MACRO REPORT

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info@freightinvestor.com | freightinvestorservices.com | fis-live.com
London (+44) 20 7090 1120 | Dubai (+971) 4 4493900 | Singapore (+65) 6535 5189 | Shanghai (+86) 21 6335 4002

	Last	Previous	Changes %
US Dollar Index (DXY)	101.48	101.17	+ 0.30%
USD/CNY	6.7656	6.7689	-0.05%
US FOMC Upper Interest Rate	3.75	3.75	0.00%
China Repo 7 day	1.44	1.43	+ 0.70%
Caixin China Manufacturing PMI	51.70	51.80	-0.19%
Markit US Manufacturing PMI	53.70	56.70	-5.29%

Commentary:

Global Macro Markets:

US monetary policy has fully shifted away from forward guidance towards a data-dependent framework, effectively evolving from a leading indicator into a lagging metric. This has substantially diminished the value of its policy signals as a market reference. On the geopolitical front, Middle East tensions escalated sharply last week, exposing supply chains dependent on the two key maritime chokepoints and certain inland waterways to disruption risks. However, markets rapidly repriced the likelihood of renewed US-Iran negotiations over the weekend, triggering a pullback in risk premia.

Global investment themes have split into two divergent tracks: artificial intelligence and geopolitics. AI is fuelling structural inflation, with investment outlays expanding concurrently across the real economy and financial markets. Geopolitical frictions, by contrast, generate spillover inflation. Real-economy participants face elevated input costs amid recurring disruptions to mining, transportation and smelting operations, yet financial market exposure to related commodities has trended downwards since hitting an April peak. This divergence is also evident in secondary commodity markets: capital flows into fossil fuels periodically crowd out existing funding for new-energy assets, and vice versa, with limited scope for both sectors to rally simultaneously—a dynamic inconsistent with the current backdrop of mild global reflation.

El Niño's impact on agricultural commodities typically comes with a roughly one-year lag, so its direct effects will not become noticeable this summer. Nevertheless, the oilseeds and fats complex has held up relatively well, underpinned by robust biodiesel demand and policy incentives, rising energy costs and refinery shutdowns along the Black Sea coast.

FFA:

Capesize freight rates posted a sharp rebound last week. Australian mining operations softened early in the week, yet concentrated vessel demand from mining clients returned in the latter half, driving a rapid rally. Meanwhile, rising international crude oil prices provided cost-side support to freight rates and lifted valuations across dry bulk commodities. The four major iron ore miners posted year-on-year shipment growth in the first half. Rio Tinto led the group with shipments of 162.3 million tonnes, representing a 5.7% YoY increase and marking its strongest first-half performance since 2018. Full-year production guidance remains unchanged across the four miners; BHP is positioned to reach the upper end of its output range, while all producers forecast modest production growth for 2027, pointing to an upward-sloping medium- to long-term supply curve.

The Panamax market corrected lower this week, weighed down by three headwinds: shrinking coal fixtures out of Indonesia, persistently elevated coal inventories at southern Chinese ports, which released more available tonnage, and the winding down of South America's soybean export season. That said, Indonesia's coal export centralisation reform is entering its transition phase, which may trigger a rush of pre-year-end cargo loadings in Q4—a potential upside catalyst for forward freight rates that merits close monitoring.

Source: Bloomberg, FIS

	Last	Previous	Changes %
Shanghai & Shenzhen 300 Index	4702.43	4598.32	**+ 2.26%**
Dow Jones Industrial Average	52210.08	51839.26	**+ 0.72%**
FTSE 100 Index	10781.75	10524.76	**+ 2.44%**
Nikkei 225 Index	64931.19	64141.12	**+ 1.23%**
BVAL US 10-year Note Yield	4.6728	4.6203	**+ 1.14%**
BVAL China 10-year Note Yield	1.7065	1.7244	**-1.04%**

Supramax charter rates have rallied by a cumulative 55% since early February but have recently shown signs of a pullback from elevated levels. Still, underlying fundamentals across niche segments offer sustained support. Geopolitical disruptions have delivered a more pronounced tonne-mile boost to smaller vessel sizes: Indonesia's nickel ore exports hit an all-time monthly record in July 2026, while fertiliser shipments transiting the Red Sea surged to a three-year high, underscoring resilient demand for non-core dry bulk cargoes. Guinea's bauxite shipments are contracting seasonally amid the rainy season. Global primary aluminium output fell notably due to supply cuts across GCC nations, which may temporarily cap forward bauxite fixtures for smaller-tonnage vessels.

