FIS

MACRO REPORT

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	Last	Previous	Changes %
US Dollar Index (DXY)	99.78	99.86	**-0.08%**
USD/CNY	6.7457	6.7480	**-0.03%**
US FOMC Upper Interest Rate	3.75	3.75	**0.00%**
China Repo 7 day	1.42	1.43	**-0.70%**
Caixin China Manufacturing PMI	50.90	51.70	**-1.55%**
Markit US Manufacturing PMI	53.70	53.70	**0**

Commentary:

Global Macro Markets:

Cooling rate-hike expectations directly support a recovery in tech-sector valuations and provide macroeconomic tailwinds for metal prices. That said, a key downside risk lies in Fed Chair Warsh's hawkish commitment to the 2% inflation target, which may weigh on highly valued tech stocks. US equities are trading at their second-highest valuation on record, with growth expectations heavily reliant on AI infrastructure investment. A sharp correction could trigger broad-based financial market volatility through profit-taking and shifts in risk aversion.

Industrial commodities are more closely correlated with global economic growth. Constrained by upper limits on traditional industrial output and slowing real estate and infrastructure spending across major economies, they exhibit limited price volatility and are unlikely to swing drastically. Capital flows into the energy sector move inversely to tech stocks. Nevertheless, net capital outflows prevailed throughout July–August, with no sustained inflows having yet materialised. From a macroeconomic perspective, industrial commodities are poorly positioned to take over as drivers of risk appetite. A contraction in tech-sector valuations could trigger concurrent capital outflows from energy, metals and broader equity markets, a dynamic that warrants close monitoring.

FFA:

Capesize vessels led gains across the three main dry bulk segments this week, with BCI 5TC average daily earnings rising by over 12% week-on-week. Supply-side risks for iron ore continue to build. Weekend industrial action at BHP's Port Hedland facility, together with escalating tensions between CMRG and Rio Tinto, has provided fresh support for near-term iron ore import cargoes. More than half of China's iron ore import volumes remain subject to ongoing contract negotiations or heightened friction. Domestic Chinese iron ore output fell sharply in July, while import demand is underpinning robust Brazilian shipments. As Brazilian iron ore chartering reaches its seasonal peak alongside rising fixtures for West African bauxite and iron ore, cargo focus has shifted towards the Atlantic basin.

Panamax vessels maintained upward momentum this week. Coal shipments out of Australia and Indonesia remained steady, while earnings on Pacific coal routes for Panamax and Supramax tonnage have nearly converged. Signs of recovery emerged in Asian coal demand. Record-high temperatures across China, South Korea and Japan lifted power generation requirements, while Black Sea market tensions provided support to Atlantic freight rates. On the grain side, the South American grain season is drawing to a close, and overall grain cargo volumes are set to decline gradually.

Supramax vessels remained under pressure this week. The segment continues to suffer from soft minor bulk demand and ample available tonnage. Abundant vessel supply coincides with limited cargo activity across Southeast Asia and the North Pacific, with charterers persistently testing lower rate levels. Unstable nickel ore export flows out of the Philippines have failed to provide consistent cargo support.

Source: Bloomberg, FIS

	Last	Previous	Changes %
Shanghai & Shenzhen 300 Index	4702.02	4543.18	**+3.50%**
Dow Jones Industrial Average	53975.98	53178.41	**+1.50%**
FTSE 100 Index	10862.50	10857.70	**+0.04%**
Nikkei 225 Index	65606.71	64362.02	**+1.93%**
BVAL US 10-year Note Yield	4.7389	4.7187	**+0.43%**
BVAL China 10-year Note Yield	1.6818	1.6928	**-0.65%**

Oil:
International crude oil prices have seen sharp volatility recently. The trigger was the US cancellation of its planned military strike against Iran. Investors rapidly pared back geopolitical risk premia, triggering a steep decline in oil prices. Subsequent confirmation of OPEC+ production increases for September added further selling pressure, sending oil prices lower. Nevertheless, geopolitical risks have not materially abated. Iran's Foreign Minister stated that Tehran is "very close" to reaching an agreement with Oman yet emphasised that full reopening of the strait will not happen imminently. He reiterated the preconditions for a full resumption of shipping: the US must lift maritime blockades, revoke sanctions and compensate for war-related damage. Crude prices rebounded swiftly after the US explicitly rejected those terms.

