FIS

MACRO REPORT

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	Last	Previous	Changes %
US Dollar Index (DXY)	98.98	99.66	-0.68%
USD/CNY	6.72	6.75	-0.37%
US FOMC Upper Interest Rate	3.75	3.75	0.00%
China Repo 7 day	1.44	1.42	+1.41%
Caixin China Manufacturing PMI	50.90	51.70	-1.55%
Markit US Manufacturing PMI	53.70	53.70	0.00%

Commentary:

Global Macro Markets:
Global macro developments over the past week centred on two major themes: the FOMC minutes and the stalemate in Middle East geopolitics. A five-layer transmission chain persisted: geopolitics-energy-inflation-interest rates-assets. Commodities traded generally stronger amid capital outflows from equity markets. Within the commodity complex, precious and non-ferrous metals led gains, followed by energy products, while industrial metals underperformed.

On the geopolitical front, prospects for the full reopening of the Strait of Hormuz remain unclear, though intermittent news regarding the gradual activation of alternative crude oil supply routes created periodic shocks to geopolitical risk premiums. Negotiations over the Black Sea Grain Initiative hit an impasse. Vessels diverted to the US Gulf for grain cargoes, reshaping existing trade and shipping patterns.

Most officials at the July FOMC meeting acknowledged that additional rate hikes would be warranted should inflation fail to cool sustainably. The number of members leaning towards further tightening exceeded what was implied by the three dissenting votes previously. Market pricing has shifted towards a pause in September with a possible December hike, narrowing expectation gaps. Separately, the US Treasury announced that it would double its long-term Treasury buyback programme to $4 billion to support market liquidity, swinging sentiment from hawkish towards looser financial conditions.

Going forward, should the rally in energy risk premiums fade, alongside spillover effects from AI investment into credit conditions, capital preferences may rotate towards traditional industrial commodities. Monitor rotation dynamics across commodity segments.

FFA:
Capesize rates rebounded last week after a notable pullback in mid-August, leading gains across the three major dry bulk vessel segments. The Pacific market served as the primary driver of this upturn. Major miners including Rio Tinto and Roy Hill remained active charterers, with clear price support emerging at the $13–13.5/mt level on the C5 route. In the near term, dual uncertainties stemming from CMRG negotiations and BHP's labour talks create structural supply-side uncertainty, providing downside support to iron ore prices and indirect cost support to freight rates. Meanwhile, increasing tropical cyclone activity in the South China Sea has prompted operators to lock in tonnage in advance, further tightening spot supply and offering near-term upside potential for freight rates.

Panamax rates posted a notable pullback last week, with broad softness across the spot market, while time charter activity remained brisk. Tonnage overhangs emerged across both the Atlantic and Pacific basins. Shrinking South American grain cargo volumes and a sharp contraction in Black Sea cargo volumes in August amid escalating geopolitical tensions collectively weighed on spot freight rates. Marginal demand improvement has surfaced. Freight rates on key coal routes, Indonesia-Guangzhou and Newcastle-Guangzhou, rose substantially, signalling a gradual recovery in coal-related tonnage demand. Enquiry activity picked up in the Atlantic, with more fronthaul cargoes, suggesting the market may be nearing a cyclical bottom.

Source: Bloomberg, FIS

	Last	Previous	Changes %
Shanghai & Shenzhen 300 Index	4563.13	4741.10	-3.75%
Dow Jones Industrial Average	53417.16	53459.78	-0.08%
FTSE 100 Index	10854.32	10720.30	+1.25%
Nikkei 225 Index	65528.09	69220.25	-5.33%
BVAL US 10-year Note Yield	4.72	4.74	-0.50%
BVAL China 10-year Note Yield	1.6602	1.6648	-0.28%

The Supramax market saw muted volatility across August. Higher North Pacific grain cargo volumes offered freight support, with round-trip fixtures holding within $18,000–19,000/day. Supramax vessels continue to gain competitiveness against Panamax tonnage for Indonesian coal shipments. Combined with Black Sea cargo diversion demand lifting US Gulf route rates, substitute cargo flows and higher tonne-mile demand offset downward pressure from weaker minor bulk segments including steel-related cargoes, fertilisers and sulphur, keeping overall freight rates relatively stable.

