FIS

MACRO REPORT

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	Last	Previous	Changes %
US Dollar Index (DXY)	100.97	100.92	+ 0.05%
USD/CNY	6.7643	6.7740	- 0.14%
US FOMC Upper Interest Rate	3.75	3.75	0.00%
China Repo 7 day	1.43	1.43	+ 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:

Escalating geopolitical conflicts in the Middle East drove a broad rebound in energy prices this week, with crude oil returning to levels last seen immediately before the breakdown of the US-Iran ceasefire. Consensus among major institutions is that normalised shipping through the Strait of Hormuz remains inevitable, yet persistent military stand-offs have delayed expectations for a full recovery in traffic from Q3 2026 to early 2027. Lingering risks of energy supply disruptions and long-term inflation concerns continue to underpin oil's geopolitical risk premium.

Multiple US tariff measures are now being formally rolled out. Taxation rules for lithium-ion batteries and critical minerals, including lithium, cobalt and copper, have tightened materially, while copper, coal and semiconductor feedstocks have been placed on the potential tariff expansion list. Offsetting this hawkish tilt, import duties on home appliances and consumer goods are slated for reduction, forming a split policy framework: stricter levies on upstream raw materials paired with milder tariffs on downstream finished consumer products.

Last Friday marked a broad risk-off "Black Friday", triggered by a wave of liquidation in AI sectors that dragged global equity benchmarks sharply lower and temporarily weighed on commodity markets. Nevertheless, macro sentiment shocks generate only transitory pressure on commodities without direct fundamental links, with most raw materials recouping losses early this week. The AI sell-off reflects a temporary valuation correction rather than a permanent invalidation of the sector's long-term industrial thesis. Market signals indicate that the wave of broad-based panic liquidation in commodities has run its course, returning commodity pricing power to supply-demand fundamentals.

FFA:

Capesize freight rates rallied before correcting last week. Bullish catalysts dominated early in the week: typhoon disruptions tightened effective tonnage, Australian iron ore miners ramped up chartering activity and Pacific iron ore cargo volumes surged, delivering robust support to freight rates. In addition, Middle East geopolitical tensions lifted bunker fuel costs and boosted ton-mile demand through longer voyage distances, providing further tailwinds for freight rates. Sentiment turned bearish midweek as typhoon impacts faded, restoring normal vessel turnaround and expanding available tonnage, which capped rate upside. Bearish medium-term factors are building heading into late July and August. China's crude steel output curtailments will directly weigh on iron ore import appetite. Meanwhile, negotiations between China Mineral Resources Group (CMRG) and Australian miners remain deadlocked, stoking expectations of softer incremental ore shipments to China and cooling overall tonnage demand for mineral trades.

Source: Bloomberg, FIS

	Last	Previous	Changes %
Shanghai & Shenzhen 300 Index	4598.32	4695.38	**- 2.07%**
Dow Jones Industrial Average	51839.26	52498.64	**- 1.26%**
FTSE 100 Index	10524.76	10498.29	**+ 0.25%**
Nikkei 225 Index	64141.12	68557.73	**- 6.44%**
BVAL US 10-year Note Yield	4.6203	4.6410	**- 0.45%**
BVAL China 10-year Note Yield	1.7244	1.7229	**+ 0.09%**

Escalating conflicts in the Middle East have boosted global coal purchasing demand. Coupled with Asia's traditional peak summer coal-consumption season, demand for seaborne coal from Indonesia and Australia picked up, offering solid support to Panamax freight rates. Driven by El Niño, the hot summer season in the Northern Hemisphere is expected to last longer this year. Grain cargo flows out of South and North America remained steady, with supply and demand staying balanced overall.

Guinea reissued mining licences for alumina-associated mines, lifting market expectations for increased bauxite shipments from the country in the second half of the year, while China's port-side bauxite inventories hit a four-year high. Emirates Global Aluminium announced the restart of its Al Taweelah alumina refinery. Middle East tensions raise the possibility that vessels operating on Mediterranean and Europe-bound routes will shift towards the Pacific Basin. Geopolitical uncertainty is extending average sailing distances for smaller vessels such as Supramax, providing positive momentum to freight rates.

