FIS

MACRO REPORT

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	Last	Previous	Changes %
US Dollar Index (DXY)	98.84	99.68	**-0.84%**
USD/CNY	6.7076	6.7221	**-0.22%**
US FOMC Upper Interest Rate	3.75	3.75	**0.00%**
China Repo 7 day	1.41	1.43	**-1.05%**
Caixin China Manufacturing PMI	51.50	50.90	**+1.18%**
Markit US Manufacturing PMI	53.10	53.70	**-1.12%**

Commentary:

Global Macro Markets:

US August non-farm payrolls printed 162,000 jobs, roughly tripling consensus expectations of 56,000. CME FedWatch priced the September rate-hike probability up from 50% to 60%, reinforcing Chair Warsh's hawkish narrative. The Trump administration has ramped up pressure on the Fed to avoid rate hikes, threatening potential trade actions against countries running trade surpluses with the US should the Fed refuse to cut rates. The Treasury Secretary and senior presidential economic advisers also lean against hiking. August PPI (10 September) and CPI (11 September) will serve as key data inputs for the September FOMC decision. The ECB will hold its policy meeting on 10 September; markets widely price in a 25 bp hike in the deposit facility rate to 2.50%, its second hike this year, cementing its stance as the most hawkish central bank within the G7. In China, the PBOC conducted RMB 500 billion of 3-month outright repo operations. Chinese state-affiliated institutional analysts have flagged potential RRR-cut options down the line.

Geopolitical-energy updates: Military tensions around the Strait of Hormuz escalated. Mohsen Rezaei, Secretary of Iran's Supreme National Security Council, stated that the strait is near full closure. Meanwhile, US Energy Secretary Wright commented on 6 September that 7-day average crude flows through Hormuz hit an all-time high of 9 million bbl/d. Drone strikes across the Black Sea continue to disrupt CPC crude exports. July loadings dropped materially. A near-term resolution to the Russia-Ukraine conflict remains unlikely, keeping tail risks for energy and grain supplies alive.

FFA:

Capesize earnings surged for two consecutive weeks, with 5TC time charter earnings assessed at $54,791/day, marking a fresh YTD high. Pacific C10 round-voyage rates jumped $11,373/day on 3 September to $58,050/day. Initial softness early in the Pacific week faded quickly. Major miners remained active charterers, tightening spot vessel availability and restoring market sentiment. Firm demand emerged from South Brazil and West Africa, while forward-looking North Atlantic enquiries remained healthy, steadily eroding open tonnage and lifting sentiment. Simandou iron ore shipments hit a record 3.21mn tonnes in August, with additional locomotive capacity mitigating wet-season disruptions.

Nevertheless, headwinds persist over the longer term. China's crude steel output is contracting year-on-year. Iron ore demand may soften once peak-season restocking concludes. Elevated freight costs are also discouraging shipment volumes from selected iron ore and bauxite miners.

Positive sentiment across both ocean basins lifted Panamax rates steadily throughout the week. Transatlantic and fronthaul activity remained buoyed by persistent September cargo enquiries, with multiple fixed-rate fixtures concluded. The Pacific drew support from coal volumes as well as cargo splitting from Capesize volumes.

Source: Bloomberg, FIS

	Last	Previous	Changes %
Shanghai & Shenzhen 300 Index	4548.05	4609.18	**-1.33%**
Dow Jones Industrial Average	53414.25	53559.99	**-0.27%**
FTSE 100 Index	10822.13	10824.26	**-0.02%**
Nikkei 225 Index	66399.84	66311.93	**+0.13%**
BVAL US 10-year Note Yield	4.80	4.74	**+1.15%**
BVAL China 10-year Note Yield	1.6607	1.6738	**-0.78%**

The Supramax market remained in consolidation mode overall, though South Atlantic segments rebounded on spillover strength from Panamax. Several vessels were fixed ECSA/Far East at $19,000/day plus a $900,000 repositioning bonus.