Average daily vessel transits through the Strait of Hormuz over the past ten-day period remain well below pre-conflict levels. Projected production cuts among Gulf-state producers stand at 9.0–10.0 mb/d. Meanwhile, Houthi forces in Yemen continue to target Saudi-bound oil tankers, depressing crude oil export volumes out of Yanbu. Fully laden tanker capacity transiting the Red Sea has fallen by 20% compared with pre-blockade levels. War-risk insurance premiums remain elevated. Some shipowners are delaying loading operations within the Gulf, while Asian refiners have also slowed procurement activity.

The market currently presents a contradictory backdrop: rising expectations of a resumption in supply routes coexist with persistently low actual shipping throughput. The tug-of-war between negotiation signals and physical supply-disruption realities will keep crude oil prices highly volatile in the near term.

Metals:
Copper: Copper markets maintained strong momentum this week, with LME copper posting its sixth consecutive weekly gain and reclaiming the $14,000/tonne threshold after a two-month hiatus. The rally is driven by a confluence of three core factors: dwindling inventories across non-US regions, deepening structural supply disruptions in Chile and the diversion of global copper resources triggered by anticipated US Section 232 tariffs. LME usable inventories fell to 92,900 tonnes, the lowest level since January and only marginally above one day's global consumption.

The LME spot premium expanded sharply from roughly $40/tonne in early August. It briefly surpassed $150/tonne on 7 August and climbed further to $171/tonne on 11 August, reaching a new high since October 2025. The COMEX/LME spread reached $621.81/tonne on 5 August and widened further to approximately $701/tonne at the 6 August close, far exceeding trans-ocean freight costs of $150–300/tonne and keeping arbitrage windows wide open.

The DRC imposed an export ban on copper-cobalt concentrates on 29 June, which took effect immediately. Codelco's Q1 refined copper output in Chile fell by 8% year-on-year, marking a 20-year low for the quarter. Output from the El Teniente mine fell by 26% YoY following a fatal accident in July 2025. The polarised global copper market dynamic—depleted stocks outside the US versus inventory build-ups within the US—has intensified to unprecedented levels, with copper prices edging towards all-time highs.

Lithium: August production schedules for NCM cathode materials rose month-on-month, driven by sustained volume growth in plug-in hybrid and extended-range EVs alongside improving export demand, strengthening lithium salt demand support from the cathode segment.

Source: Bloomberg, FIS

	Last	Previous	Changes %
LME Copper 3 Month Rolling	14160.00	13870.00	+2.09%
LME Aluminium 3 Month Rolling	3317.50	3221.50	+2.98%
WTI Cushing Crude Oil	98.10	98.75	-0.66%
Platts Iron Ore Fe61%	95.15	93.20	+2.09%
US Gold Physical	4411.10	4077.99	+8.17%
BDI	3083.00	2732.00	+12.85%

The DRC has formally enforced its export ban on copper-cobalt concentrates, while the US is drafting policies to tighten exports of battery black mass. Supply is being squeezed from both primary mineral and recycled material sources, which may create dual pressure across the global lithium battery supply chain and drive structural shifts in lithium salt demand composition and raw material flows over the medium to long term. For LFP cathodes, August output reached 565 kt, up 5% month-on-month, although growth slowed compared with July. The slower pace does not reflect softening demand. Instead, effective capacity has reached its ceiling. Apart from some mid- to low-end production lines, nearly all industry lines are operating at full capacity, sharply limiting supply elasticity. Lithium salt inventories continue to decline, predominantly through downstream destocking, signalling solid underlying end-market demand resilience.

Cobalt: The DRC has formally implemented its export ban on copper-cobalt concentrates, while foreign-owned miners face pressure to make abrupt changes to their equity structures, further reinforcing the medium- to long-term supply-tightening trend. In the near term, concentrated arrivals of Congolese cobalt feedstock, coupled with ramping output from Indonesian cobalt hydrometallurgical projects and gradual capacity expansion in cobalt recycling, have partially offset supply gaps. Marginal supply increases are weighing on cobalt prices. The cobalt market is now caught in a tug-of-war between long-term tightening expectations and near-term supply increases, and prices may remain under pressure in the short run.