Oil:
US President Donald Trump announced a new round of comprehensive economic pressure targeting Iran, covering core sectors including oil and banking. Iran's Secretary of the Supreme National Security Council Rezaei issued a tough counter-response: if the US continues waging economic warfare against Iran, no oil will flow through the Strait of Hormuz or the broader Persian Gulf. Risks in the Red Sea have not eased alongside cooling negotiations over Hormuz, and "normalised blockade risk" has become a new pricing anchor for markets. The US-Iran stand-off has shifted from "whether a deal can be reached" towards "who can endure longer", triggering a systemic upward repricing of geopolitical risk premiums. Even with sporadic vessel transits through the strait, commercial shipping via the Strait of Hormuz cannot return to normal unless security risks and war-risk insurance costs materially decline. Cost hurdles and tonnage bottlenecks for alternative routes also limit practical supply-flow adjustments.

US commercial crude inventories have climbed to levels last seen in May, while the SPR has fallen below 300 million barrels and Cushing inventories slipped below 20 million barrels, pushing inventory buffers towards multi-year lows. Refinery utilisation rose to 97.2%, an annual high, reflecting robust processing demand. Against low inventory buffers, prices have become far more sensitive to supply disruptions. The seven core OPEC+ members lifted their collective output target by 188,000 barrels/day starting in August, marking the fifth consecutive monthly quota increase. Nevertheless, persistent strait blockades and inflated costs for diversion routes prevent higher quotas from translating into tangible incremental market supply. Elevated volatility and binding supply-demand constraints remain the dominant narrative for the crude oil market.

Metals:
Copper: The copper market saw its most dramatic short-squeeze rally since 2021 this week. LME spot copper hit an all-time high of $14,912/tonne, while spot backwardation surged to a five-year peak of $545/tonne. Nevertheless, large traders delivered copper into LME warehouses en masse, driving an inventory increase of 63,000 tonnes within three days and swiftly deflating squeeze pressures. Copper prices corrected by more than $500/tonne from the intra-week peak.

Mine treatment charges (TCs) tumbled further to an all-time low of -$182/tonne, and Chile's full-year output forecast was revised down to 5.27 million tonnes. The pending US Section 232 tariff continues to siphon global copper resources towards the US, with COMEX inventories breaching 740,000 short tons. The COMEX/LME premium stands at roughly $430/tonne on the 3-month tenor, while the 10-month spread exceeds $1,000/tonne. At end-July, CME-registered US warehouses held 58% of global exchange copper stocks, and US-located LME warehouses accounted for 37% of total LME inventory. COMEX copper stocks have climbed by over 50% since the start of the year. This arbitrage window will persist as long as tariff expectations remain intact, continuously diverting deliverable copper away from non-US markets. The copper market is now range-bound at elevated levels amid three intertwined forces: fading squeeze momentum, rigid mine-side constraints and tariff-driven resource redirection.

Source: Bloomberg, FIS

	Last	Previous	Changes %
LME Copper 3 Month Rolling	14273.00	14157.50	**+0.82%**
LME Aluminium 3 Month Rolling	3228.50	3266.50	**-1.16%**
WTI Cushing Crude Oil	98.10	98.75	**-0.66%**
Platts Iron Ore Fe61%	97.15	95.30	**+1.94%**
US Gold Physical	4665.21	4334.50	**+7.63%**
BDI	2882.00	2863.00	**+0.66%**

Lithium: Lithium salt prices trended higher amid choppy trading in August. Inventories continued to draw down as brine-based producers cut output for maintenance, while battery cell production schedules moved higher. GFEX exchange-registered warrants have been steadily rising; some traders converted physical cargoes into warrant deliveries, which could cap further upside. Market expectations for the resumption of the Jianxiawo mine have re-intensified. Lithium ore arrivals are set to pick up materially in August, and rising lithium salt supply may therefore act as a headwind to the price rally.

Cobalt: CIF cobalt intermediate assessments stabilised at $21–22/lb, yet downstream enquiry activity softened and tender auctions continued to fail to clear. Electrolytic cobalt and other cobalt salts saw consistent price declines throughout August.

