FIS

MACRO REPORT

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	Last	Previous	Changes %
US Dollar Index (DXY)	100.00	101.48	-1.40%
USD/CNY	6.76	6.7656	-0.21%
US FOMC Upper Interest Rate	3.75	3.75	0.00%
China Repo 7 day	1.44	1.44	0.00%
Caixin China Manufacturing PMI	50.90	51.70	-1.55%
Markit US Manufacturing PMI	53.70	53.70	0.00%

Commentary:

Global Macro Markets:

US Federal Reserve Chair Kevin Warsh held interest rates steady on 30 July for the second time since taking office. Market focus has shifted from whether further hikes will occur to how long elevated rates will persist. The Fed continues to deliver dovish outcomes alongside hawkish rhetoric, which constitutes another form of expectation management. Some investment banks even argue that the Fed has effectively ruled out rate hikes for 2026. Against this backdrop, interest rate decisions have had limited impact on commodities and the US dollar, with market pricing refocused on geopolitical risks in the Middle East. Escalating geopolitical tensions are lifting crude oil and petrochemical prices while weighing on manufacturing demand, and these negative spillovers are gradually materialising. As geopolitical shocks recur, the market's sensitivity to such events is diminishing marginally.

As outlined in previous reports, non-ferrous metals display an inverse correlation with energy and chemicals and a positive correlation with the AI narrative. The AI sector stabilised after last week's pullback, offering mild support to non-ferrous metal prices. That said, the correlation reflects weak capital-flow linkages rather than direct price transmission mechanisms. Specifically, the recovery in AI-related assets drove large inflows into semiconductor funds alongside rising positioning in non-ferrous metals. Still, price movements across the two asset classes have not moved in tandem, indicating that the linkage stems primarily from cross-asset portfolio rebalancing rather than aligned fundamental drivers.

The July meeting of China's Politburo explicitly pledged to "timely adjust and optimize macroprudential policies governing real estate financing", which the market widely interpreted as opening a window for RRR cuts. Meanwhile, policymakers called for "accelerating the issuance and utilization of special-purpose bonds" and stressed "generating physical workload in Q3", implying a marked acceleration in fiscal spending in the second half of the year. Overall, the meeting raised expectations for the property sector, manufacturing and aggregate investment, which is likely to underpin demand for non-ferrous metals and energy commodities.

FFA:

Capesize freight rates posted the sharpest weekly gain among all vessel segments, driven predominantly by robust iron ore shipment volumes. Active operations by miners and operators lifted tonnage demand on the Brazil and Australia-China trade routes. Coupled with temporary tonnage tightness across parts of the Pacific basin, these factors collectively underpinned freight rates. In addition, the gradual release of industrial restocking demand across Eurasia generated higher seaborne orders for bulk raw materials, offering further support to the Capesize market. On the supply side, labour negotiations between BHP and unions at Port Hedland remain unresolved. Failure to reach an agreement could disrupt upcoming shipment schedules and create near-term uncertainty. On the demand side, China's steel production is entering the traditional seasonal slowdown in August, with marginal weakening in end-user steel demand. Nevertheless, the start of Brazil's shipping season is partially offsetting the negative seasonal drag on tonnage demand, providing a buffer against seasonal supply-demand imbalances.

Source: Bloomberg, FIS

	Last	Previous	Changes %
Shanghai & Shenzhen 300 Index	4543.18	4702.43	**-3.39%**
Dow Jones Industrial Average	53178.41	52210.08	**+1.85%**
FTSE 100 Index	10857.70	10781.75	**+0.70%**
Nikkei 225 Index	63754.90	64931.19	**-1.81%**
BVAL US 10-year Note Yield	4.72	4.6728	**+0.98%**
BVAL China 10-year Note Yield	1.6928	1.7065	**-0.80%**

Panamax freight rates surged recently, mainly supported by tight prompt tonnage availability in the Mediterranean and transatlantic regions, alongside steady grain cargo flows, which drove steep increases on East Coast South America (ECSA) fronthaul routes. Separately, El Niño has weakened India's monsoon, constraining hydropower output and boosting coal import demand, providing further support to the Pacific market. That said, doubts persist over the sustainability of the freight gains. The South American grain export season is drawing to a close, leaving limited room for additional growth in grain cargoes. Meanwhile, coal inventories at Chinese ports remain elevated, curbing near-term import buying interest. Unless cargo volumes keep pace with tight tonnage supply, the rally in freight rates may lack staying power.

