FIS

MACRO REPORT

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	Last	Previous	Changes %
US Dollar Index (DXY)	101.24	101.02	**+0.22%**
USD/CNY	6.7869	6.8035	**-0.24%**
US FOMC Upper Interest Rate	3.75	3.75	**0.00%**
China Repo 7 day	1.43	1.42	**+0.35%**
Caixin China Manufacturing PMI	51.70	51.80	**-0.19%**
Markit US Manufacturing PMI	53.70	56.70	**-5.29%**

Commentary:

Global Macro Markets:

The temporary US-Iran ceasefire has collapsed, with military hostilities resuming, and Iran has announced the closure of the Strait of Hormuz. While the US signalled that negotiation channels remain partially open, markets have gradually priced in a protracted “fighting while negotiating” scenario. Vessel throughput through the strait has declined materially, turning anticipated disruptions to commodity flows and shipping freight rates into tangible risks. Mediation efforts by third-party nations are ongoing, retaining some flexibility in geopolitical developments.

US June non-farm payrolls printed below consensus, yet minutes from the June FOMC meeting delivered overtly hawkish signals. According to the CME FedWatch tool, the probability of a September rate hike jumped to 84%, and markets brought forward the timeline for a fully priced-in hike from December to October, amplifying tightening expectations. Nick Timiraos, the Wall Street Journal reporter widely regarded as the Fed’s primary media conduit, noted that several of Chair Kevin Warsh’s colleagues have grown far more concerned about inflation, potentially triggering formal rate-hike discussions at the July FOMC meeting. China’s June CPI rose 1% year-on-year, remaining at a subdued level; PPI climbed 4.1% YoY but fell 0.3% month-on-month, implying downside pressure on factory-gate prices should imported raw material costs retreat later. The current low-inflation backdrop creates policy leeway for marginal monetary easing in H2. Investors are closely watching the upcoming Politburo meeting for forward guidance on full-year growth targets and the monetary easing stance.

Since early July, global equity capital has rotated steadily out of AI technology sectors into non-tech segments. Further deflation of tech valuation bubbles is expected to drive sustained capital inflows into cyclical sectors, including fossil fuels and industrial metals.

FFA:

Capesize freight rates staged a sharp rebound last week, primarily driven by buoyant trading activity across the Pacific basin. Australian iron ore miners submitted numerous charter enquiries amid substantial year-on-year shipment growth, stimulating robust spot turnover. China’s iron ore imports picked up markedly, and the seasonal slowdown in July demand proved milder than in previous years. Sustained tonnage demand from both grain and ore cargoes kept long-haul TC rates firm, with synchronised regional and deep-sea cargo demand lifting freight levels across all routes. In addition, renewed US-Iran tensions lifted crude oil prices, while typhoon disruptions reduced effective available tonnage, amplifying the rate rally. The Atlantic market remained relatively muted by comparison. Multiple bearish factors will weigh on the market over the medium term: fading typhoon impacts, easing geopolitical risks, reduced bauxite shipments amid West Africa’s rainy season, elevated iron ore port inventories in China, and declining crude steel output, paving the way for renewed rate pressure.

Panamax freight rates edged slightly higher this week on limited fundamental support, delivering modest gains. Thermal coal cargoes softened: persistent rainfall across southern China boosted hydropower generation, while power plants hold ample coal stockpiles, curbing near-term restocking appetite and slowing thermal coal cargo flows in the Pacific.

Source: Bloomberg, FIS

	Last	Previous	Changes %
Shanghai & Shenzhen 300 Index	4695.38	4842.00	**-3.03%**
Dow Jones Industrial Average	52498.64	53055.91	**-1.05%**
FTSE 100 Index	10498.29	10651.77	**-1.44%**
Nikkei 225 Index	67242.73	69737.69	**-3.58%**
BVAL US 10-year Note Yield	4.6410	4.4947	**3.25%**
BVAL China 10-year Note Yield	1.7229	1.7265	**-0.21%**

Grain markets showed no material catalysts; South American grain exports remained steady, China maintained routine purchasing volumes, and no incremental demand emerged from Europe or the Middle East. Grain cargoes provided only mild downside support without driving meaningful rate upside.

