FIS

MACRO REPORT

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	Last	Previous	Changes %
US Dollar Index (DXY)	99.43	98.92	**+0.52%**
USD/CNY	6.72	6.72	**+0.01%**
US FOMC Upper Interest Rate	3.75	3.75	**0.00%**
China Repo 7 day	1.43	1.44	**-1.04%**
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 markets are driven by two major themes: Warsh's hawkish debut at Jackson Hole and the risks surrounding Hormuz. The transmission chain remains intact: Geopolitics → Energy → Inflation → Interest Rates → Asset Prices.

July US PCE YoY came in in line with expectations, offering data-side support for the Fed to hold rates steady. Nevertheless, Chair Warsh's hawkish speech at Jackson Hole materially shifted market expectations. He mentioned inflation 25 times in his remarks, stating that US inflation remains "too high" and further tightening will be warranted if inflation fails to cool at a sufficiently fast pace. His comment that "it is hard to conclude current financial conditions are restrictive" was interpreted as the clearest hawkish signal. Markets repriced sharply. According to CME FedWatch, the probability of a September rate hike jumped from 35% pre-speech to 60%, while the odds of at least one hike before year-end neared 90%. The 2-year US Treasury yield rose 10 bps intraday to 4.36% after the speech. Multiple institutions noted that the speech aimed to rebuild the Fed's inflation-fighting credibility, raising the odds of a 25 bp "pre-emptive" hike within 2026. Across other major central banks, the ECB's August minutes raised the odds of a September hike. Swaps price in a nearly 80% probability of a BoJ September rate increase.

Notably, Warsh brought AI into the Fed's macro narrative for the first time, noting that AI could emerge as a new factor of production. A dedicated Fed working group will track AI impacts on productivity, labour markets and capital allocation. This view may underpin resilience in non-ferrous metals at historically elevated price levels over the medium to long term.

Strait of Hormuz throughput partially recovered to 700–800 kb/d over the past week, doubling from the mid-July low of 400 kb/d, yet fresh US-Iran frictions emerged over the weekend, with fundamental disagreements largely unresolved. The Russia-Ukraine war continues, and no Black Sea ceasefire has been reached.

The US imposed an additional 7.5% tariff on Chinese goods, bringing total effective tariffs to 20%. Given China's room for countermeasures, markets are pricing in meaningful risk of future US policy adjustments. China's August manufacturing PMI rose to 49.8, beating consensus forecasts. Improved sector sentiment sends tentative stabilisation signals for the economy and supports commodity demand expectations. Markets are awaiting tangible demand delivery through the September–October manufacturing peak season.

FFA:
Capesize rates posted their steepest weekly gain in nearly two months. The North Atlantic outperformed markedly, with sharp rises in transatlantic and fronthaul fixture levels. South Brazil and West Africa-to-China routes stayed firm on robust cargo volumes. Owners held firm on offers, and fixtures consolidated at high levels in the second half of the week. The Pacific market remained steady, while typhoon-related disruptions to coastal port operations tightened available tonnage and provided additional freight support.

Source: Bloomberg, FIS

	Last	Previous	Changes %
Shanghai & Shenzhen 300 Index	4609.18	4618.90	**-0.21%**
Dow Jones Industrial Average	53185.90	53417.16	**-0.43%**
FTSE 100 Index	10824.26	10816.56	**+0.07%**
Nikkei 225 Index	66311.93	65528.09	**+1.20%**
BVAL US 10-year Note Yield	4.76	4.72	**+0.92%**
BVAL China 10-year Note Yield	1.6738	1.6602	**+0.82%**

Panamax rates also surged, boosted by a sudden pick-up in grain demand across the North Atlantic and East Coast South America, alongside Australian mineral cargoes. Time charter fixture rates moved higher on almost a daily basis. Some large cargoes are being diverted to the US Gulf or split onto smaller vessels, which may structurally dilute Panamax demand going forward.