Ferrous:
Iron Ore: Total global iron ore shipments reached 32.588 Mt this week, up 0.576 Mt week-on-week. Combined shipments from Australia and Brazil stood at 27.087 Mt, up 1.402 Mt week-on-week, reflecting a steady recovery among major miners. Typhoon impacts are fading, newly formed cyclones have shifted southward, and previously backlogged port arrivals are being released in volume, adding near-term supply pressure at ports. As the wet-season effect in West Africa gradually abates, shipments from the region have further upside potential, pointing to potentially higher marginal supply. Neither the annual contract negotiations between CMRG and miners nor BHP's labour talks have yielded substantive progress, and market risk premiums for potential structural supply disruptions remain in place. Despite stronger near-term shipment figures, uncertainty around negotiation outcomes will act as an intermittent market disturbance.

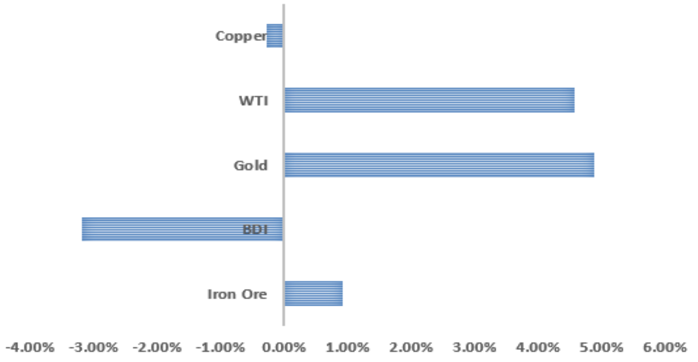
Fewer than one-third of steel mills remain profitable, with mills showing greater willingness to conduct maintenance than increase production. Export volumes remain limited, resulting in muted overall iron ore purchasing momentum. Port inventories remain at a historically high level of 165 Mt, with no material relief seen in the supply-demand imbalance.

Coking Coal: China's coking coal supply remains tight amid persistent stringent safety inspections and overproduction audits across core producing regions in Shanxi, forcing phased output cuts and production curbs at multiple coal mines. As of 12 August, a total of 192 mines in Shanxi, with a combined capacity of 260 million tonnes, had suspended operations since 22 May, of which 72 mines remained offline, including 61 coking coal mines. The operating rate of 523 sampled mines edged up slightly to 68.19%, yet the sector shows a distinct pattern of "resumed operations without output recovery", translating into limited actual production growth. Major domestic mines prioritise supply for long-term contract customers, resulting in scarce spot-market availability and continuous destocking at mine sites.

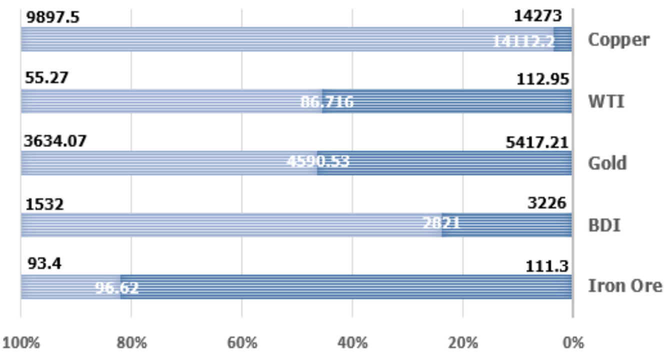
Imported coking coal supply also contracted notably. Daily customs clearance volume at China's Ganqimaodu Port slumped sharply to 582 trucks in the third week of August, down 780 trucks week-on-week. The decline was mainly attributable to low driver attendance in Mongolia following the Naadam Festival, which slowed port clearance efficiency and drove consecutive weeks of port inventory destocking. Notably, Mongolian coal imports are dominated by medium-sulphur blending coal, which fails to fill the structural supply gap for high-grade primary coking coal in the domestic market. Australian coking coal quotes remain firm, while domestic buyers maintain cautious purchasing sentiment.