Supramax freight rates saw minimal volatility this week. While Pacific typhoons temporarily reduced usable tonnage, weaker steel exports out of northern China offset this tightness. Nickel ore shipments are poised for sustained sequential growth rather than one-off surges. On the one hand, rigid demand for raw materials from the stainless steel and new-energy supply chains supports end-user purchasing. On the other hand, waning rainy-season disruptions in key exporting nations are improving port loading conditions, underpinning a steady recovery in shipments. Although near-term shipment patterns remain subject to weather and policy disturbances, the overall month-on-month improvement trend remains intact, with moderate growth in inbound nickel ore arrivals expected.

Oil:
Tanker transit volumes through the Strait of Hormuz plunged week-on-week last week, ending the brief recovery phase and pushing the waterway back into de facto blockage. The US revoked previously granted shipping sanctions waivers and reinstated military maritime blockades, drastically reducing transit efficiency and creating physical disruption to crude exports out of the Middle East.

On the supply side, OPEC+ announced another upward revision to its production targets. Nonetheless, markets broadly view the move as largely symbolic. Persistent transit bottlenecks at the strait prevent nominal output increases from translating into incremental physical exports, providing only negligible relief to global spot crude supply. On the demand front, elevated oil prices continue to curb China’s buying appetite for crude cargoes. China’s apparent crude oil consumption totalled 309 million tonnes over Jan–May, falling 2.9% year-on-year, with clear signs of contracting demand. Most institutions expect the oil market to face renewed surplus pressure over the medium to long term if geopolitical risk premia gradually fade, OPEC+ and non-OPEC capacity ramps up, and global demand growth slows. Military standoffs continue to escalate, yet diplomatic channels remain partially open, with mediation by third parties underway, leaving markets pricing in a near-term framework of “conflict alongside negotiations”. Escalating geopolitical tensions fuelled a bounce in crude prices from their lows; however, dual headwinds from expectations of output increases and sluggish demand cap upside potential, pointing to a wide trading range as the dominant near-term trend.

Metals:
Copper: Copper concentrate treatment charges (TCs) deteriorated further to a record low of -$132.84/dmt, while China’s copper concentrate inventories hit a six-month trough, signalling broad tightness in mine supply. Multiple supply disruptions emerged: the Nchanga smelter, operated by KCM in Zambia, began a scheduled 60-day maintenance shutdown. Major Chilean copper mine output slumped sharply in May, with national copper output and Escondida production both falling by more than 17% year-on-year, leading to a marked tightening of copper concentrate supply. Global inventories diverged drastically: non-US markets recorded consistent destocking while US warehouses accumulated stockpiles, as tariff expectations distorted international copper trade flows. The tariff review report has been submitted to the White House, opening a 90-day presidential decision window closing on 28 September; President Trump has yet to sign an enforcement order. The COMEX-LME spread remains elevated, with the tariff outlook acting as the core driver reshaping physical trade routes and futures pricing.

Source: Bloomberg, FIS

	Last	Previous	Changes %
LME Copper 3 Month Rolling	13541.00	13403.50	1.03%
LME Aluminium 3 Month Rolling	3169.50	3115.50	1.73%
Wti Cushing Crude Oil	98.10	98.75	-0.66%
Platts Iron Ore Fe61%	106.80	108.45	-1.52%
US Gold Physical	4001.51	4106.24	-2.55%
BDI	2960.00	2717.00	8.94%

In aggregate, shrinking mine supply underpins a price floor for copper, yet near-term market pricing is dominated by uncertainty around US trade policy and the polarised global inventory landscape.

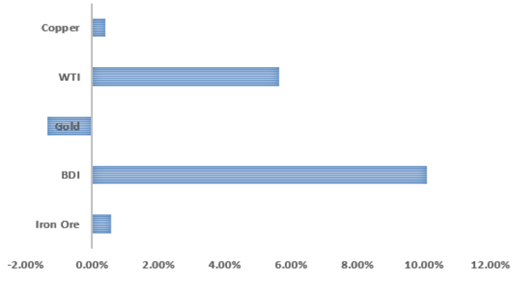
Lithium: Despite expectations of incremental supply expansion from September through Q4, robust demand from power batteries and energy storage in July provides solid support to front-month lithium salt prices. Current lithium valuation sits within a neutral band, with strong dip-buying interest emerging after each price pullback and driving a recovery. Near-term prices are anchored by strong end-user demand, while medium-term trends hinge on the ramp-up pace of upstream lithium raw materials.