Oil:
Average daily vessel transits through the Strait of Hormuz have plummeted by 70% since the ceasefire window opened. Vessels have almost entirely shifted to unapproved Iranian shipping lanes rather than the alternative Oman route, reflecting minimal market recognition of the insurance and pricing benefits of the Oman detour—only roughly 10% of vessels currently opt for this bypass. As a result, expectations for a recovery in Middle Eastern supply have been pushed back from the previously projected Q4 2026 to Q1 2027, and the daily crude supply shortfall has widened from 8 million barrels per day to 10 million barrels per day.

Crude inventories held by OECD nations and the US Strategic Petroleum Reserve (SPR) stand at multi-year lows, while the third quarter coincides with the seasonal peak in global oil consumption, exacerbating pressure on the supply-demand balance. Simultaneous disruptions at both the Strait of Hormuz and Bab el-Mandeb, paired with severely limited alternative transit corridors, have created an unmistakable physical shipping bottleneck. Although traders priced in the prospect of renewed US-Iran negotiations over the weekend, triggering another decline in crude prices, market participants remain broadly cautious about the sustainability and tangible outcomes of such talks, meaning geopolitical risk premia cannot fully dissipate in the near term.

Metals:
Copper: Copper prices have maintained a firm uptrend recently, driven by the confluence of three core catalysts: depleted inventories outside the US alongside mounting expectations of tight spot supply, production disruptions caused by extreme weather in Chile, and the global diversion of copper resources stemming from uncertainty over US tariff policies. In Chile, frequent severe weather triggered by El Niño has prompted major miners, including Anglo American, Antofagasta and Codelco, to activate emergency safety protocols, imposing varying restrictions on mining operations and vessel loading at export terminals. Teck Resources delivered steady output for the third consecutive quarter and maintained its 2026 production guidance for the QB mine at 200,000–235,000 tonnes. On China's import and export front, cumulative imports of copper semi-finished products reached 180,000 tonnes in the first half, down 1.3% year-on-year, while exports jumped sharply by 25.8% YoY to 555,000 tonnes. Chile's copper export value rose 11% YoY, while Japan's surged 40% YoY, demonstrating that, amid tight supply across non-US markets, the resource-diversion effect caused by US tariff uncertainty remains pronounced. Nevertheless, domestic copper inventories in the US remain elevated, with first-half demand down by more than 18% year-on-year, creating a stark divergence in regional supply-demand fundamentals.

Lithium: Since July, certain lithium salt plants relying on external raw material supplies have initiated maintenance due to feedstock shortages, leading to a gradual contraction in lithium carbonate output.

Source: Bloomberg, FIS

	Last	Previous	Changes %
LME Copper 3 Month Rolling	13732.50	13622.00	**+ 0.81%**
LME Aluminium 3 Month Rolling	3167.50	3140.00	**+ 0.88%**
Wti Cushing Crude Oil	98.10	98.75	**- 0.66%**
Platts Iron Ore Fe61%	97.10	98.90	**- 1.82%**
US Gold Physical	4046.00	4076.99	**- 0.76%**
BDI	2696.00	2752.00	**- 2.03%**

Demand has remained robust alongside rapid inventory destocking, with multiple factors pointing to a prolonged near-term supply deficit. That said, the market is caught in a tug-of-war between strong spot fundamentals and a bearish long-term outlook, weighed down by clear prospects of new supply coming online and a marginal slowdown in global new-energy vehicle sales growth. This persistent contradiction continues to suppress lithium salt and lithium ore prices, sending both benchmarks lower in tandem.

Cobalt: The DRC's H2 export quota cut is milder than the market had previously anticipated. The Fort Saskatchewan nickel-cobalt refinery, owned by Canada's Sherritt International, has suspended operations amid disrupted raw material deliveries from its Cuban Moa project. Existing inventories were reported to be sufficient only through mid-June, leaving overseas supply vulnerable to persistent disruptions. While Indonesia is moving forward with the construction of nickel-cobalt hydrometallurgical capacity, completed capacity remains limited and far from sufficient to offset supply shortfalls from the DRC. Prices of cobalt intermediates have stabilised amid a stand-off between buyers and sellers. Arrivals of cobalt intermediate cargoes shipped earlier have eased near-term supply tightness, pushing the market into a wait-and-see stance.