Ferrous:
Iron Ore: Iron ore prices slumped to a year-to-date low, weighed down by bearish macroeconomic sentiment and deepening negative feedback across the supply chain. Market sentiment began to recover from mid-week, underpinned by solid physical fundamentals. Average daily hot metal output rose by 24.8 kt week-on-week to 2.3803 million tonnes, remaining at seasonal highs and demonstrating stronger-than-expected demand resilience. Meanwhile, recurring strike-related disruptions at BHP's Port Hedland facility have increased supply-risk expectations. A key focus is the next round of negotiations on 18 August, facilitated by Australia's Fair Work Commission. Should industrial action extend into working days next week, tangible near-term supply impacts will materialise. If disruptions remain limited, the strike-driven risk premium will fade rapidly.

Global iron ore shipments edged lower after an earlier surge, standing at 32.012 million tonnes for 3–9 August, down 1.382 million tonnes week-on-week. More than two-thirds of Chinese steel mills are currently loss-making. Imported iron ore inventories across China's 45 major ports stood at 166.9972 million tonnes, up 1.0938 million tonnes week-on-week and remaining at both seasonal and multi-year highs, capping upside potential. Near-term iron ore prices are caught in a tug-of-war between strike-risk premia, resilient hot metal output and elevated port inventories. Clear directional moves will depend on the outcome of the 18 August labour talks.

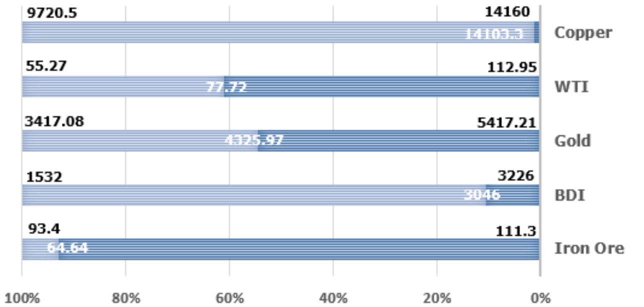
Coking Coal: Ongoing stringent safety supervision in Shanxi has prevented several coal mines from returning to full-capacity output. Structural tightness persists for high-quality prime coking coal, supporting forward purchasing appetite. Trading activity for coking coal at ports has improved, with offers for certain cargoes rising by RMB 10–35/tonne. Downstream, China's third round of coke price cuts has been fully implemented. Steel mill margins remain under pressure, and acceptance of high-priced imported coking coal has weakened noticeably.

Nevertheless, based on Australian coal FOB quotations of $214–216/tonne, the equivalent CFR price delivered to Chinese ports stands at roughly $233/tonne. Australian material still holds a cost advantage over spot offers for low-sulfur prime coking coal from Linfen-Anze in Shanxi, keeping the import window open.

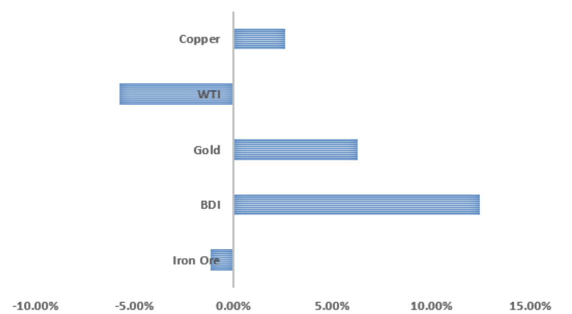
Source: Bloomberg, FIS

On the demand side, India’s monsoon continues to weigh on construction and steel-sector activity, and steel mills have yet to begin large-scale restocking of imported coking coal. The coking coal market is currently caught in a tug-of-war between tight supply and subdued demand. Narrow-range price fluctuations are expected in the near term. Key factors to monitor include the actual pace of production recovery at Shanxi coal mines, margin recovery among steel producers and the timing of post-monsoon restocking in India.