The Supramax market has weakened for several consecutive weeks, emerging as the worst-performing segment among the three main vessel classes, with the index falling to a two-month low. Downside pressure stems from erratic nickel ore loading schedules out of the Philippines and structural cargo diversion, as some coal shipments shift from smaller to larger bulk carriers. Despite the prevailing soft tone, early signs of bottoming have emerged. Persistent rate declines have strengthened owners' resistance to further price cuts, while chartering enquiries have picked up notably in the Atlantic and US Gulf, suggesting that the market may be nearing a trough. On the supply side, Guinea's ongoing rainy season is extending port waiting times for vessels, temporarily tightening medium- and small-sized tonnage supply and offering mild support to freight rates. Trading activity in the Mediterranean remains steady, with solid local demand.

Oil:
The fragility of the peace agreements has been tested on three occasions: the ceasefire in April, the memorandum in May and the 60-day accord signed on 6 June, all of which collapsed within a short period. Each breakdown further eroded market confidence in diplomatic progress. As markets price geopolitical risks more conservatively, renewed tensions will force another repricing. If the US-Iran stand-off remains contained under maximum-pressure tactics, the existing risk premium could hold steady. Should hostilities spiral out of control, crude prices may enter a phase of rapid tail-risk appreciation. After a brief rally lasting several weeks, markets are likely to price in economic weakness quickly in the absence of tangible diplomatic breakthroughs.

Global inventories of crude oil and refined products are currently hovering at decade lows. The expected timeline for the resumption of normal crude exports has been pushed back from Q3 this year, as anticipated in late June, to Q2 2027. Therefore, the recent build in EIA crude inventories is likely to be temporary. Production capacity growth cannot fill the current supply shortfall of 8 million barrels per day. Even if full transit through the strait resumes immediately, global crude inventories are still set to draw down rapidly in the near term.

Metals:
Copper: LME copper traded mostly sideways with a bullish bias this week, reaching an intraday high of $13,838/tonne on Thursday, the highest level since 23 July and close to historical highs. The most notable signal came from the sharp reversal in the LME spot spread: a discount of $49/tonne at the start of the month flipped to a premium of $44.70/tonne, a seven-month high. SHFE copper inventories fell below 70,000 tonnes, reaching their lowest level since February 2024. By the end of July, total LME stocks had declined to 101,650 tonnes, the lowest level since mid-January. Available copper supplies outside the US are nearing depletion. On the supply side, Codelco formally abandoned its production growth target.

Source: Bloomberg, FIS

	Last	Previous	Changes %
LME Copper 3 Month Rolling	13870.00	13732.50	**+1.00%**
LME Aluminium 3 Month Rolling	3221.50	3167.50	**+1.70%**
Wti Cushing Crude Oil	98.10	98.10	**-0.66%**
Platts Iron Ore Fe61%	93.70	97.10	**-3.50%**
US Gold Physical	4049.68	4046.00	**+0.50%**
BDI	2843.00	2696.00	**+3.65%**

Copper concentrate treatment charges tumbled to an all-time low of -$158/dmt. Sulphuric acid shortages threaten roughly 17% of global hydrometallurgical output, tightening mine-side constraints further. Nevertheless, expectations of US Section 232 tariffs continue to divert global copper supplies into the US. COMEX inventories climbed to 648,000 tonnes, nearly twice the combined stocks held in LME and SHFE warehouses, amplifying regional inventory divergences. The Federal Reserve has adopted a neutral stance on rate hikes. China's official PMI slipped to 49.2, entering contractionary territory, while the July Politburo meeting signalled accommodative monetary policy for H2. Renewed hostilities in the Middle East fuelled risk aversion and capped upside for copper prices.