Supramax markets retained the low-volatility pattern seen since July, with largely flat weekly readings. Indonesia-India coal routes stayed firm, while North American and Continental European rates traded sideways. Sharply reduced Black Sea cargo volumes represent a direct headwind, yet European buyers are rerouting to longer-haul origins such as the US Gulf and Brazil, lifting tonne-mile demand. Despite Guinea's rainy season, bauxite shipments remain elevated and have improved notably versus early August, providing sustained support for Supramax freight rates.

Oil:
Crude oil markets witnessed dramatic geopolitical swings over the past week, shifting from announcements of "maximum sanctions" to rapid walk-backs, followed by a sharp escalation of military clashes over the weekend. The policy playbook transitioned from military posturing to economic attrition, and finally to a dual-track stance combining military confrontation and economic pressure. Negotiations between Iran and Oman over Strait of Hormuz transit rules remain ongoing, yet core US-Iran disagreements persist. Weekend hostilities marked the first US military action against Iran in one month. Observable merchant vessel traffic slumped, and Iran declared the Strait "fully closed". Notably, despite volatile geopolitical signals, the marginal price impact from sanctions and conflicts has been diminishing, pointing to improved market pricing efficiency for high-frequency geopolitical shocks. According to EIA data, US commercial crude oil inventories rose by merely 95,000 barrels in the week ending 21 August, well below consensus expectations of a 597,000-barrel build. The Strategic Petroleum Reserve (SPR) fell by 6.1 million barrels in August to 298.7 million barrels, hitting its lowest level since 1983. Record-high stockpiles built amid the 2025 supply surplus have been largely drawn down, eliminating the global oil supply safety buffer. In its August monthly report, the IEA sharply revised up its Q3 global oil supply-demand deficit from 0.8 million b/d to 1.8 million b/d, reflecting a further tightening of the fundamental backdrop. Constrained inventories alongside persistent geopolitical supply disruptions amplify tail risks for crude prices.

Metals:
Copper: LME copper settled at $14,285/t this week, up 0.70% week-on-week, marking its ninth consecutive weekly gain. The heavy wave of deliveries seen in the previous two weeks has been largely absorbed: SHFE inventories plunged 18.5% over the week, while available copper stocks in LME-registered warehouses also fell materially. Mine treatment charges (TCs) dropped further to -$194.3/dmt, their lowest level since 2007. Smelters incur losses of roughly $194 for each tonne of imported spot copper concentrate processed, tightening hard supply-side constraints. Nevertheless, demand-side weakness is emerging. The recovery in copper rod operating rates mainly stems from the release of previously backlogged orders. Operating rates stood at 61.2% during 14–20 August, up only 1.89% week-on-week and still 11.3% lower year-on-year. New-order momentum is softening amid elevated copper prices, with end-users reluctant to chase higher prices. Whether downstream operating rates can shift from passive recovery to active expansion will be critical in determining whether copper prices can break all-time highs. Meanwhile, the unresolved US copper tariff policy continues to distort global copper trade flows.

Source: Bloomberg, FIS

	Last	Previous	Changes %
LME Copper 3 Month Rolling	14294.00	14215.50	**+0.55%**
LME Aluminium 3 Month Rolling	3242.00	3237.50	**+0.14%**
WTI Cushing Crude Oil	98.10	98.75	**-0.66%**
Platts Iron Ore Fe61%	99.70	97.15	**+2.62%**
US Gold Physical	4445.03	4657.17	**-4.56%**
BDI	3186.00	2791.00	**+14.15%**

Lithium: Social inventories of lithium carbonate continue to draw down at a rapid pace. The production restart timeline for Jiangxi mines remains uncertain. The EIA pre-acceptance public notice for the Jianxiawo lithium mine (17–28 August) was abruptly revoked, further delaying its resumption schedule. Maintenance at selected salt-lake and lithium salt facilities has created temporary output losses. While Zimbabwean spodumene cargoes continue to arrive, raw material supply remains tight overall. Lithium carbonate sees solid near-term price support. Nevertheless, the formal rollout of the lithium battery consumption tax may lift end-product battery prices, squeeze downstream affordability and potentially cap further upside for lithium salt prices.