Oil:

The US-Iran memorandum of understanding signed in June largely collapsed around the 30-day mark due to mutual lack of trust. A full-scale escalation in military confrontation between the two sides fuelled a powerful rebound in crude oil markets: WTI crude reclaimed the $80/b threshold, while Brent broke above $83/b, with both benchmarks posting weekly gains exceeding 8%. US waivers on oil sanctions against Iran officially expired on July 17, and US forces reinstated maritime blockades off Iranian ports. Iran enacted legislation regulating the Strait of Hormuz and banning US-flagged vessels from passage; current daily shipping throughput stands at below 8% of pre-conflict levels. Meanwhile, potential risks at the Bab el-Mandeb Strait in the Red Sea have attracted growing market attention. The narrative of dual-chokepoint supply disruption has intensified fears of global crude supply outages.

Data show that since the outbreak of US-Iran hostilities, OPEC+ has raised aggregate production quotas by 940,000 barrels per day, equivalent to nearly 1% of global oil demand. However, these output increases remain purely paper supply until maritime transportation bottlenecks are resolved. The US Strategic Petroleum Reserve (SPR) has been drawn down steadily to roughly 319 million barrels, hitting its lowest level since 1983.

Metals:

Copper: The copper market faces recurring macro disturbances while retaining solid fundamental support. Rising rate-hike expectations have capped overall non-ferrous valuations, while a sharp correction in AI stocks across secondary markets has exerted indirect pressure on copper prices. Global copper resources continue to flow into the US market, while China's social copper inventories hit a new year-to-date low last week. The tightening trend in available global copper resources will remain unchanged before the official implementation of US tariff policies. On the supply side, Escondida, the world's largest copper mine, recorded a 17.6% year-on-year decline in output in May. BHP also lowered its FY2027 copper production guidance due to declining ore grades. The Chilean government raised its 2026 copper price forecast to $5.90/lb, officially confirming tight global copper supply. In addition, Chile issued winter storm warnings, with heavy rainfall likely to trigger floods and mudslides, posing potential disruption risks to production and transportation in core mining areas. Major changes have also occurred in long-term contract pricing.

Source: Bloomberg, FIS

	Last	Previous	Changes %
LME Copper 3 Month Rolling	13622.00	13541.00	+ 0.60%
LME Aluminium 3 Month Rolling	3140.00	3169.50	-0.93%
Wti Cushing Crude Oil	98.10	98.75	-0.66%
Platts Iron Ore Fe61%	98.90	98.10	+ 0.82%
US Gold Physical	4030.56	4052.85	-0.55%
BDI	2671.00	2944.00	-9.27%

Antofagasta has finalised a new “floor price + index linkage” pricing model with Chinese smelters, which drastically squeezes smelting margins and is expected to accelerate the phase-out of inefficient industrial capacity. Recurrent geopolitical conflicts mean tight sulfur supply is unlikely to ease in the short term. Demand remains resilient, supported by AI infrastructure expansion, incremental lithium battery demand and summer air-conditioning consumption across copper foil, cables and copper tubes. Diversified global demand underpins the market, making a cyclical slump in copper prices unlikely.

Lithium: The phased consumption tax policy for lithium batteries has been officially confirmed. A 2% consumption tax will be levied on primary lithium batteries and lithium-ion batteries from September 1, 2026, with the rate rising to 4% from September 1, 2027. The policy will reshape industry competition, phasing out inefficient capacity among second- and third-tier battery manufacturers and benefiting leading enterprises through market share expansion and profit improvement. Ahead of the policy’s implementation, midstream and downstream enterprises have actively built inventories, bringing forward end-user demand. Lithium battery production in July is expected to rise 5% year-on-year and surge 60% month-on-month. China exported 2.355 million new energy vehicles in the first half of the year, up 120% year-on-year, effectively offsetting slower domestic consumption in China. On the supply side, persistent port congestion in Zimbabwe has resulted in lower-than-expected lithium ore shipments.

Cobalt: Cobalt prices have corrected notably since June amid a market stalemate. The DRC announced that unused H1 2026 cobalt export quotas will be confiscated and reallocated under strategic quotas, further tightening supply-side policies. However, weak demand continues to cap cobalt’s upside, driven by the shift towards high-nickel ternary cathode materials and sluggish consumer electronics demand. Furthermore, recycled cobalt accounts for 30% of global cobalt supply. Increased recycled output and falling scrap prices are further weighing on cobalt salt prices, keeping the overall market subdued.

