | 7.2090 | 7.2017 | 0.10% |
| U.S. FOMC Upper Interest Rate | 5.50 | 5.50 | 0 |
| China Repo 7 day | 2.15 | 2.05 | 4.88% |
| Caixin China Manufacturing PMI | 50.80 | 50.80 | 0 |
| Markit U.S. Manufacturing PMI | 50.80 | 46.40 | 9.48% |

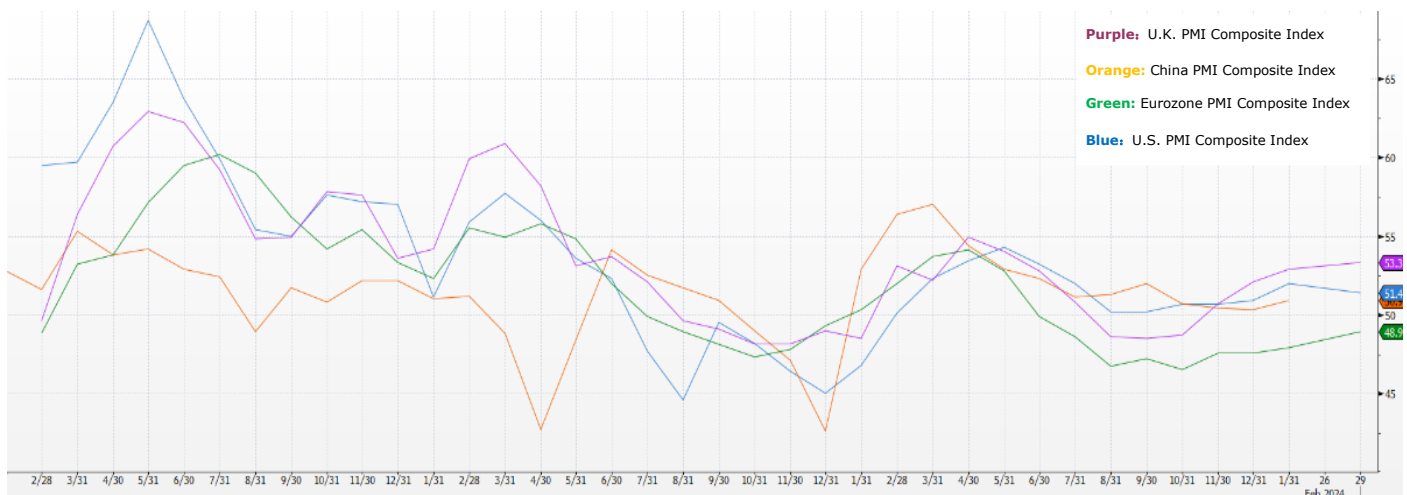
China cut 5-Year Loan Prime Rate and its impact

The biggest news during past two weeks was the recorded 25 bps drop on China's 5-year-length benchmark interest rate Loan Prime Rate (LPR), which was the biggest drop in history. Housing analysts generally believed that the drop was a clear signal to support house buying in long-run. Shanghai equities rebounded almost 14% on the back of the news. However, ferrous commodities tanked because the 1-year-length LPR was unchanged. This policy has generated a long-cycle impact instead of a sudden support on housing market. House developers still need to focus on optimising the debt issues or decreasing the leverage structure. Some leading house developers are starting to transition to other businesses including raising livestock or estate management.

The prevention of a fast bubble squeeze on China's housing would protect economy from hard-landing if the last few global economy crises are anything to go by. Following the LPR decrease, the lowest mortgage rate for first and second home buyers decreased to 3.75% and 4.15% respectively. The banks are also expected to keep decreasing the saving rate to balance the net interest margin.

In general, rate cut of home buying and saving side expected to remain in China throughout 2024. Thus, the investment market should look more rewardable compared with deposit or debt market in long-run.