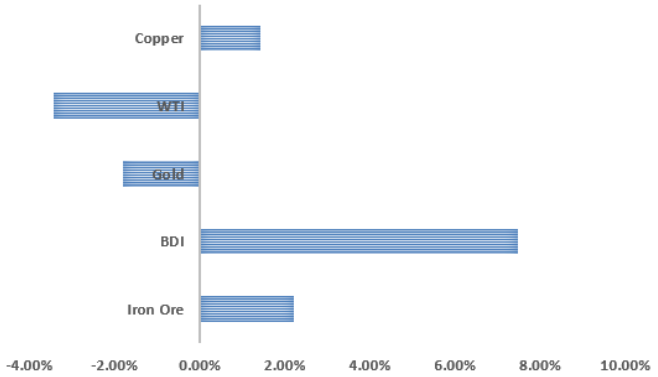
Cobalt: The cobalt market shows a fragmented dynamic marked by producers' price-holding stance alongside collapsing physical trades. Producers are keeping offers above $20/lb, yet downstream buying interest has fallen to $15/lb. The wide bid-offer gap has resulted in frequent tender failures recently. To avoid losses from direct sales of cobalt intermediates, some miners are shifting to toll processing for cobalt metal output. Electrolytic cobalt finds support from producers' price defence, while cobalt sulphate weakens on soft cost support and competitive low-cost Indonesian material.

Ferrous:
Iron Ore: The recent iron ore rebound is driven mainly by sentiment spillover from surging coking coal prices rather than intrinsic fundamental improvement. Hot metal output continued to decline after the rally, capping price upside. Steel mill margins are being eroded by higher coking coal costs, further limiting price flexibility for iron ore procurement. Port inventories edged down 1% month-on-month but remain seasonally elevated. Into September, typhoon disruptions will fade and shipping capacity will normalise. West African supply is expected to expand as the rainy season ends, keeping medium-term supply-side pressure intact.

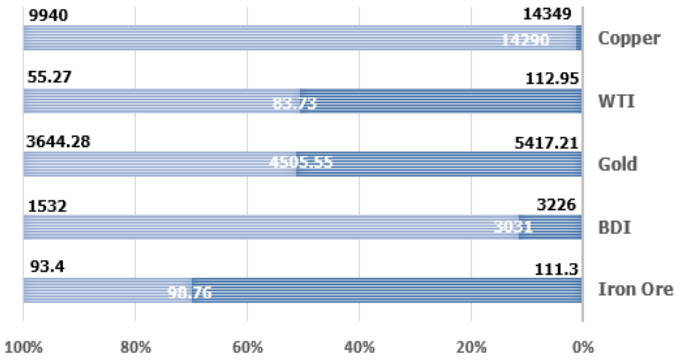
Coking Coal: Coking coal stayed strong last week, underpinned by regular safety inspections and low Mongolian coal clearance volumes. Domestic mine capacity utilisation remains low, with slow production resumption. Coke implemented two rounds of price hikes within one week, an unusually fast pace this year, highlighting tight coking coal supply-demand balances. As DCE delivery approaches, stronger delivery demand from longs and aggressive selling have amplified nearby-contract volatility. Australian FOB premium hard coking coal rallied sharply, widening the spread between premium and second-tier grades and signalling a persistent structural shortage of high-grade material. Marginal steel mill profit recovery and the upcoming September seasonal manufacturing peak incentivise downstream restocking of coking coal. That said, the rapid price run-up has increased regulatory risks to the upside.

