MACRO REPORT

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	Last	Previous	Changes %
US Dollar Index (DXY)	99.58	99.83	**-0.25%**
USD/CNY	6.74	6.75	**-0.02%**
US FOMC Upper Interest Rate	3.75	3.75	**0.00%**
China Repo 7 day	1.42	1.42	**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 CPI and PPI have both softened alongside the lagged effects of contraction in non-farm payrolls. Market-priced odds of a September rate hike have fallen from 60% to 35%, weighing on the US dollar. An on-hold policy stance for the rest of the year has become the consensus baseline, yet deep divisions persist within the Fed. The 2% inflation target remains distant, and further rate hikes remain an option.

The ECB kept rates unchanged at its latest meeting, though markets continue to price in a tightening bias through the second half. The odds of a rate hike in Japan next month remain very high. Following the Politburo meeting, China has clearly committed to a low-rate environment. Equity markets have stabilised, lending valuation support to the commodity complex.

Middle East geopolitics remains the largest source of inflation uncertainty. The US-Iran memorandum of understanding has expired, with signs of prolonged delays in negotiations. Drone strikes over the Black Sea continue to disrupt CPC crude exports, with July loadings down roughly one-fifth. The Black Sea grain deal has been extended, but Russia continues to threaten withdrawal. Combined with steady NATO military aid deliveries, a near-term resolution to the conflict looks unlikely.

In August, the negative correlation between base metals and oil-complex commodities weakened markedly compared with the previous four months. Capital is rotating faster across different commodity segments. Industrial commodities are showing early signs of bottom formation after three consecutive months of declines.

FFA:

Capesize rates posted a sharp weekly decline. Early-week Singapore holidays, together with a tonnage overhang across the Pacific, weighed on freight levels. Lingering typhoon impacts created uneven vessel distribution and provided only short-lived support. Long-haul cargo availability remains solid, yet usable tonnage remains constrained. Cargo volumes in the Atlantic are drawing some bulk carriers away from the Pacific. This tonnage rebalancing should mitigate Pacific tonnage oversupply over the medium to long term.

Panamax freight rates moved higher. Seasonally strong Brazilian soybean and corn exports persist, while grain freight rates from the US to Japan rose materially. The Black Sea crisis continues to divert part of the seaborne grain trade onto land routes. Ukraine launched large-scale coordinated strikes against Russia's Novorossiysk Black Sea port, forcing all three grain terminals at the facility to suspend operations. Russia has simultaneously escalated attacks targeting Ukrainian ports and commercial vessels. Ukraine's grain exports plunged roughly 76% year-on-year over the first 12 days of August. Additional upside in grain procurement remains for China from the US and Brazil. Lower coal output from Shanxi is also boosting seaborne coal demand. Both factors provide medium-term support for Panamax freight rates.

Source: Bloomberg, FIS

	Last	Previous	Changes %
Shanghai & Shenzhen 300 Index	4741.10	4702.02	**+0.83%**
Dow Jones Industrial Average	53459.78	53975.98	**-0.96%**
FTSE 100 Index	10720.30	10862.50	**-1.31%**
Nikkei 225 Index	69220.25	65606.71	**+5.51%**
BVAL US 10-year Note Yield	4.74	4.74	**+0.11%**
BVAL China 10-year Note Yield	1.6648	1.6818	**-1.01%**

Supramax rates saw limited volatility this week. A mild recovery in Philippine nickel ore shipments provided temporary support to freight rates, yet steel product exports remain seasonally weak, weighing on overall demand. Over the longer term, fertiliser and certain minor bulk exports from the Gulf region are gradually tapering. Cargo flows are shifting towards the US Gulf, effectively increasing tonne-mile demand and providing structural support for Supramax. Fundamentals leave room for improvement over the medium term.

Oil:

Oil prices staged a sharp rebound following hawkish statements from Iran and retaliatory rhetoric from US President Donald Trump. However, weekend market rumours over a strait transit deal between Iran and Oman pushed prices lower again. This highlights that the geopolitical risk premium remains subject to frequent two-way revisions. On the supply side, the Russia-Ukraine conflict continues to spill over into energy infrastructure. Russian seaborne crude exports have fallen to their lowest level since May, creating additional supply constraints.

Bunker fuel costs for Cape of Good Hope diversions have doubled since the start of the year. War-risk insurance premiums remain elevated, further dampening traders' appetite for Gulf crude and creating negative feedback on physical logistics flows.

In its August monthly report, OPEC downgraded its 2026 global oil demand growth forecast for the fourth consecutive time to 580,000–600,000 barrels per day. Seven core OPEC+ members approved a 188,000-barrel-per-day increase in production quotas effective from 2 September. Nevertheless, with strait blockades still in place, this planned output increase can hardly translate into physical market supply, and its tangible impact on supply-demand balances will be limited. Near-term crude prices will continue to fluctuate sharply between geopolitical headlines and tangible supply-disruption realities.