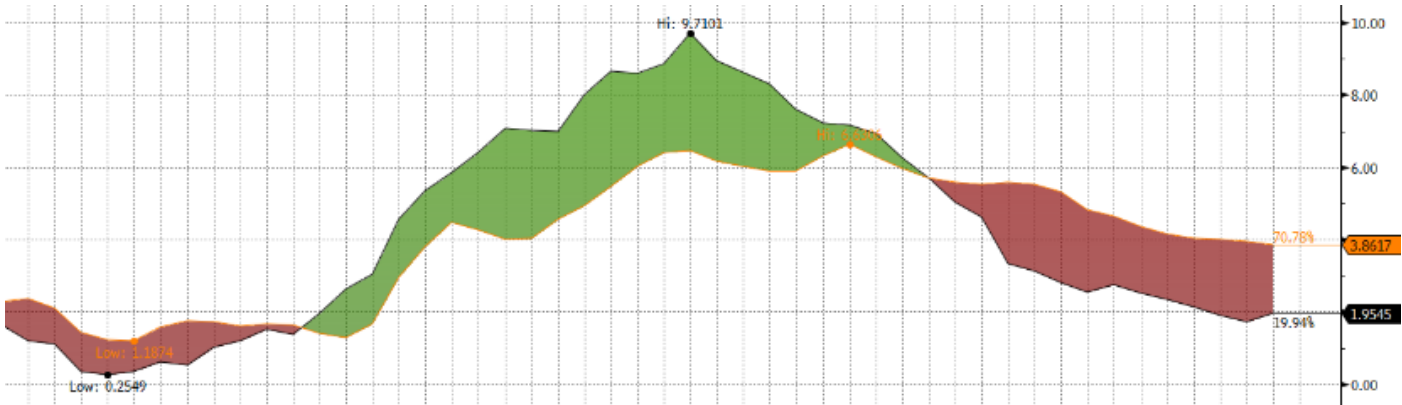
PMI Index



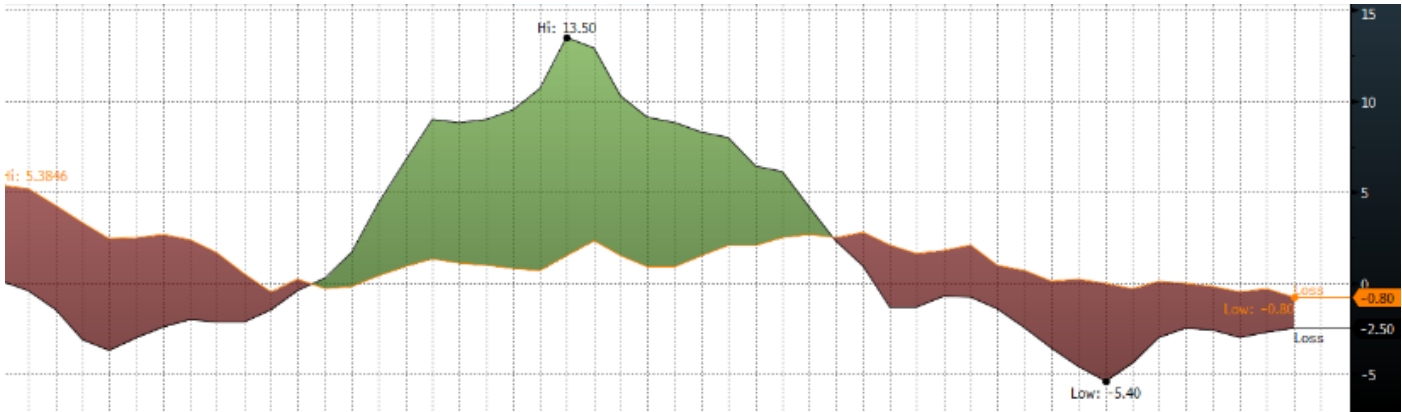
Sources: Bloomberg

| | Last | Previous | |
|--|----------|----------|---------------|
| Shanghai&Shenzhen 300 Index | 3453.36 | 3403.81 | 1.46% |
| Dow Jones Industrial Average | 39069.23 | 38627.99 | 1.14% |
| FTSE 100 Index | 7684.30 | 7728.50 | -0.57% |
| Nikkei 225 Index | 39233.71 | 38487.24 | 1.94% |
| BVAL U.S. 10-year Note Yield | 4.2888 | 4.3071 | -0.42% |
| BVAL China 10-year Note Yield | 2.4361 | 2.4851 | -1.97% |

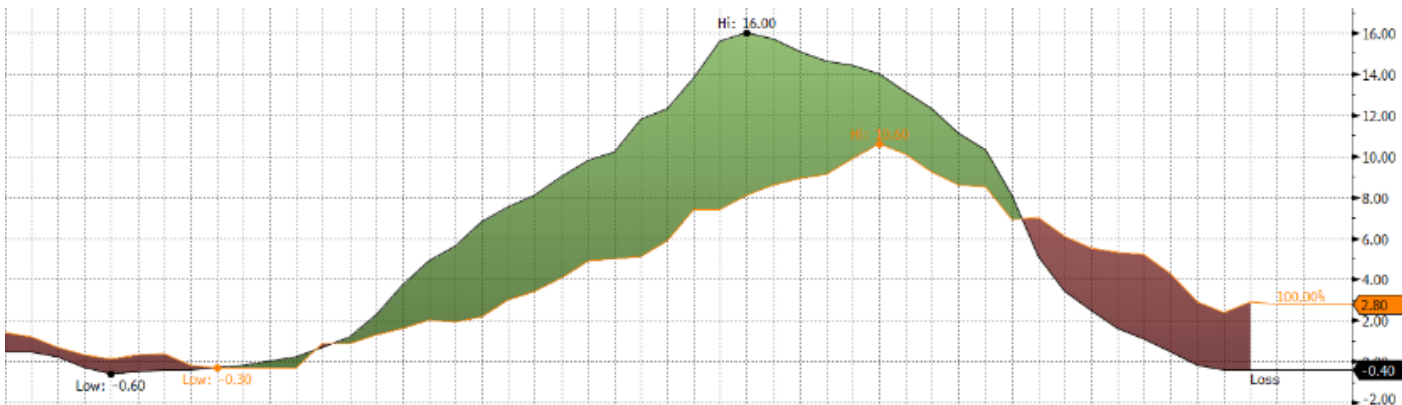
U.S. PPI—CPI(Excl. Food and Energy)