Ferrous:

Iron Ore: Early last week, the iron ore market was buoyed by a series of near-term disruptions that injected substantial risk premia: industrial action at BHP's operations, unconfirmed rumours of import curbs on certain FMG ore grades, sharp port inventory destocking and elevated ocean freight rates stemming from Middle East geopolitical tensions. These supply-side headwinds were further reinforced by restocking demand from steel mills and macroeconomic policy optimism ahead of the top-level political conference, creating broad bullish sentiment.

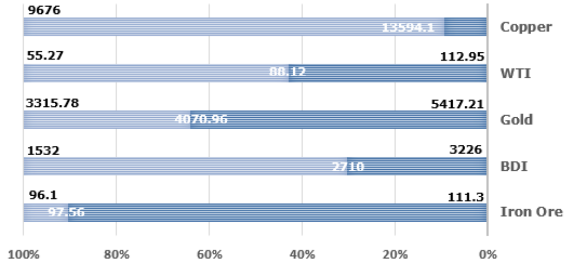
Nevertheless, all of these supply disruptions were quickly priced out or invalidated. BHP's industrial action failed to expand in scope, while the FMG import restrictions remained unsubstantiated by official statements, shifting market focus back to bearish fundamentals. The dominant bearish driver lies in production cuts across China's steel sector: average daily hot metal output across the country's 247 monitored steelworks has fallen below 2.4 million tonnes, and only one-third of mills remain profitable, triggering a broader wave of blast furnace maintenance and output reductions. Global iron ore shipments have rebounded to elevated levels, lifting port arrivals and bringing inventory drawdowns to an end, with stockpiles now poised to build again. Compounding bearish sentiment, the rollout of new US tariff policies has dampened cross-commodity trade sentiment. The iron ore market has fully entered a repricing phase following the exhaustion of bullish catalysts, with falling hot metal output and loss-driven production cuts now acting as the core price drivers.

Coking Coal: Rigid supply-side constraints remain the primary floor for the coking coal complex. The resumption of coal mine operations in Shanxi has been extremely slow: capacity totalling more than 95 million tonnes remains offline, and operational mines are mostly running at only 50% of their pre-shutdown output. Coupled with the loss of unreported output from small-scale mines under the new provincial safety regulations, structural tightness persists for high-grade prime coking coal. In addition, sharp increases in annual contract prices in July and border transit suspensions during Mongolia's Naadam Festival have amplified near-term tightness expectations, driving active enquiries for Australian coking coal among Chinese buyers.

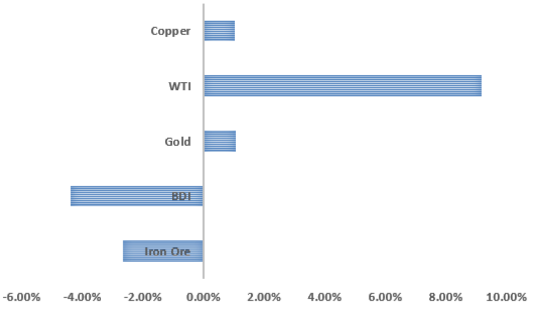
Source: Bloomberg, FIS

That said, clear signs of downstream demand deterioration have emerged. While coking plant operating rates have held steady, persistent pressure on steelmakers' profitability has sharply weakened their purchasing interest. On 22 July, coke prices reversed a ten-week rally as the first round of mandatory price cuts was fully implemented, completely reshaping the bargaining dynamic between coke producers and steel mills. Hot metal output has peaked and begun to decline, directly eroding rigid demand for coking coal. Australian coking coal faces muted demand amid India's monsoon season, while new EU steel import rules have redirected Australian coal cargoes back to the Chinese market. As of 24 July, coking coal inventories at Chinese ports had surged by 12% week-on-week, accelerating inventory build-up pressure.