Lithium: Global energy storage demand remained robust in July, serving as the core pillar of lithium salt consumption. The electric vehicle market showed divergent trends: demand growth remained steady in Europe, while retail sales in China are projected to fall by more than 2% year-on-year. However, strong export volumes partially offset the weakness in domestic demand. Shipments of Zimbabwean lithium concentrate are proceeding normally, with concentrated arrivals expected at Chinese ports by late August, bringing a phased increase in supply. The resumption of Australian mines is gathering pace, weighing on spodumene and lithium salt prices in the short run. Some Chinese lithium salt producers have initiated maintenance, marginally reducing lithium carbonate output and tightening local supply. No material restocking activity has emerged in the lithium carbonate and lithium hydroxide markets recently. Spot transactions are limited to procurement driven by rigid demand. While physical liquidity remains tight, incremental demand catalysts are absent, leaving the market in a wait-and-see stalemate.

Cobalt: The electrolytic cobalt market is showing clear seasonal weakness amid muted downstream demand, with prices extending their downtrend. Buying sentiment is weak and upside catalysts are lacking, although traders hold limited inventories. Buyers and sellers have sharply divergent price expectations for cobalt intermediates, suppressing market activity and trade execution. Although earlier import arrivals eased some supply tightness, a wide gap persists between miners' firm asking prices and downstream target purchase prices, making a near-term resolution of the pricing stand-off unlikely. Demand for ternary precursors, supported by export orders, provides some floor support for cobalt consumption.

Ferrous:
Iron Ore: Downside pressure on iron ore continues to build. China's hot metal output has entered a clear downward trajectory amid expanding blast furnace maintenance. Profit margins among steel mills stand at only 34.63%, accelerating the negative feedback loop of production cuts. Global shipments remain elevated year-on-year, and iron ore inventories at Chinese ports stand at multi-year seasonal highs. Broad expectations of weaker global economic growth are also weighing on bulk commodity sentiment.

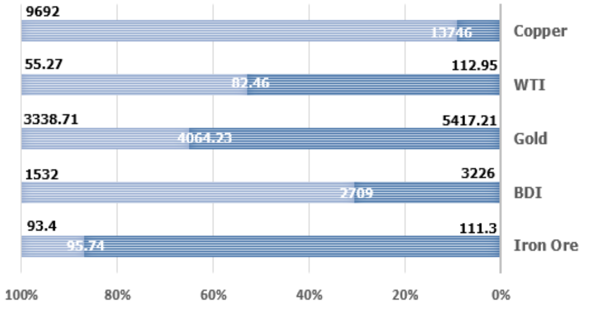
On the supportive side, geopolitical tensions in the Middle East have lifted energy and shipping costs. FMG's delivery suspension has restricted liquidity in part of the iron ore market. Intermittent strike action at BHP operations has delayed the arrival of some iron ore cargoes. A break below $90/tonne would test the cost thresholds of mines outside the five major seaborne producers. The July Politburo meeting's pledges of property support, accelerated special-purpose bond issuance in H2 and monetary easing may provide macroeconomic support.

Coking Coal: Australian coking coal faces near-term headwinds. Expectations of a third round of coke price cuts in China will continue to dampen end-users' buying interest in Australian coal.

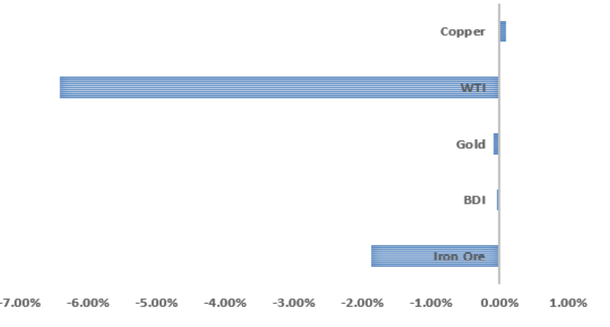
Source: Bloomberg, FIS

A potential rebound window could emerge after India's monsoon season concludes in September, when restocking demand from Indian steelmakers may become a marginal positive catalyst. Should POSCO and Tata Steel's concerns over the PLV index pricing mechanism gain wider industry support, the long-term pricing dynamics for Australian coking coal could shift. Any longer-than-expected suspension at the Peak Downs mine may temporarily tighten the supply of premium hard coking coal.