Source: Bloomberg, FIS

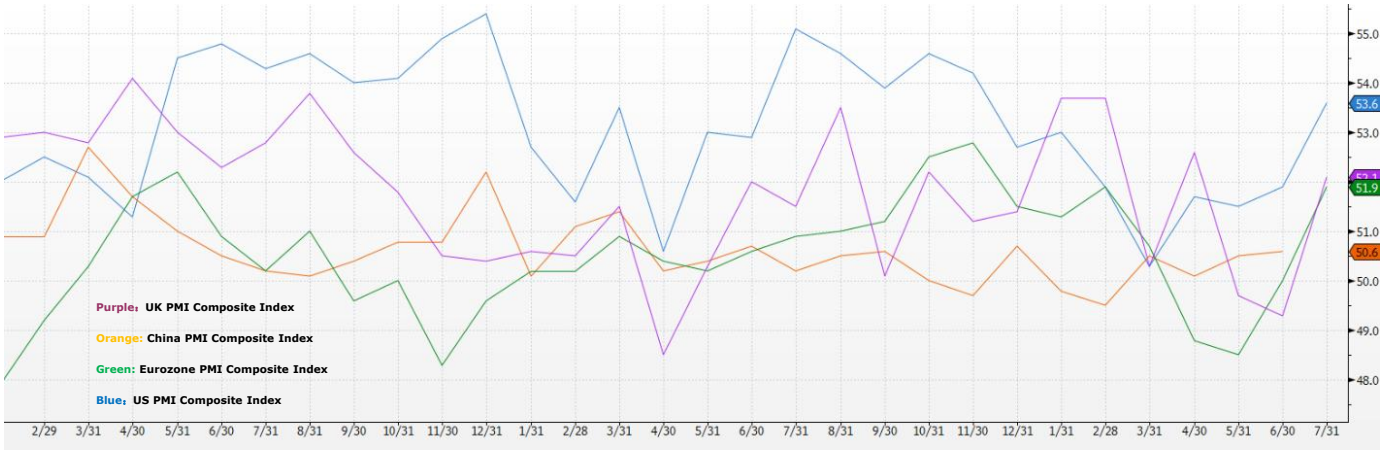
Commodity Relative Price Range
(Past 52 Weeks)