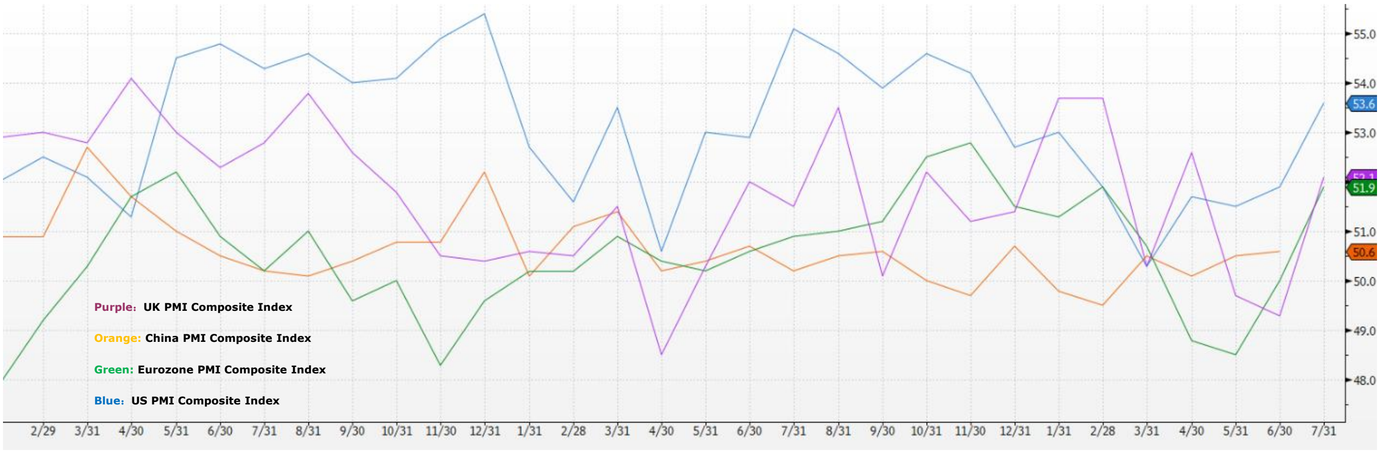
Commodity Relative Price Range (Past 52 Weeks)