Cobalt: Unexpected reductions in DRC cobalt export quotas reignited expectations of tight supply for cobalt intermediate products. Separately, the DRC's tax authority (DGI) sealed Glencore's KCC mine offices on 9 July amid a large-scale tax dispute, raising operational disruption risks. KCC contributes 16% of global primary cobalt and 0.85% of global copper supply; a formal suspension of mining operations has yet to be confirmed. Downstream smelters are resisting elevated spot prices, widening bid-offer spreads and capping cobalt's recovery. The market remains range-bound in the near term: weak downstream demand limits upside, while constrained raw material supply cushions downside, leaving the market in a stalemate.

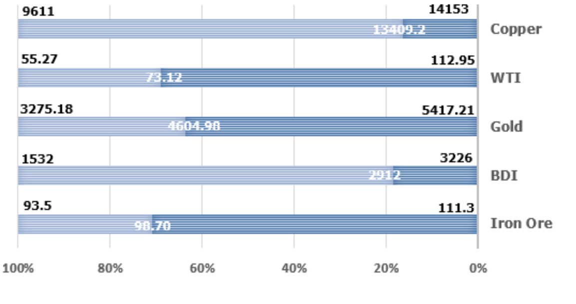
Ferrous:
The steel complex is caught between conflicting fundamental dynamics. EU steel safeguards effective from 1 July cut duty-free import quotas by 47% to 18.3mn mt/year and raised excess tariffs to 50%, pressuring overseas steel exports. China's H1 2026 crude steel output fell 4.5% YoY to 434.8mn mt amid lingering weak end-use demand. Iron ore shipment trends diverged: Australia +7.8% YoY and Brazil -3.8%. However, three near-term bullish drivers lifted ore prices. An eight-hour worker stoppage at BHP's Port Hedland operations, scheduled for 16 July, risks shipment delays. Seasonal softness in July ore demand is less severe than historical averages. Deadlocked China-FMG negotiations point to potential curbs on supplies of FMG Super Special Fines. Supply disruption risks support iron ore prices in the near term, though China's steel output limits and muted downstream demand cap medium-term gains.

In China, sustained safety inspections in Shanxi are curbing unreported production, sustaining the inventory drawdown. Mongolia's Naadam Festival triggers temporary port closures and lower coal throughput; however, inventories of 4.5mn mt at the Ganqimaodu border depot fully offset this short-term import shortfall. The market balances latent Chinese inventory drawdowns against temporary import curbs and, lacking a clear directional catalyst, trades on a soft footing.

Commodity Relative Price Range
(Past 52 Weeks)