5 Day Moving Average Change
On Commodities

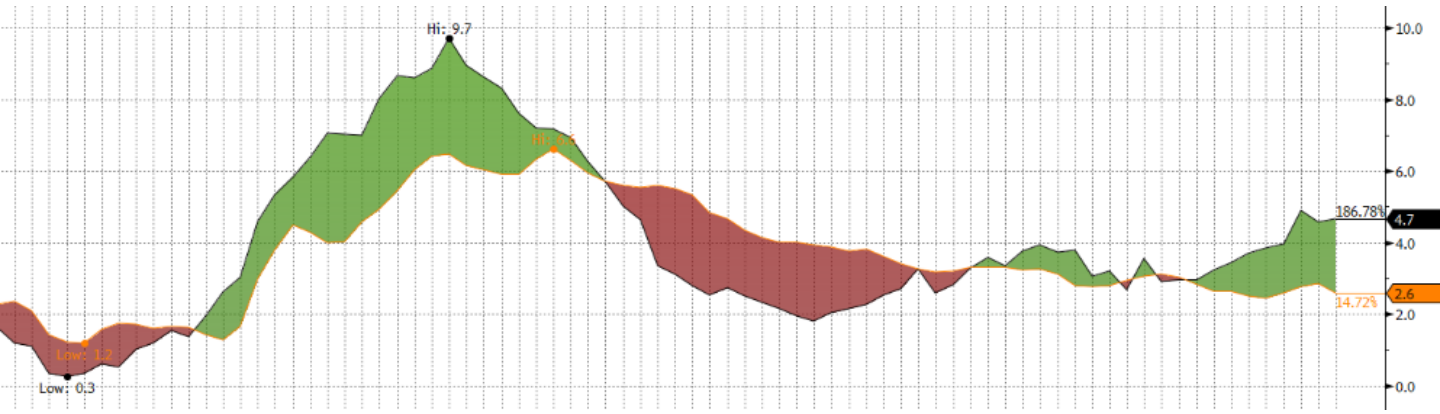


Past 3-year PMI Index

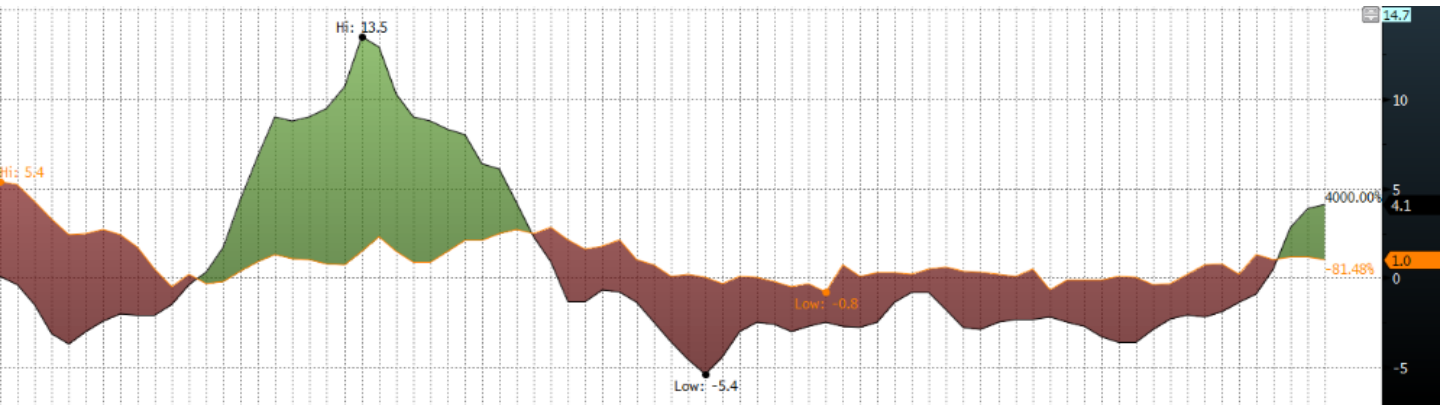


Source: Bloomberg, FIS

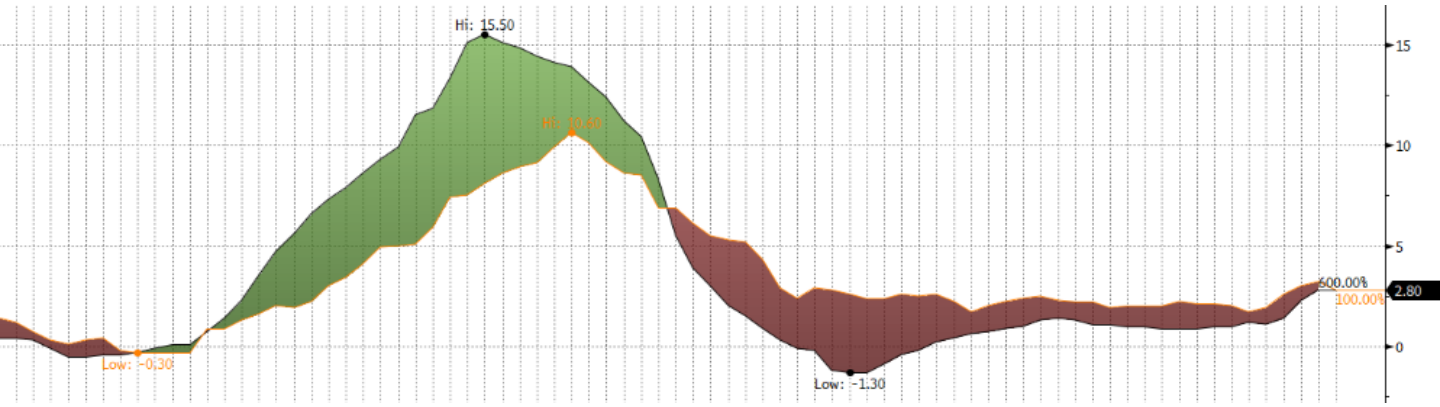
Past 5-year US PPI—CPI (Excl. Food and Energy)



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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