Source: Bloomberg, FIS

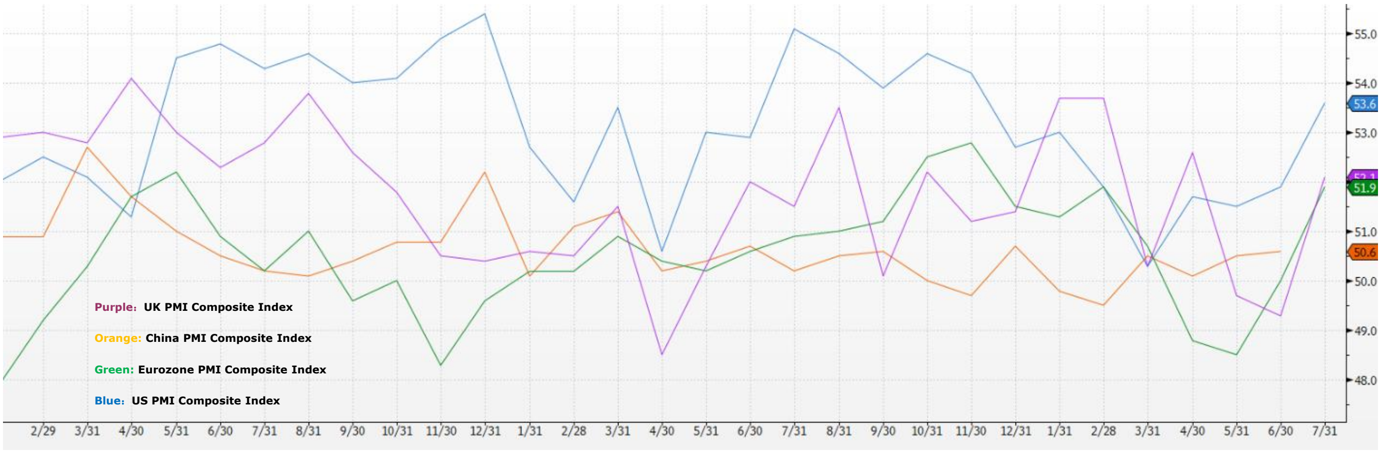
Commodity Relative Price Range
(Past 52 Weeks)