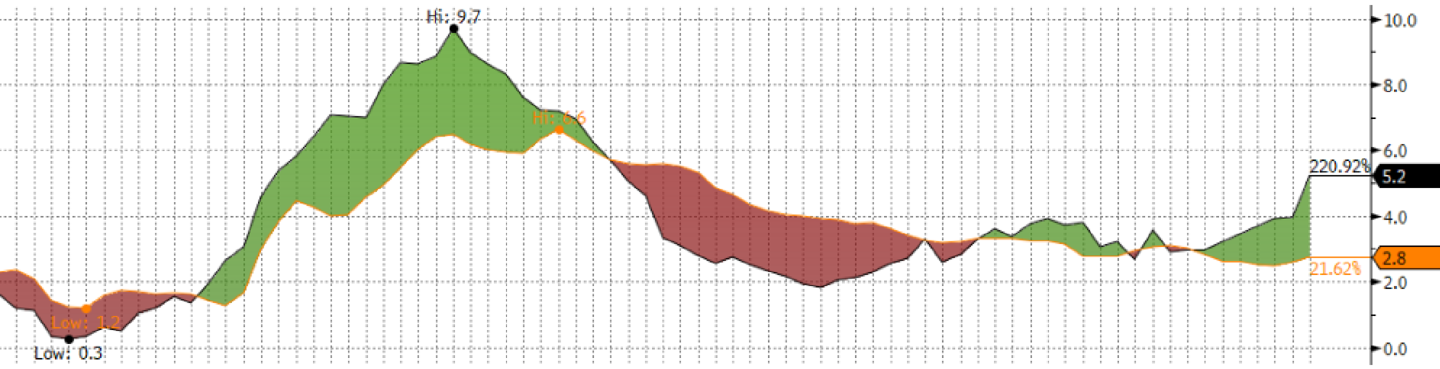


5 Day Moving Average Change
On Commodities

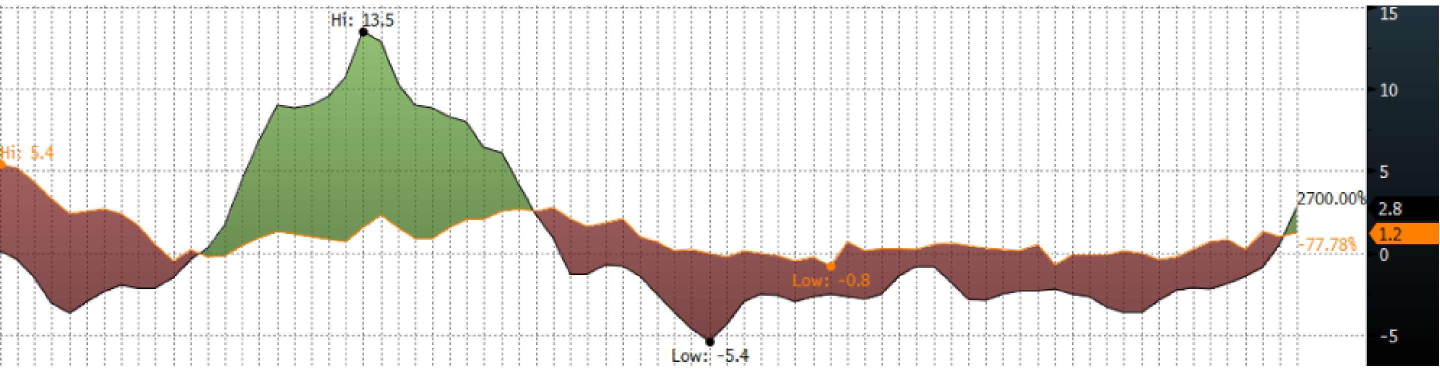


Source: Bloomberg, FIS

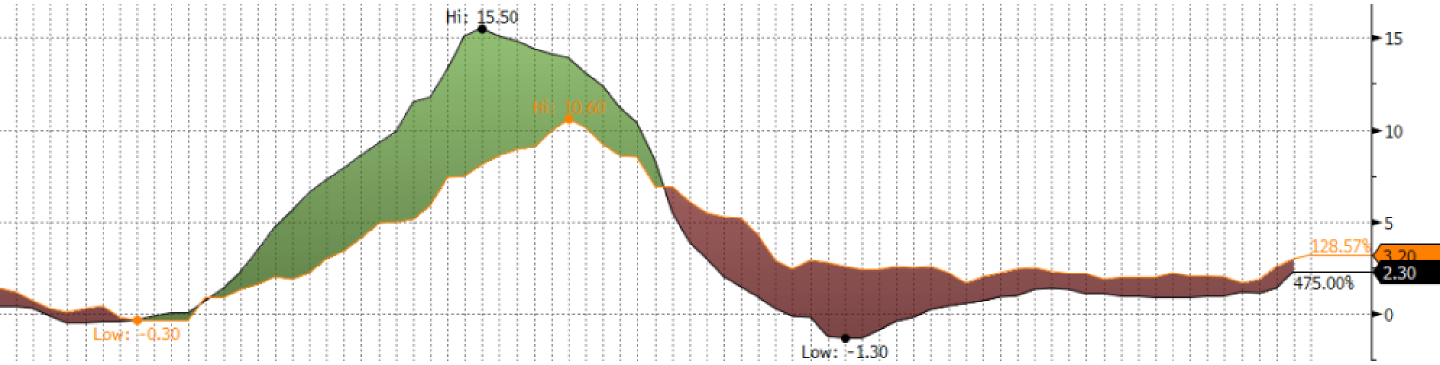
Past 5-year US PPI—CPI (Excl. Food and Energy)