Metals:

Copper: LME copper held firm at elevated levels last week, trading around its all-time high. LME spot backwardation surged to $434/tonne, a five-year peak, underscoring acute inventory shortages across non-Western regions. Mine treatment charges hit a fresh all-time low of $175/tonne. Full-year Chilean output expectations have been revised down. The DRC export ban is now in force. Disrupted shipping through the Strait of Hormuz is also curbing sulphur supply, a critical feedstock for solvent extraction-electrowinning copper production. Multiple supply-side headwinds are unfolding simultaneously and continue to suppress copper supply elasticity.

On the macro front, receding US rate-hike odds have weakened the US dollar and created a more favourable backdrop for copper prices. Nevertheless, demand-side signals are showing signs of fatigue. Elevated copper prices are visibly weighing on downstream consumption. Operating rates for copper rod and cable products remain at only around 60%, with limited physical absorption at high spot price levels. In the longer run, once the US tariff package formally comes into force, copper stocks may begin to rebuild across non-US regions, exposing copper prices to corrective downside pressure.

Source: Bloomberg, FIS

	Last	Previous	Changes %
LME Copper 3 Month Rolling	14157.50	14160.00	**-0.02%**
LME Aluminium 3 Month Rolling	3266.50	3317.50	**-1.54%**
WTI Cushing Crude Oil	98.10	98.75	**-0.66%**
Platts Iron Ore Fe61%	95.30	95.15	**+0.16%**
US Gold Physical	4400.21	4370.11	**+0.69%**
BDI	2878.00	3089.00	**-6.83%**

Lithium: Strong export-driven demand for ternary cathode materials in August is supporting market pricing. However, cost pressures from the reinstated consumption tax are passing through the supply chain and could weigh on lithium hydroxide prices. NCM cathode production schedules are outpacing those of LFP. Constrained by effective capacity ceilings, LFP offers limited marginal growth in lithium carbonate procurement, capping near-term demand elasticity for lithium carbonate. Nevertheless, LFP demand windows have extended. Downstream procurement patterns are flattening rather than disappearing, providing more persistent floor support for lithium carbonate prices.

Cobalt: The DRC copper-cobalt concentrate export ban has far less impact on cobalt markets than on copper. Nearly all cobalt from the country is shipped as cobalt hydroxide intermediate, so restrictions targeting concentrates do not directly block cobalt trade flows. The core pricing anchor remains the quota system introduced last year. Over the medium to long term, expanding resource nationalism, the ongoing energy transition and rising investment across AI-linked industrial supply chains may provide more sustainable support for cobalt market fundamentals.

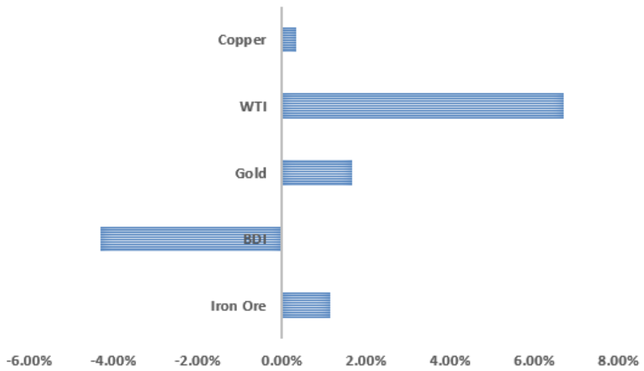
Ferrous:

Iron Ore: Disrupted shipment and port-arrival cycles stemming from Asian typhoon weather, combined with higher energy costs, underpinned firm iron ore prices last week. Nevertheless, tonnage availability across the Pacific remains ample and could weigh on prices once weather-related disruptions fade. Steel demand remains subdued, with both domestic consumption and exports running at seasonally low levels. Domestic Chinese iron ore capacity utilisation remains low. Ongoing negotiations between CMRG and Australian miners are keeping seaborne import demand open. On the news front, China's state-owned iron ore buyers reached an annual supply agreement with Anglo American in April. Looking ahead, the traditional September pre-season stocking period may provide another round of support for iron ore prices.