5 Day Moving Average Change On Commodities

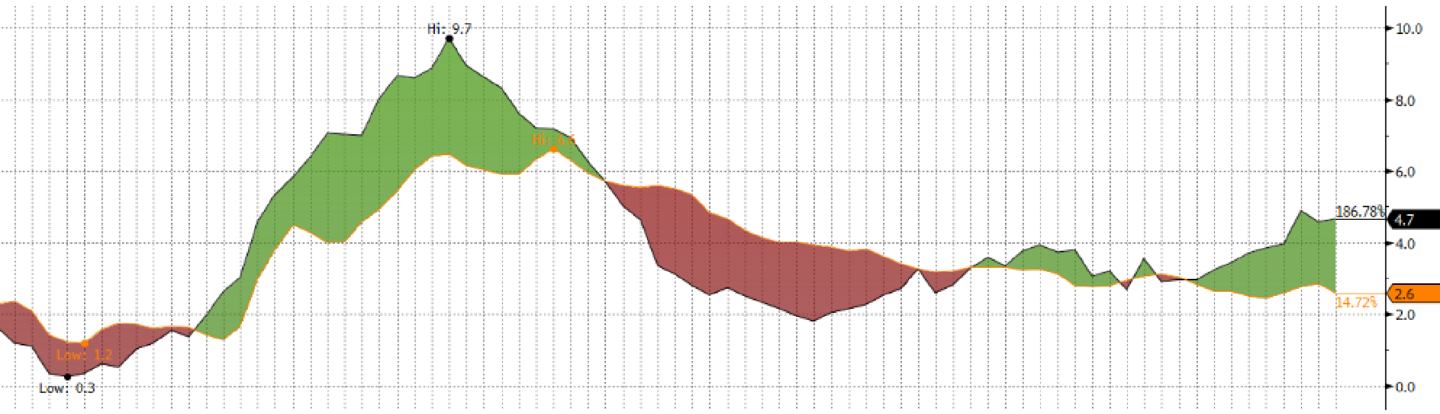


Past 3-year PMI Index

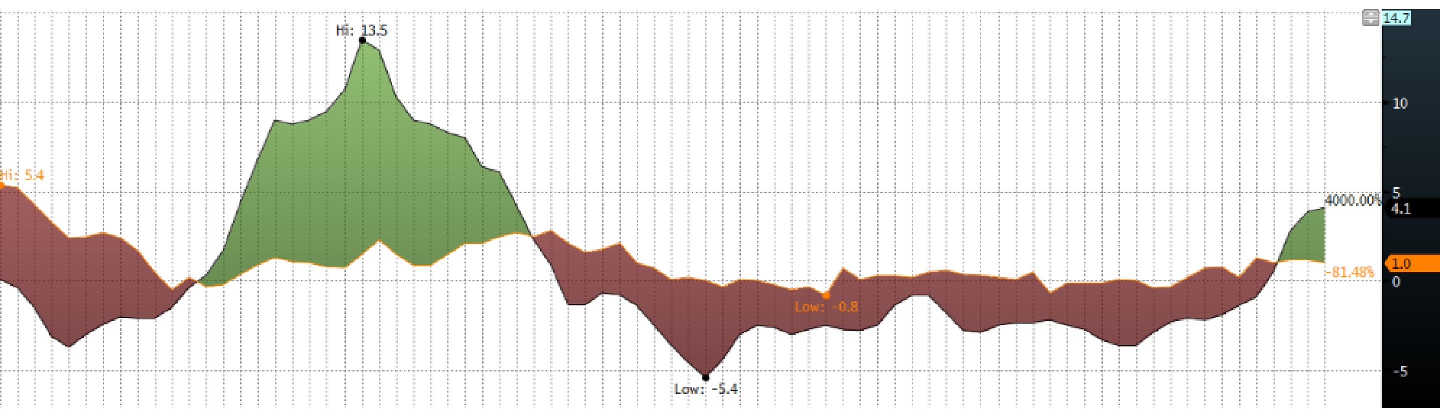


Source: Bloomberg, FIS

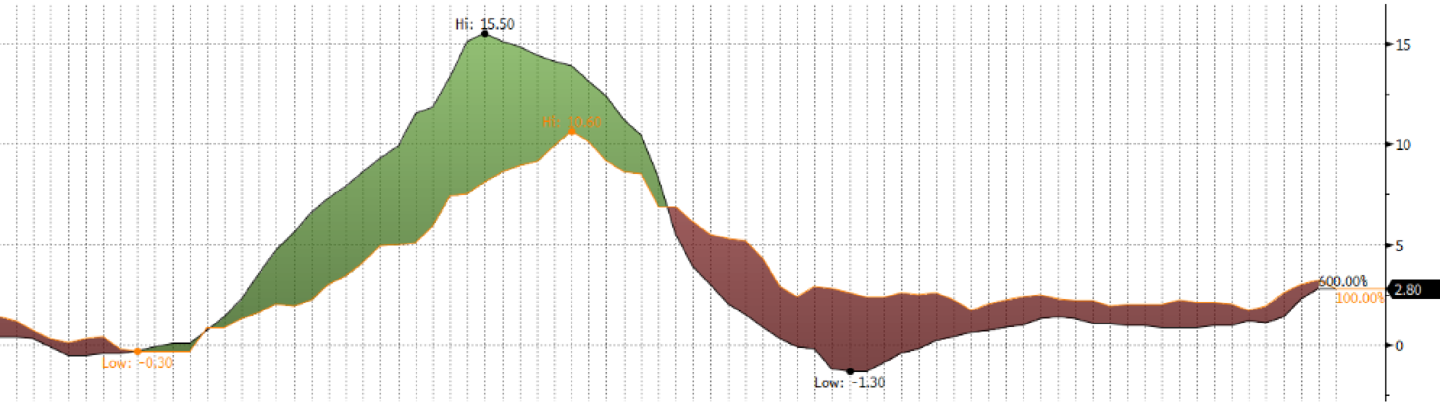
Past 5-year US PPI—CPI (Excl. Food and Energy)



Past 5-year EU PPI—CPI



Past 5-year EU PPI—CPI



Source: Bloomberg, FIS

Fact Sheet

EMH: The Efficient Market Hypothesis was proposed by economist Eugene Fama in 1970. Fama was awarded the Nobel Prize in Economic Sciences in 2013. The EMH holds that, in a stock market with sound laws, efficient functions, high transparency and full competition, all valuable information should be reflected promptly, accurately and fully in share prices. Unless there is market manipulation, investors cannot consistently obtain returns above the market average.

Eurostat: Eurostat is the highest administrative body for EU statistics and is 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 federal funds target rate quickly and efficiently.

Lagging Economic Indicators: Lagging economic indicators are indicators whose movements lag behind the economic cycle. For example, if the peak or trough of an indicator occurs several months after the peak or trough of the broader economic cycle, it is considered a lagging indicator. Common examples include the unemployment rate, material inventories and the volume of outstanding loans.

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

US Rate-Hiking Cycle: The US rate-hiking cycle refers to a period during which the Federal Reserve raises the federal funds rate through decisions taken at its policy meetings.

Stagflation: Stagflation is an economic situation characterised by high inflation, with prices rising continuously, but little or no growth in employment or business activity.

Written by **Hao Pei**,
FIS Senior Research Analyst
haop@freightinvestor.com