

FIS Macro Report

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23/4/2024

	Last	Previous	% Change
U.S. Dollar Index(DXY)	106.08	106.26	-0.16%
USD/CNY	7.2517	7.2644	-0.17%
U.S. FOMC Upper Interest Rate	5.50	5.50	0
China Repo 7 day	1.90	1.90	0
Caixin China Manufacturing PMI	51.10	50.90	0.39%
Markit U.S. Manufacturing PMI	53.20	53.80	-1.12%

Gold and Dollar

Short-run investments became crowded in gold, dollar and bitcoin. However, metals and the dollar have held a positive correlation for around 90% of the time since the collapse of Bretton Woods system.

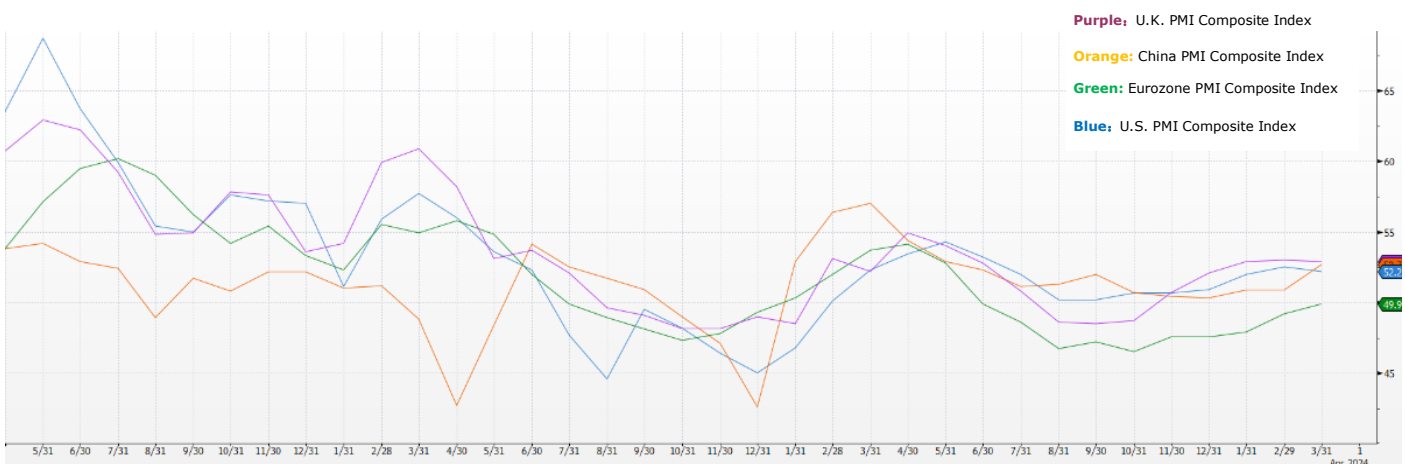
It is worth noting the current risks. Comex Gold major contract rebounded by 34.29% from its low in last October to its high in April 2024, while US dollar index DXY rebounded more than 6% from the low in last December to this April. What has broken the negative correlation between them?

Trades on gold and silver were almost purely based on concerns regarding geopolitical tensions in the Middle East. At the same time, the dollar is more sensitive to interest rate decisions. Thus, the primary motivators of the two commodities have diverged. There is concern for global liquidity due to persistent high interest rates, being led by the United States. In other words, many gold investors in last four months were short-run traders instead of long-run investors. Sooner or later, investors will wake up and make a choice between the two.

If we are accessing a long-run investment (> 1 year) for both commodities, the entrance of an easing period in the US would bring down the dollar valuation from late 2024 or 2025. Similarly, the short-run traders on gold tend to leave the market or shift to other commodities depending on the overall liquidity and buying power over central banks in the long-run. As a result, the long-run investment for both assets could be risky.

However, there are many positive factors for short-run investors. Gold reserves in China have room to grow compared to the average gold/GDP ratio being among the ten biggest economies. Most central banks were buying gold regardless of the cost. US Federal Reserve evaluate the faster than expected economy growth and became conservative on interest rate cuts in the last few meetings, which could support the dollar index.