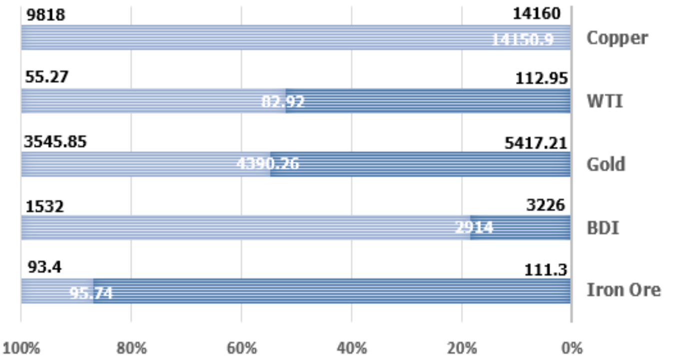
Coking Coal: The number of idled coal mines in Shanxi remains elevated, and production resumption is progressing more slowly than market expectations. Minor incidents in other provinces have triggered stricter safety inspections, adding further supply-side tightness. The coking coal auction failure rate has fallen to a multi-year low of 3.2%, clearly reflecting tight spot-market conditions. Seaborne coking coal demand is strengthening on two fronts. It needs to fill short-term domestic supply gaps in China while also supporting pre-emptive inventory building in India ahead of the end of the monsoon season. Fundamentals remain firmly bullish overall.

Source: Bloomberg, FIS

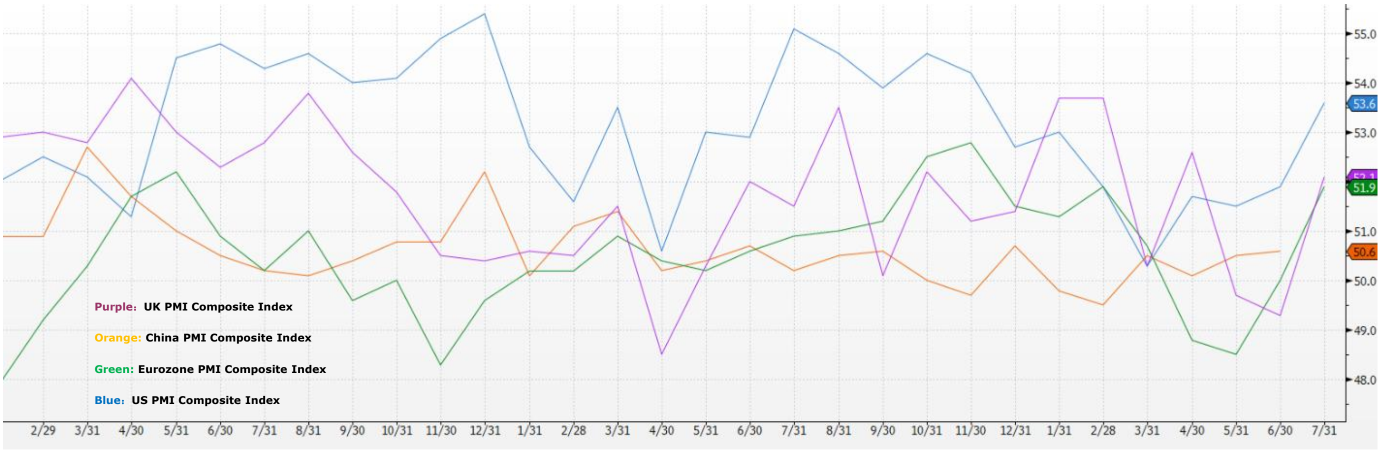
Commodity Relative Price Range (Past 52 Weeks)