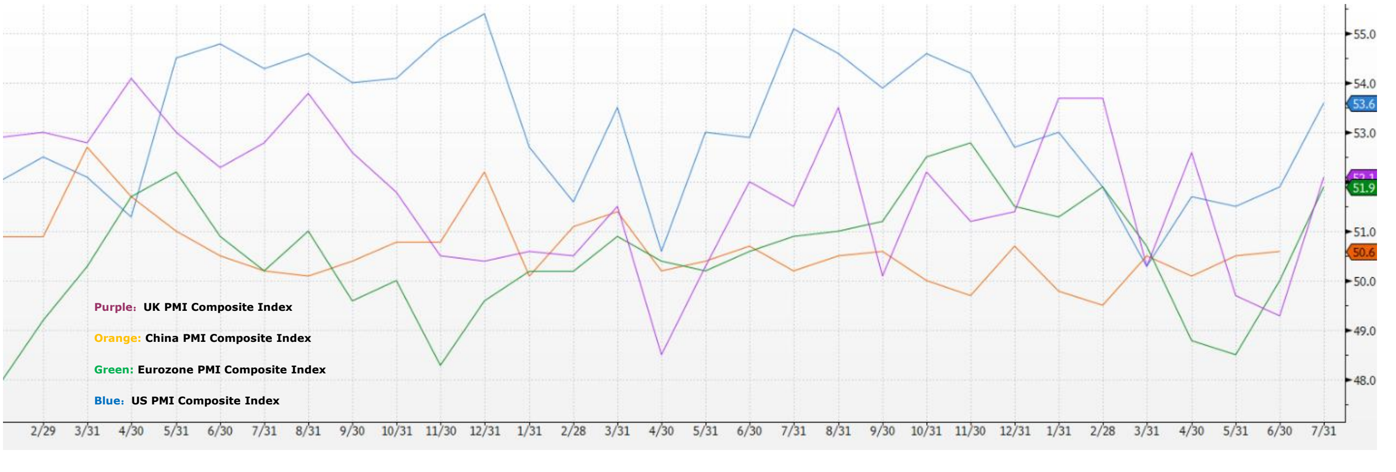
Commodity Relative Price Range
(Past 52 Weeks)