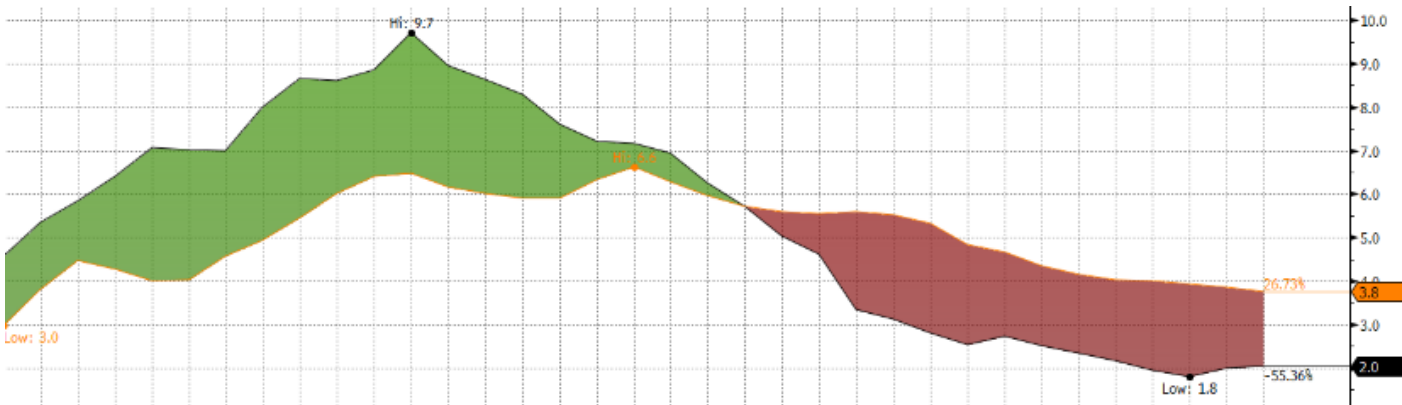
PMI Index



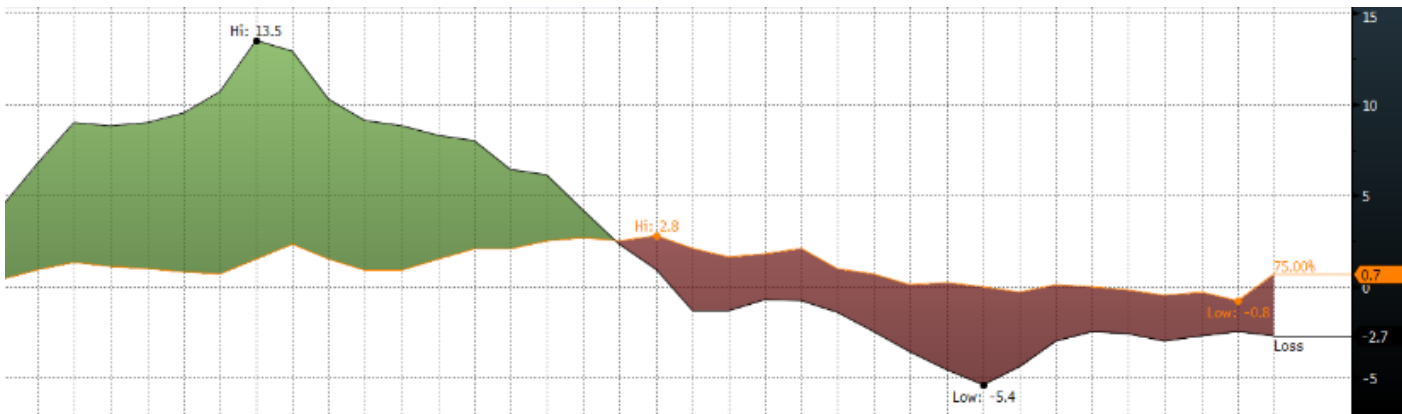
Sources: Bloomberg

	Last	Previous	
Shanghai&Shenzhen 300 Index	3530.91	3549.08	-0.51%
Dow Jones Industrial Average	38239.98	37735.11	1.34%
FTSE 100 Index	8023.87	7965.53	0.73%
Nikkei 225 Index	37438.61	39232.80	-4.57%
BVAL U.S. 10-year Note Yield	4.6171	4.6171	0
BVAL China 10-year Note Yield	2.3069	2.3428	-1.53%