5 Day Moving Average Change On Commodities

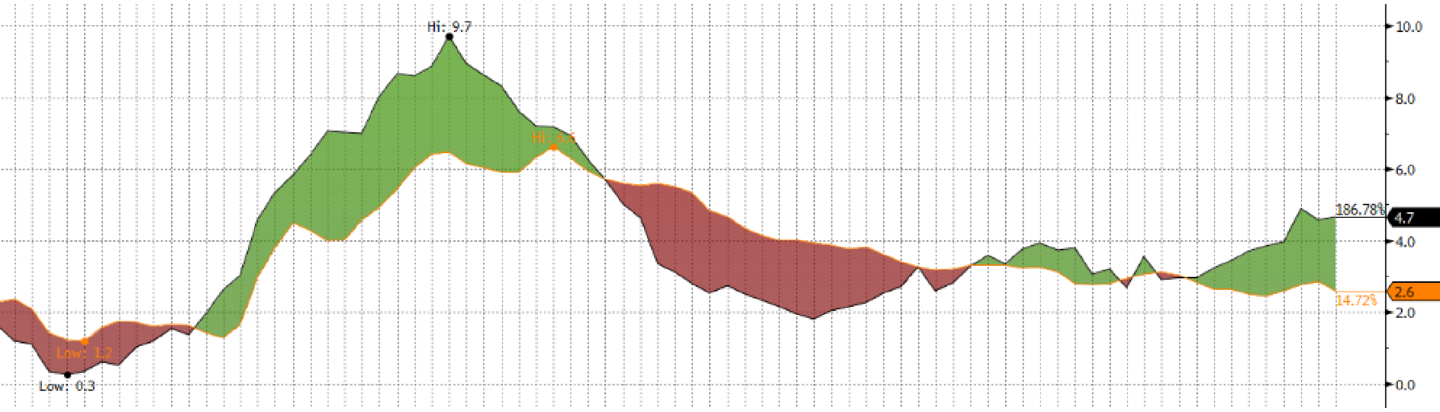


Past 3-year PMI Index

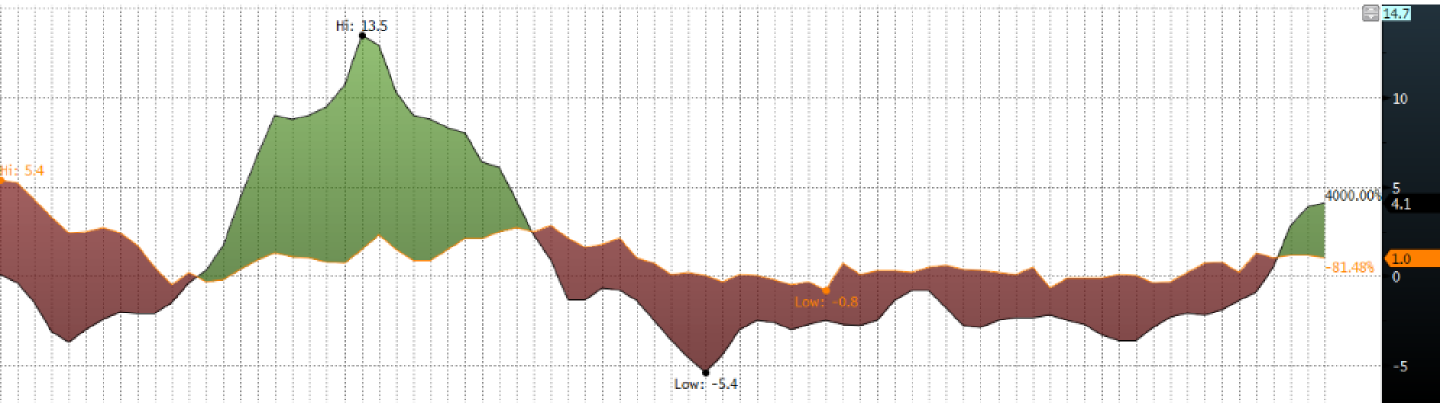


Source: Bloomberg, FIS

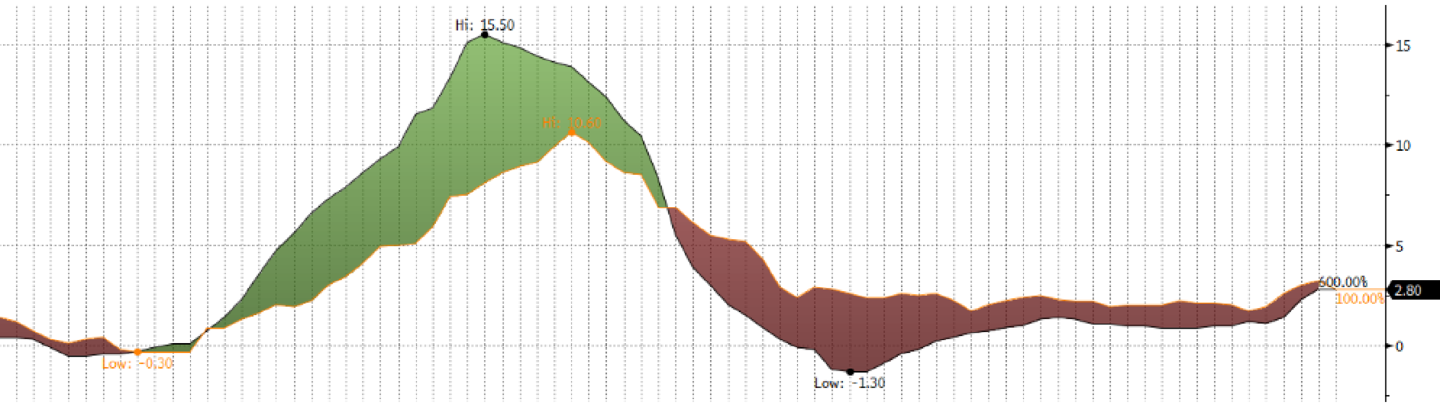
Past 5-year US PPI—CPI (Excl. Food and Energy)



Past 5-year China 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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