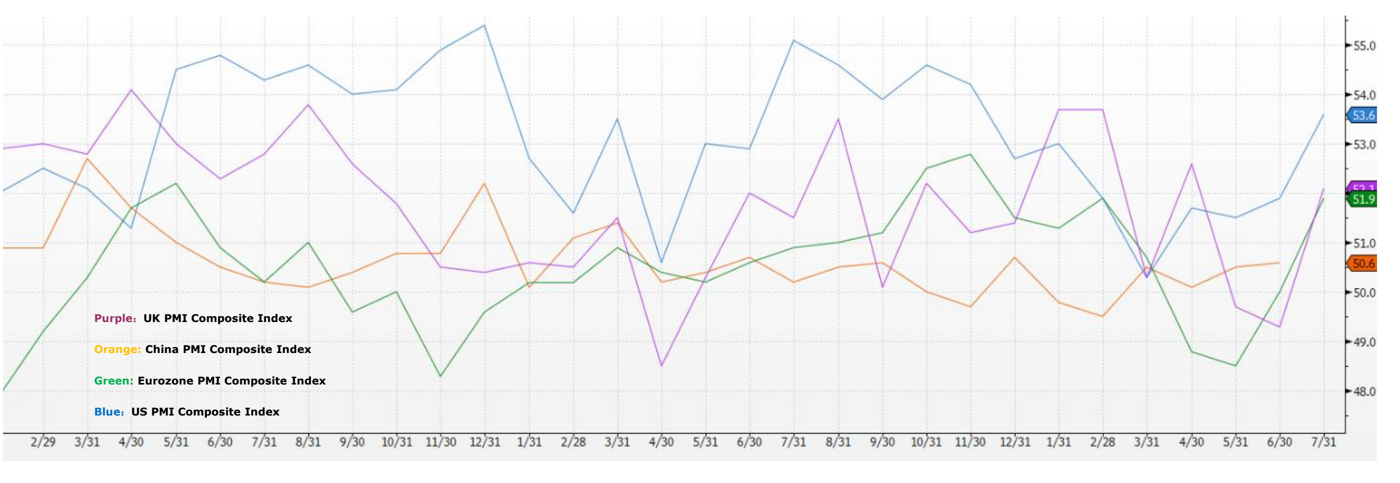
Commodity Relative Price Range
(Past 52 Weeks)