5 Day Moving Average Change
On Commodities

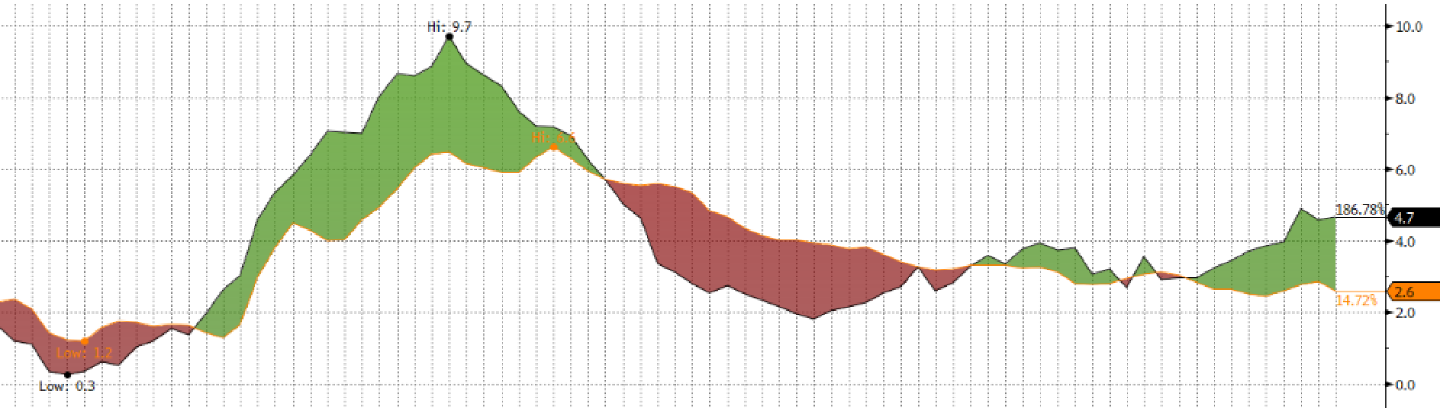


Past 3-year PMI Index

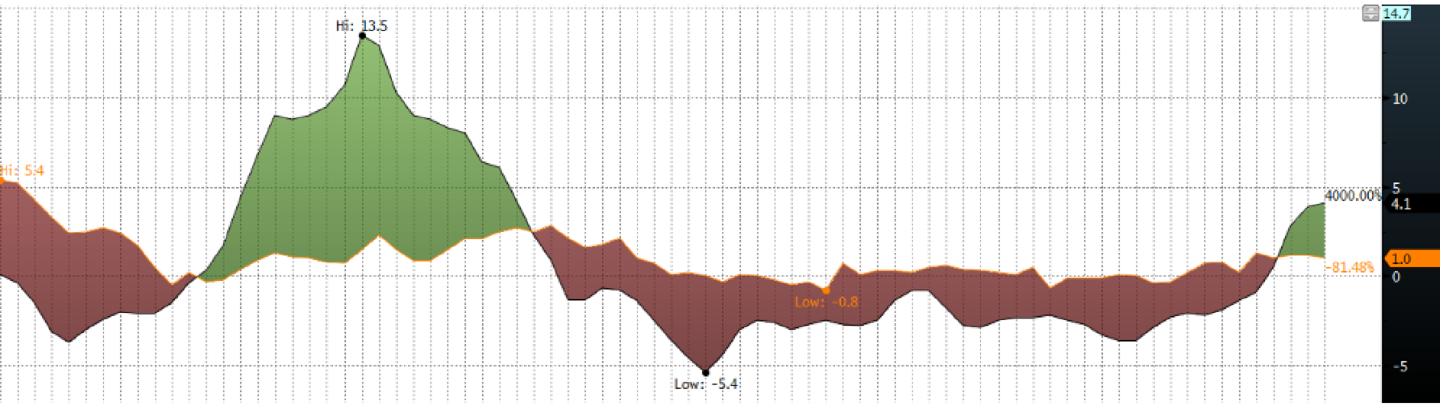


Source: Bloomberg, FIS

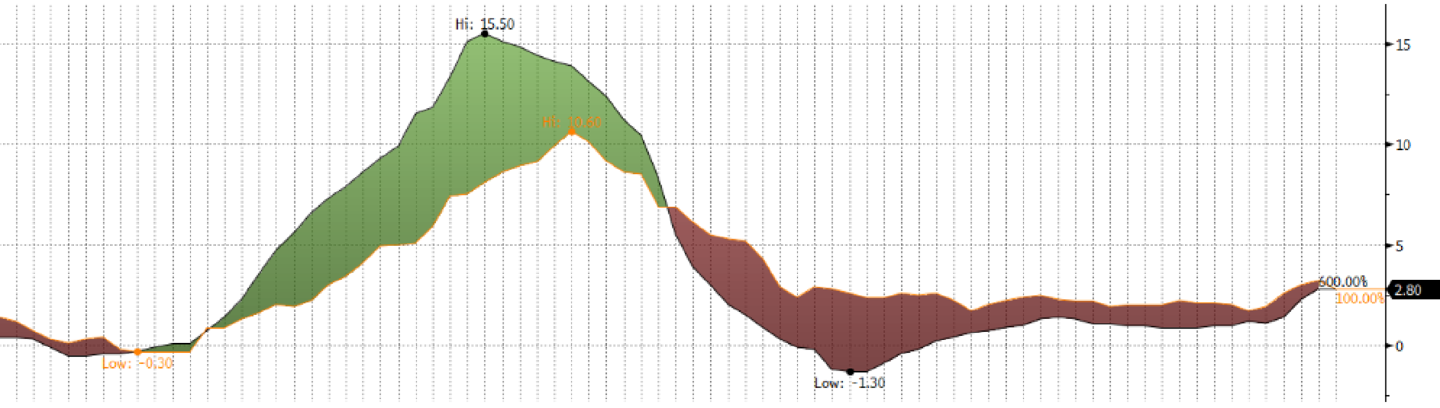
Past 5-year US PPI—CPI (Excl. Food and Energy)



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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