FIS

Macro Report

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

1/7/2025

	Last	Previous	% Change
U.S. Dollar Index(DXY)	96.76	97.86	**-1.12%**
USD/CNY	7.1576	7.1656	**-0.11%**
U.S. FOMC Upper Interest Rate	4.50	4.50	**0**
China Repo 7 day	1.95	1.57	**24.20%**
Caixin China Manufacturing PMI	50.40	48.30	**4.35%**
Markit U.S. Manufacturing PMI	52.80	50.80	**3.94%**

Currency and Global Market:

After the temporary easing of geopolitical risks in the Middle East, oil prices have pulled back. However, driven by the resurgence of coal, major commodities as a whole have gradually emerged from a bear market lasting more than half a year. Meanwhile, tariff tensions are also cooling down globally, leading to consecutive declines in safe-haven assets such as gold and the VIX options. The Federal Reserve is patiently awaiting the evolution of economic trends before adjusting its monetary stance. The US dollar index dropped from the high at 99.42 to 96.61 during the report week, lending support to metals.

FFA:

The Capesize market extended its weakening trend last week, as Australian miners slowed shipment post-fiscal year-end, triggering a sharp drop in Pacific iron ore demand. Entering July, a significant number of vessels have remained idle in the Pacific, though Brazil and West Africa routes keep steady demand with robust cargo flows.

In contrast to Capesize, the Panamax market trended upward. In the Pacific, imported coal demand rebounded due to rising temperatures in China and seaborne coal cost advantages. Meanwhile, South American grain shipments remained largely stable.

Oil:

Triggered by the sudden ease of tensions in the Middle East, crude oil prices plummeted nearly $10 per barrel from recent highs, reverting market focus to fundamental supply-demand dynamics. According to the latest EIA Weekly Report, both US crude oil and refined oil inventories experienced significant drawdowns, while the apparent demand for refined oil entered its seasonal peak. This aligns with market expectations of strengthening demand, providing modest support to oil prices. Concurrently, Asian crude inventories also showed signs of improvement. As global refinery maintenance activities recede from their seasonal peak, overall refinery utilization rates have increased, driving global crude oil inventories into a downward trajectory. These factors indicate marginal improvements in the fundamental outlook for crude oil.

Sources：Bloomberg

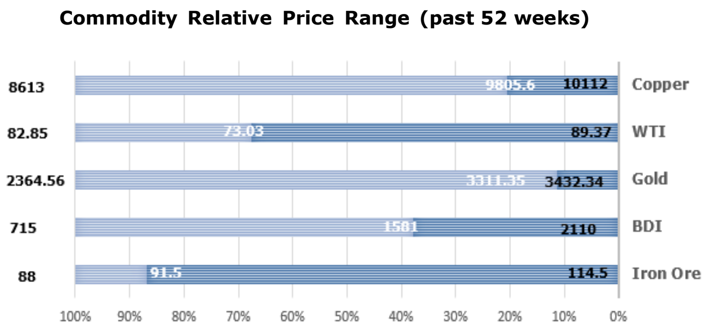
	Last	Previous	
LME Copper 3 Month Rolling	9869.00	9667.50	2.08%
LME Aluminium 3 Month Rolling	2597.50	2588.50	0.35%
WTI Cushing Crude Oil	65.11	69.62	-6.48%
Platts Iron Ore Fe62%	94.15	94.15	0
U.S. Gold Physical	3319.05	3323.67	-0.14%
BDI	1489.00	1689.00	-11.84%

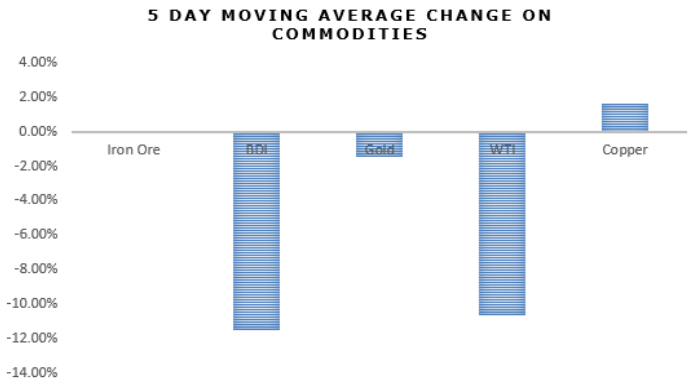
Metals:

In terms of supply and demand, copper production growth remains constrained by persistent disruptions, while smelting capacity expands notably. Spot TC stays negative, with long-term TC are also falling, and Antofagasta's zero-TC deal further tightens copper ore supply, worsening smelters' margins. Demand resilience keeps the market tightly balanced. In addition, the abnormal COMEX-LME spread drive copper flows to the low consumption US market. Thus, both Chinese and LME inventories declined, intensified the short-squeeze risks. The price potentially stay volatile instead of a steep growth in the coming weeks, given a good fundamental outlook as well as a Fed rate cut expectations. In the long-run, Goldman Sachs predicts a $10,050/t on copper price as the high of 2025, based on the consumption that US would impose 25% copper tariff in September. Antofagasta has finalized a long-term TC agreement with Chinese smelters for 50% of its copper concentrate supply in 2026 at $0.0/ton, significantly deviating from market expectations of -$15/ton in late May.