Ferrous:

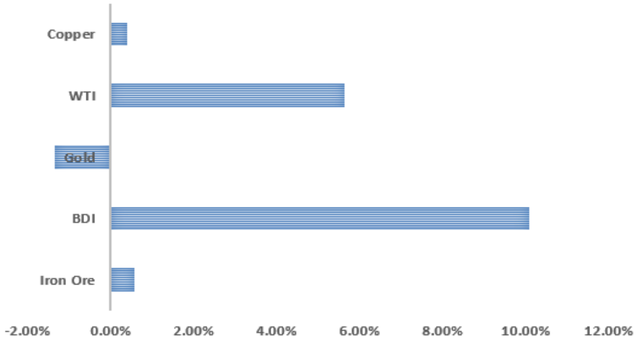
The ferrous complex staged a counter-trend rebound last week amid a broad sell-off across global asset classes. Iron ore prices received two bullish catalysts: the protracted deadlock in long-term supply talks between CMRG and FMG fuelled expectations of supply tightness, while ocean-going dry bulk freight rates surged sharply. The combined support from supply fundamentals and valuations triggered a sharp recovery in ore prices. After Indonesian coal producers fulfil their mandatory Domestic Market Obligation (DMO) quotas for domestic supply in H2, year-on-year export declines are projected to range between 28% and 35%. Persistent heatwaves across Asia and Europe have lifted thermal coal purchasing demand, while El Niño risks extending Northern Hemisphere summer temperatures and further amplifying coal consumption. Rising crude oil prices have also restored coal’s cost competitiveness versus oil and gas, lifting overseas coal import appetite. Domestic supply constraints persist in China; coal mine restarts in Shanxi have lagged expectations, leaving industry inventory cover at just 11 days, compared with the normal safety threshold of 14 days, while the timeline for a full recovery in mine output has been pushed back again.

Source: Bloomberg, FIS

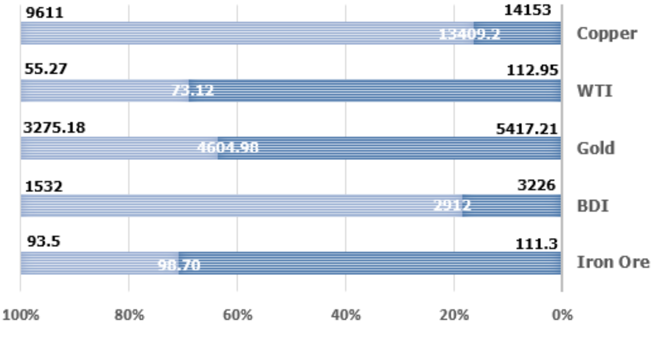
Hot weather is creating mixed signals for coal markets: while supporting thermal coal prices, slumping steelmaking demand is weighing on coking coal sentiment. Downstream operating rates in China softened over the summer, with crude steel output recording sequential declines in early and mid-July.

Steel exports provide only a limited offset against weaker domestic demand, and raw material purchasing appetite from mills is set to remain muted through August. Meanwhile, the full rollout of the EU Carbon Border Adjustment Mechanism (CBAM) signals rising trade protectionism worldwide. New trade barriers are likely to prompt steel-exporting nations to cut outbound shipments in the second half of the year.

Commodity Relative Price Range
(Past 52 Weeks)