5 Day Moving Average Change
On Commodities

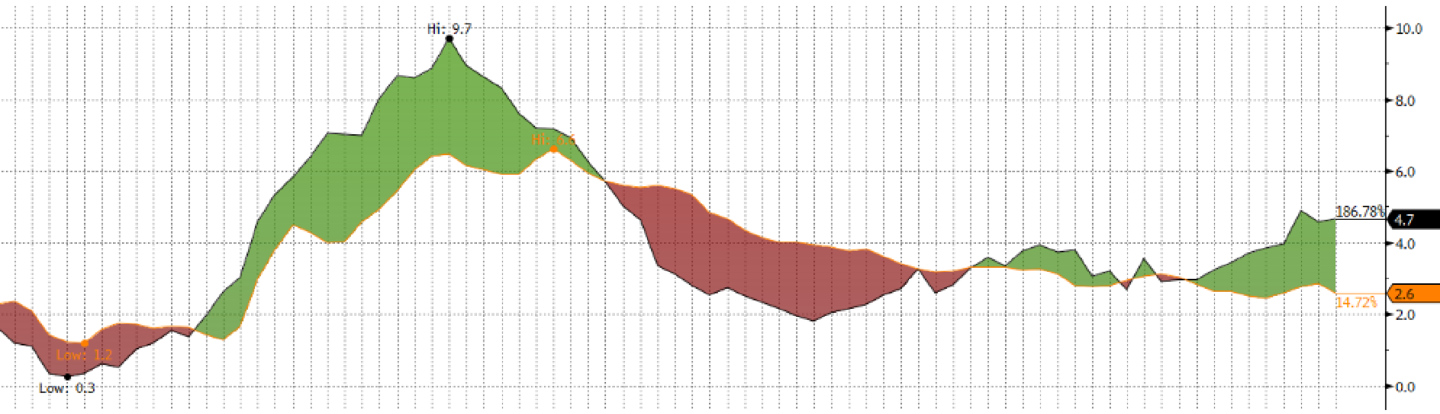


Past 3-year PMI Index

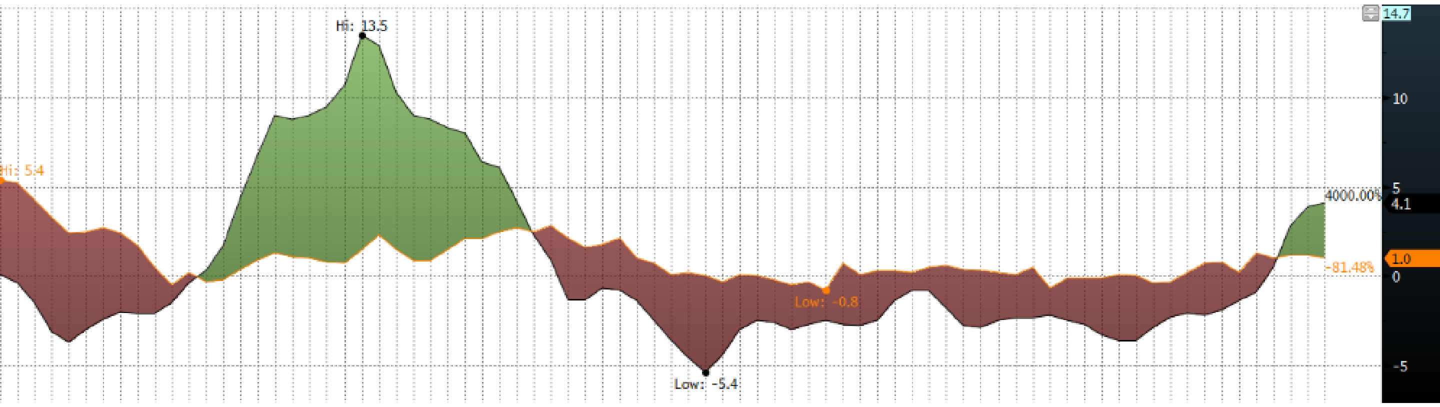


Source: Bloomberg, FIS

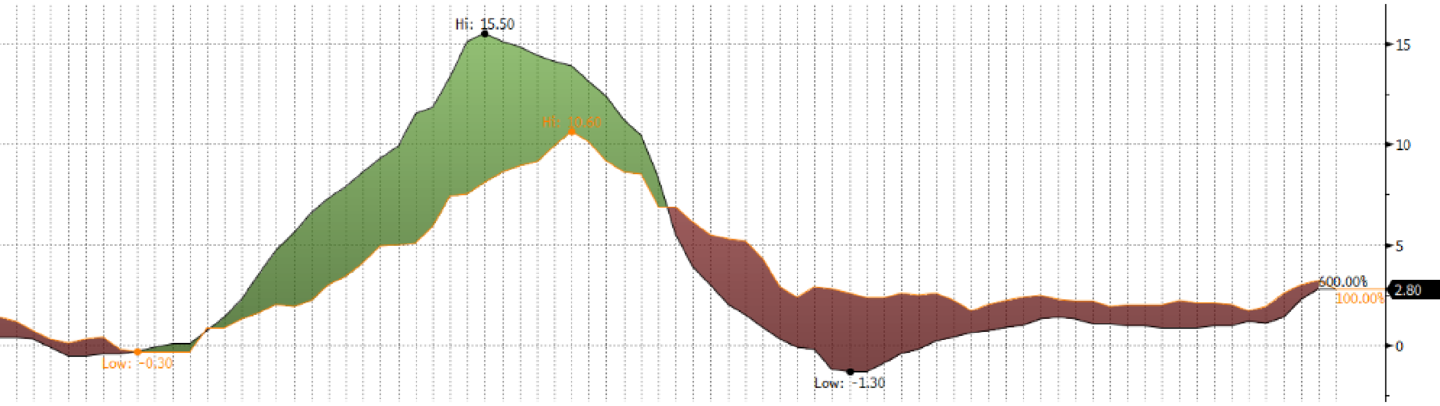
Past 5-year US PPI—CPI (Excl. Food and Energy)



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.

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