Ferrous:

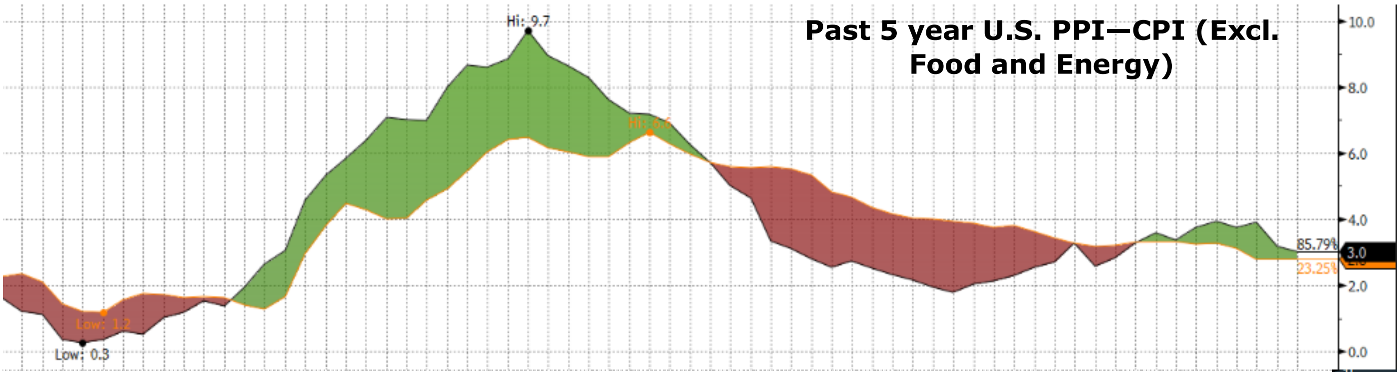
In June, China's port trade volume saw a notable month-on-month increase, supported by robust domestic demand. Following June's high volumes to meet Australia's fiscal targets, July laycans have dropped sharply. Iron ore supply may tighten modestly in late July and August. Chinese steel prices, especially flat steels, hold a strong competitive edge in the Pacific region. However, July's extreme heat could potentially slow construction progress in China. The market is awaiting further stimulus measures in July, including housing renovation plans and liquidity injections. Physical coking coal prices remained relatively firm, as Mongolia plans to close ports for five days in early July. Additionally, Australian prime coking coal has demonstrated significant cost-effectiveness.