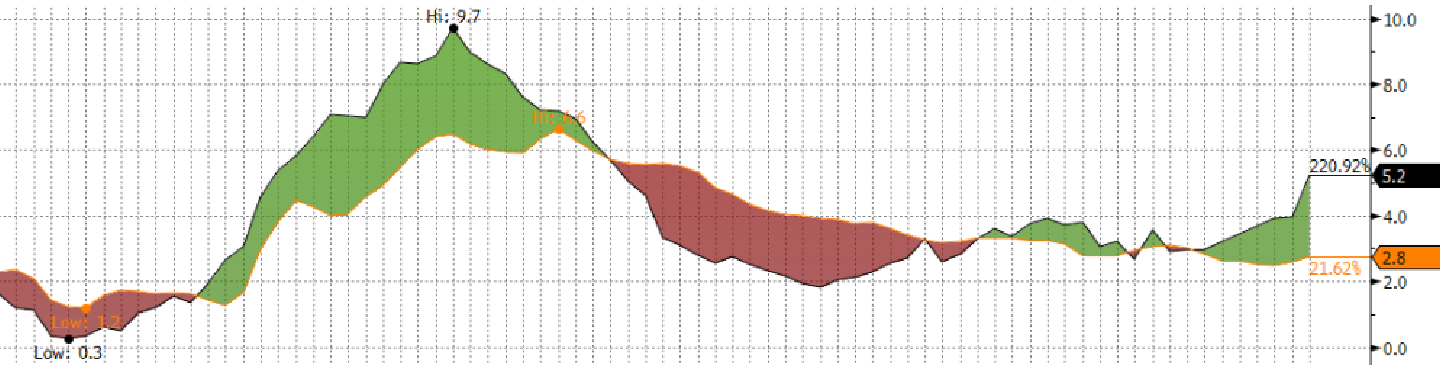


5 Day Moving Average Change
On Commodities

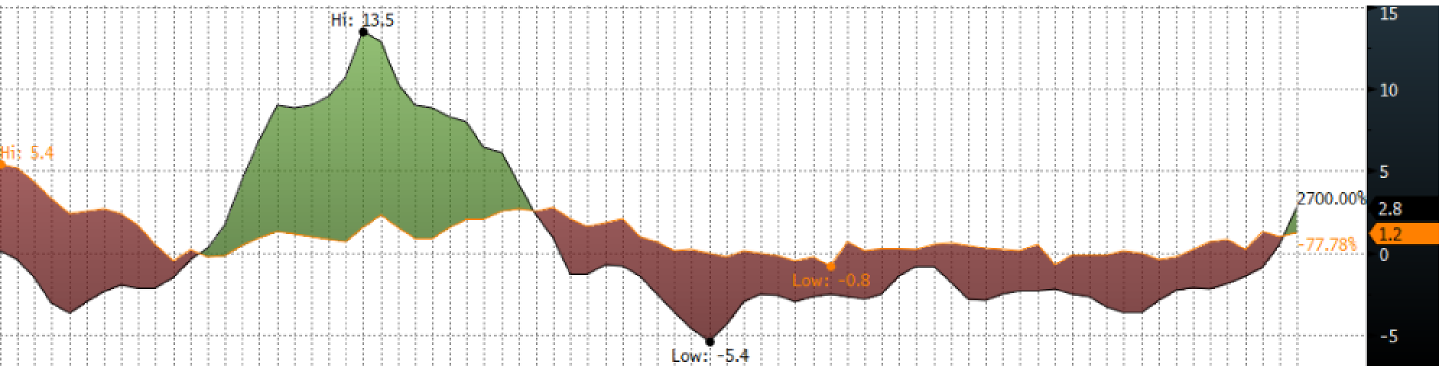


Source: Bloomberg, FIS

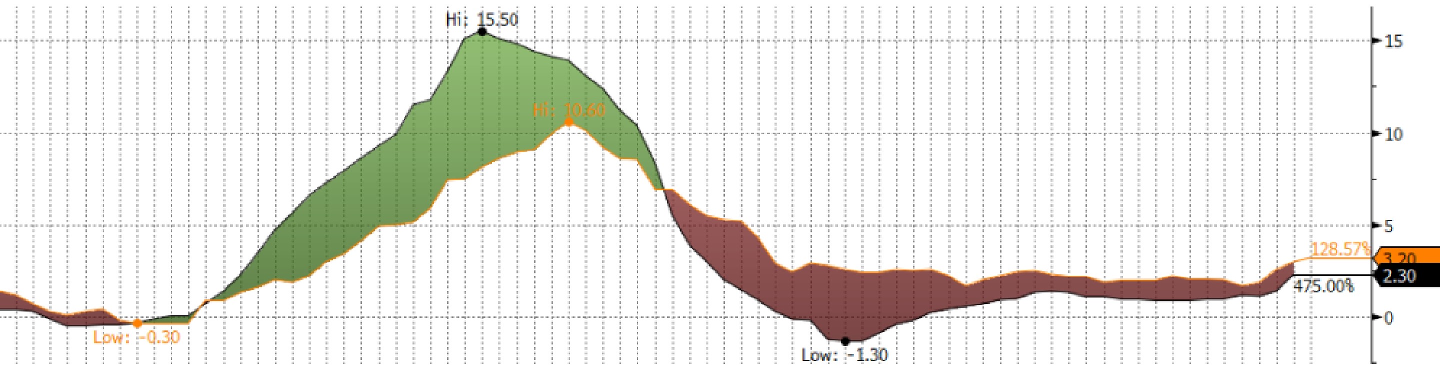
Past 5-year US PPI—CPI (Excl. Food and Energy)