China PPI—CPI



Eurozone PPI—CPI(Excl. Food and Energy)

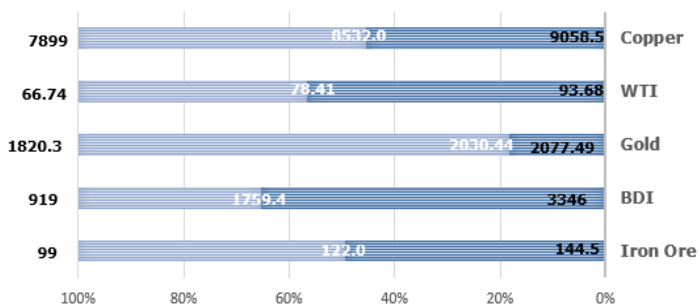


Sources: Bloomberg, FIS

| | Last | Previous | |
|--------------------------------------|---------|----------|---------------|
| LME Copper 3 Month Rolling | 8466.00 | 8434.50 | 0.37% |
| LME Aluminium 3 Month Rolling | 2180.00 | 2197.00 | -0.77% |
| WTI Cushing Crude Oil | 77.58 | 79.19 | -2.03% |
| Platts Iron Ore Fe62% | 116.00 | 128.80 | -9.94% |
| U.S. Gold Physical | 2034.20 | 2024.41 | 0.48% |
| BDI | 1871.00 | 1610.00 | 16.21% |

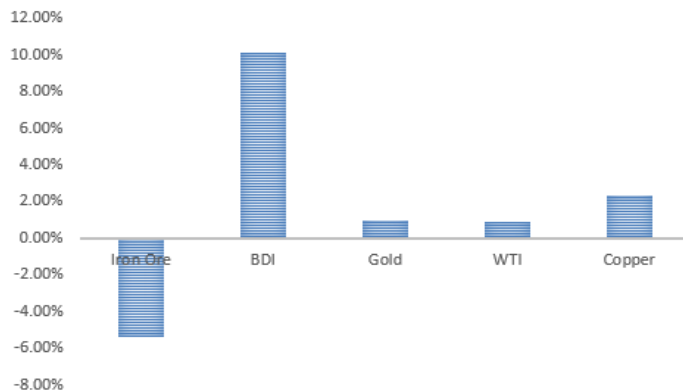
Commodity Outlook and Major Economists Event

Commodity Relative Price Range



- Iron ore market corrected significantly given the slow down in recovery after Chinese New Year and low steel margin.
- Seaborne coking coal was waiting for the entrance of Indian and Chinese buyers for far laycans. The front laycans were oversupplied.

5 DAY MOVING AVERAGE CHANGE ON COMMODITIES



- The BDI saw gains as the fast growth of Capesize freights with more cargoes expected to ship after Chinese New Year.
- WTI Oil price ticked up given the tension in Red sea as well as the oil cut expectation.
- Copper rebounded in line with the increase in warehouse warrants as well as the positive US economy data.

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

The information provided in this communication is not intended for retail clients. It is general in nature only and does not constitute advice or an offer to sell, or the solicitation of an offer to purchase any swap or other financial instruments, nor constitute any recommendation on our part. The information has been prepared without considering your investment objectives, financial situation, or knowledge and experience. This material is not a research report and is not intended as such. FIS is not responsible for any trading decisions taken based on this communication. Trading swaps and over-the-counter derivatives, exchange-traded derivatives, and options involve substantial risk and are not suitable for all investors. You are advised to perform an independent investigation to determine whether a transaction is suitable for you. No part of this material may be copied or duplicated in any form by any means or redistributed without our prior written consent. Freight Investor Services Ltd (FIS) is authorised and regulated by the Financial Conduct Authority (FRN: 211452) and is a member of the National Futures Association ("NFA"). Freight Investor Services PTE Ltd ('FIS PTE') is a private limited company, incorporated and registered in Singapore with company number 200603922G, and has subsidiary offices in India and Shanghai. Freight Investor Solutions DMCC ('FIS DMCC') is a private limited company, incorporated and registered in Dubai with company number DMCC1225. Further information about FIS including the location of its offices can be found on our website at freightinvestorservices.com