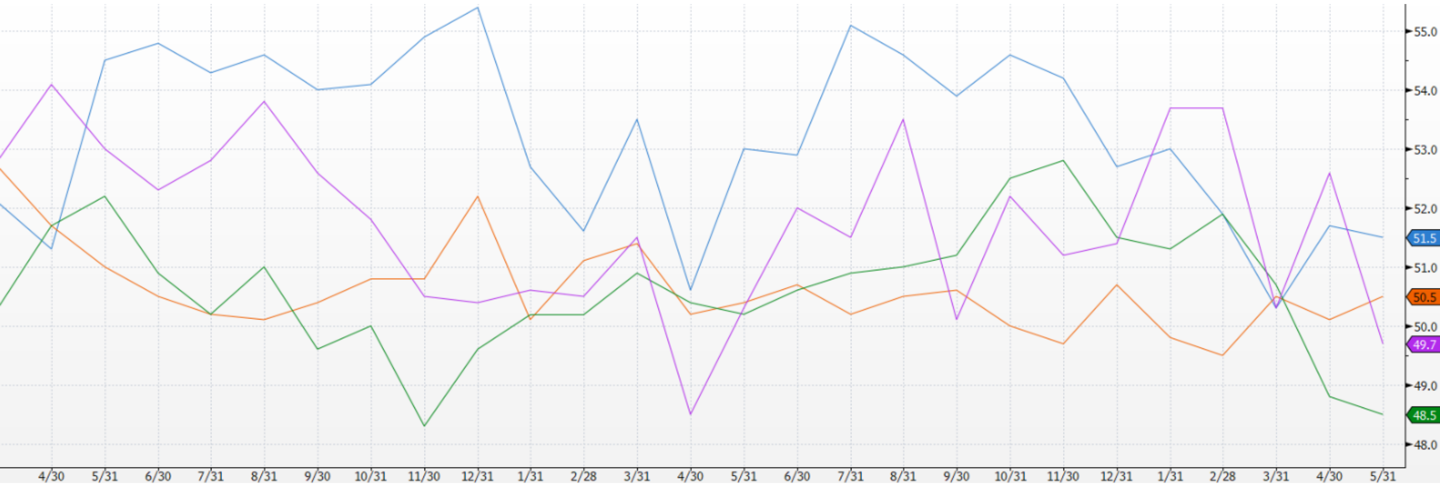
Past 5-year China PPI—CPI



Past 5-year EU PPI—CPI



Past 2-year PMI Index



Source: Bloomberg, FIS

Fact Sheet

EMH: Efficient Market Hypothesis: Proposed by Eugene Fama in 1970. The theory states that, in an efficient market, asset prices fully and quickly reflect all available information. As a result, investors should not be able to consistently earn returns above the market average without taking on additional risk.

Eurostat: The highest administrative body of EU statistics, located in Luxembourg. The statistical system consists of Eurostat, statistical institutions, and the central banks of EU Member States, Iceland, Norway, and Liechtenstein.

FedWatch: CME Group's FedWatch tool allows investors to quickly and efficiently gauge the market's expectations for potential changes to the Fed Funds target rate.

Lagging Economic Indicators: Refer to the time lag of an 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. Common examples are the unemployment rate, materials inventory, and the scale of uncollected loans.

Leading Economic Indicators: Indicators used to forecast economic trends. The most common indicators are the unemployment insurance application rate, money supply, average weekly working hours, the new house construction rate, and stock index trends.

US Rate-Hiking Cycle: Refers to the decision of the Federal Open Market Committee to tighten monetary policy and raise the federal funds rate following its policy meeting.

Stagflation: An economic situation in which there is high inflation, with prices rising continuously, but no increase in available jobs or business activity.

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