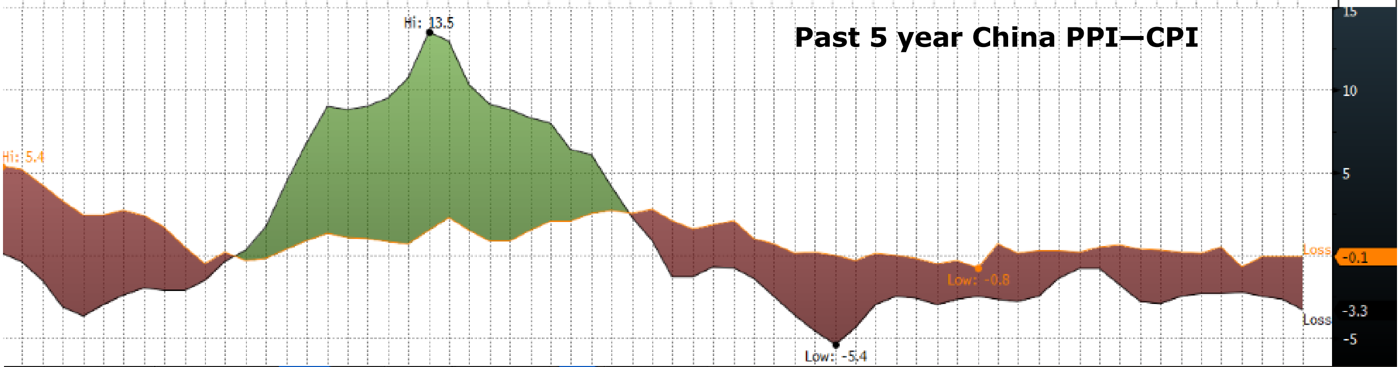


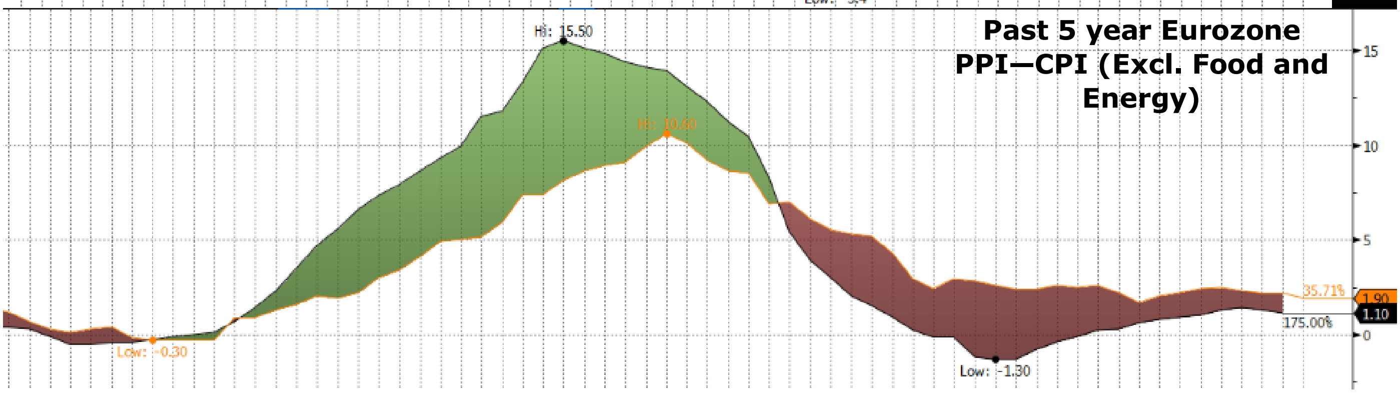


Sources: Bloomberg, FIS

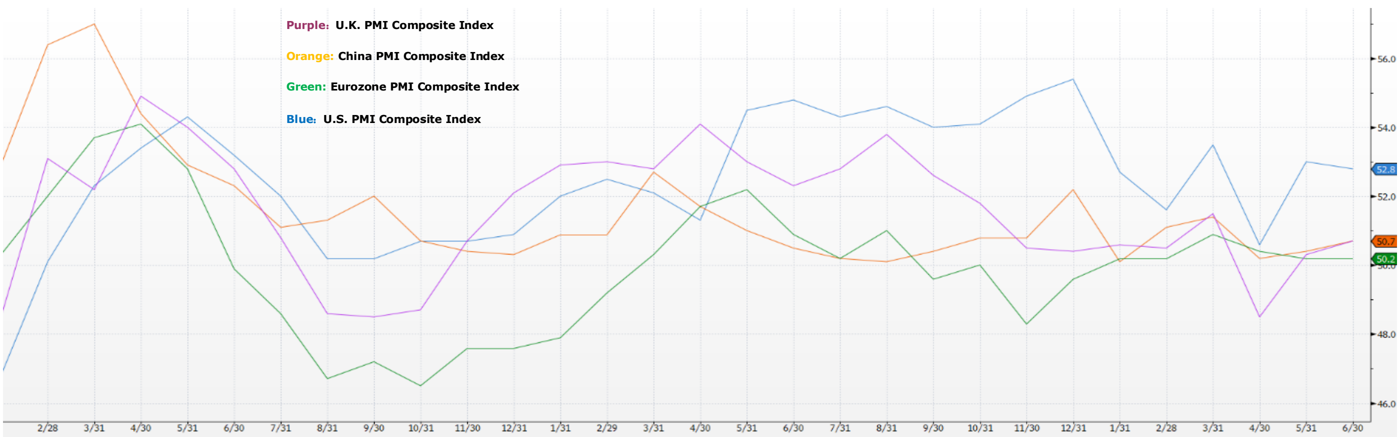
	Last	Previous	
Shanghai&Shenzhen 300 Index	3936.08	3857.90	**2.03%**
Dow Jones Industrial Average	44094.77	42581.78	**3.55%**
FTSE 100 Index	8760.96	8758.04	**0.03%**
Nikkei 225 Index	40487.39	38354.09	**5.56%**
BVAL U.S. 10-year Note Yield	4.2496	4.3580	**-2.49%**
BVAL China 10-year Note Yield	1.6970	1.6752	**1.30%**







PMI Index



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—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

haop@freightinvestor.com