5 Day Moving Average Change
On Commodities

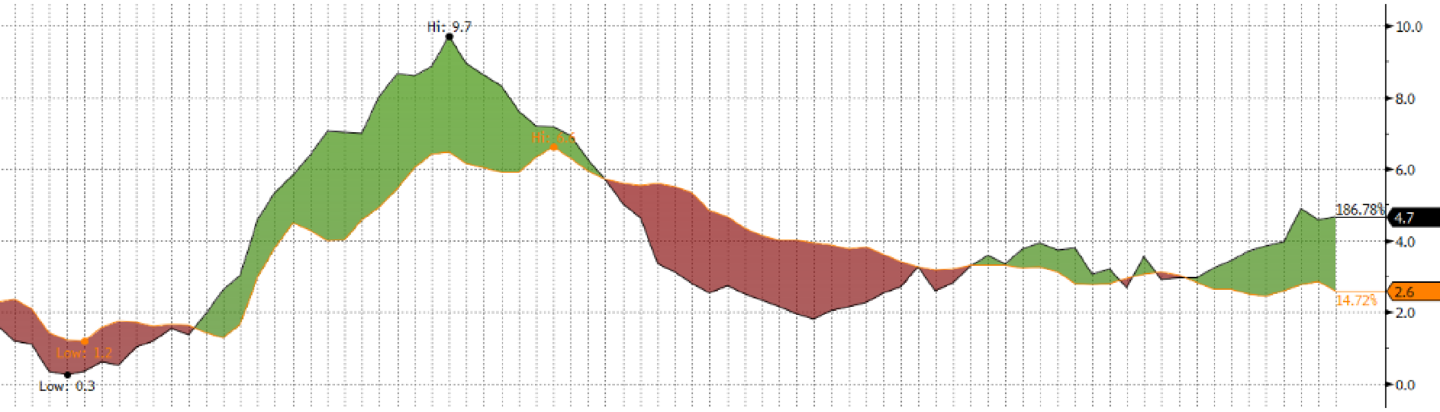


Past 3-year PMI Index

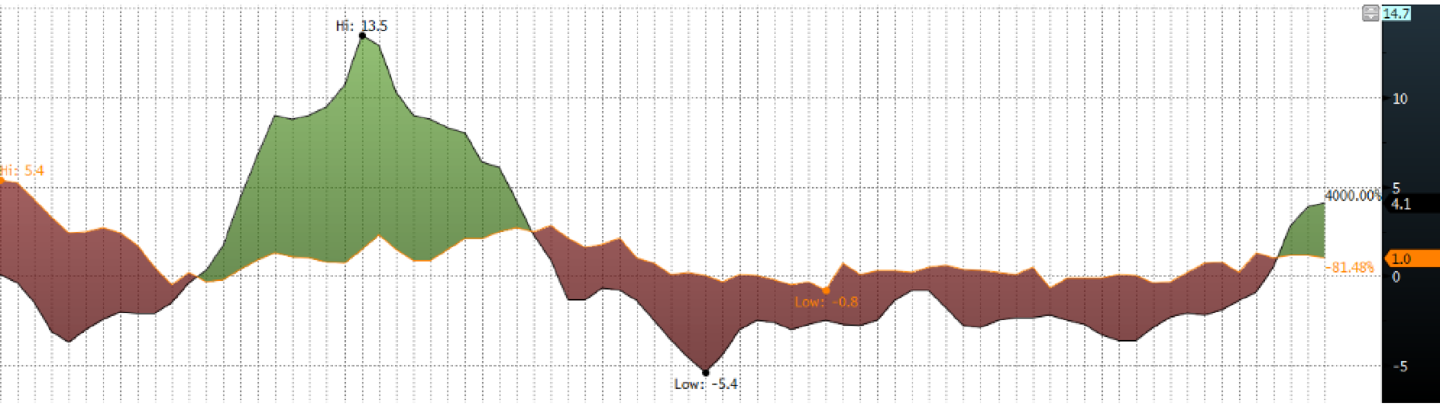


Source: Bloomberg, FIS

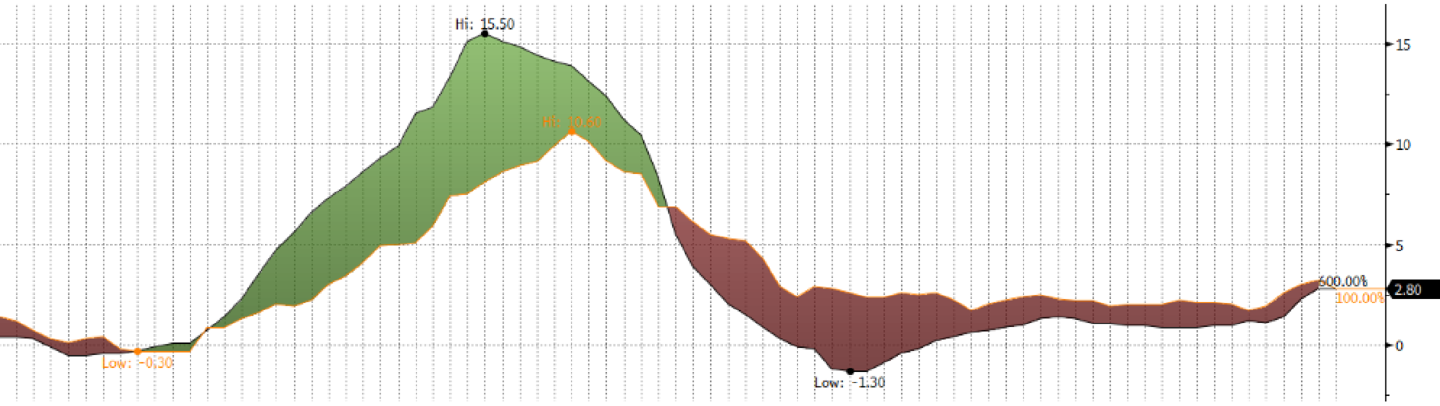
Past 5-year US PPI—CPI (Excl. Food and Energy)



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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