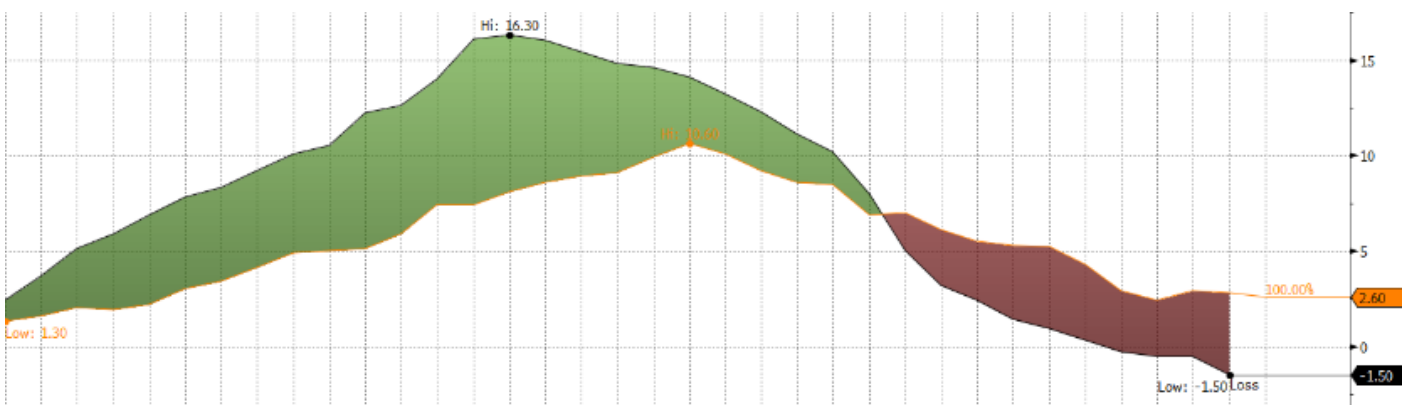
U.S. PPI—CPI(Excl. Food and Energy)



China PPI—CPI



Eurozone PPI—CPI(Excl. Food and Energy)

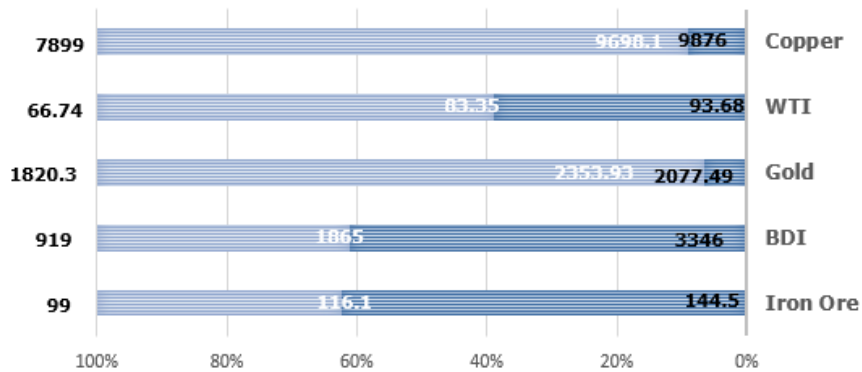


Sources: Bloomberg, FIS

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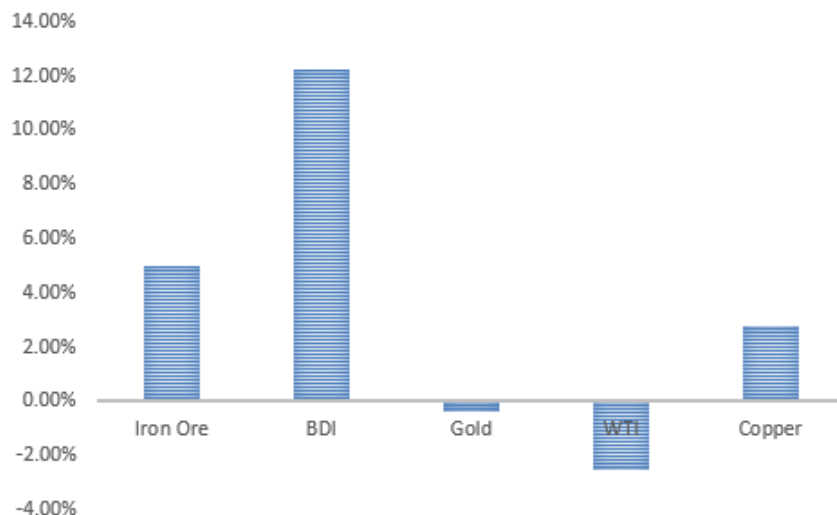
Commodity Outlook and Major Economists Event

Commodity Relative Price Range



- Iron ore potentially slows down as virtual steel margin narrowed quickly in past two weeks.
- Seaborne coking coal stabilised following the big growth on paper market.

5 DAY MOVING AVERAGE CHANGE ON COMMODITIES



- The BDI hiked as concerns over tension in the middle-east .
- WTI price reversed the gains created in early April as oil impact proved limited after the tension in the middle-east.
- Copper rebounded significantly as a major producer decreased production target.

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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