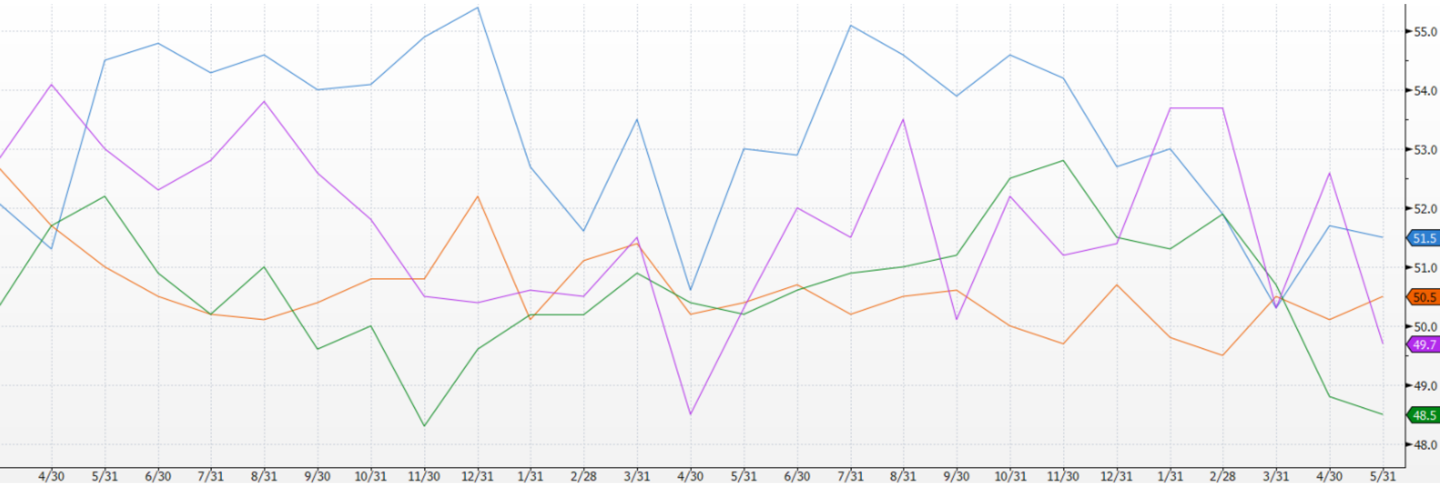
Past 5-year China PPI—CPI



Past 5-year EU PPI—CPI



Past 2-year PMI Index



Source: Bloomberg, FIS

Fact Sheet

EMH: The Efficient Market Hypothesis was proposed by economist Eugene Fama in 1970; he was awarded the Nobel Prize in Economic Sciences in 2013. The EMH states that in a stock market with sound laws, effective functions, high transparency and full competition, all valuable information should be reflected in stock prices in a timely, accurate and complete manner. Unless there is market manipulation, investors cannot obtain returns above the market average.

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

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

Lagging Economic Indicators: Lagging economic indicators move with a time lag relative to the economic cycle. For example, if an indicator's peak or trough occurs several months after the peak or trough of the economic cycle, it is called a lagging indicator. Common examples include the unemployment rate, materials inventories and the scale of uncollected loans.

Leading Economic Indicators: Leading economic indicators are used to forecast economic trends. Common examples include the unemployment insurance claims rate, money supply, average weekly working hours, new housing starts and stock market trends.

US Hiking Cycle: The US hiking cycle refers to a decision by the Federal Open Market Committee, following a meeting in Washington, to tighten monetary policy and raise the federal funds rate.

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

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