Oil:

Crude oil rallied sharply amid escalating geopolitical tensions. The US and Iran offered conflicting narratives over Strait of Hormuz traffic volumes and operational status over the weekend. The EU has joined sanctions against Iran. Tensions between the Houthi movement and Saudi Arabia are escalating, with a broadening risk of conflict spillover. The window for diplomatic negotiations has largely closed. Tail geopolitical risks in the Middle East have risen, lifting the risk premium for crude oil, while disruption risks for the Strait of Hormuz and Red Sea shipping lanes are further elevated. Nevertheless, some research houses expect both sides to preserve partial transit corridors. Tankers will likely operate under heightened risk rather than facing a full shutdown.

OPEC kept October production quotas unchanged, marking the first pause in output increases in seven months. The US SPR fell to 286.6mn barrels, hitting its lowest level since November 1982. Global crude floating storage dropped to a seven-year low. US refinery utilisation surged to 98%, the highest reading this calendar year. China's crude oil throughput continues to climb across Q3. A countervailing macro headwind is much stronger-than-expected US non-farm payrolls, which lifted rate-hike odds and exert indirect downward pressure on oil prices.

Metals:

Copper: LME 3-month copper hit an all-time high of $14,587/mt on 8 September, rallying nearly 50% over the past 12 months. This breakout is driven by persistent inventory depletion outside the US, deeply negative concentrate TC/RCs and global copper diversion on expectations of US Section 232 tariffs. COMEX copper inventories climbed to 695,600 tonnes as of 3 September, a fresh all-time high, up 239,000 tonnes (+52%) from 456,700 tonnes in early January. The LME cancelled-warrant ratio remains elevated at 51–52%, pointing to a potential outflow of more than 121,000 tonnes of copper from LME warehouses in the coming weeks. LME Cash/3M backwardation remains near $75/mt, signalling that tight prompt physical conditions have not been fundamentally resolved. Deutsche Bank noted in its 1 September report: "The copper market may be approaching a once-per-decade squeeze event." Major miners including Rio Tinto, BHP and Glencore reported sharply higher copper-segment profits, though multiple operations suffered operational disruptions this year, constraining the supply response.

Looking ahead, September–October marks the seasonal demand peak. With the critical 28 September deadline for the US Section 232 tariff review pending, regional physical shortages persist in the near term.

Source: Bloomberg, FIS

	Last	Previous	Changes %
LME Copper 3 Month Rolling	14509.50	14294.00	**+1.51%**
LME Aluminium 3 Month Rolling	3312.00	3242.00	**+2.16%**
WTI Cushing Crude Oil	98.10	98.75	**-0.66%**
Platts Iron Ore Fe61%	100.05	99.70	**+0.35%**
US Gold Physical	4422.66	4328.82	**+2.17%**
BDI	3575.00	3107.00	**+15.06%**

Lithium: Lithium carbonate markets were roiled this week by a methodological revision from a major Chinese market data provider. Sharply expanded inventory sampling showed a much slower rate of stock drawdown alongside higher implied output, triggering a wave of panic selling.

Over the medium to long term, the incorporation of previously unreported hidden inventories should provide more realistic visibility into circulating stocks, allowing speculative selling pressure to gradually abate. Albemarle held a new online auction for Wodgina spodumene concentrate, with clearing prices higher than late-July levels, pointing to resilient underlying physical demand. Downstream cathode output shows divergence: LFP production schedules are rising in September, while NCM cathode output is falling month-on-month. Overall battery-sector demand is decelerating compared with August.

Cobalt: Following the persistent widening of bid-offer spreads for cobalt intermediates, spot trading levels converged towards buyer expectations, settling at $16.84/lb. MHP payable coefficients moved lower accordingly. Sharp price corrections spread across the complex, including refined cobalt, cobalt powder and cobalt sulphate.

Ferrous:
Iron Ore: Due to typhoon disruptions and maintenance at selected Australian ports, Mysteel reported global iron ore shipments at 33.58mn tonnes last week, down 2.13mn tonnes week-on-week. Arrivals at China's 45 major ports are at 26.24mn tonnes, up 8.32mn week-on-week.

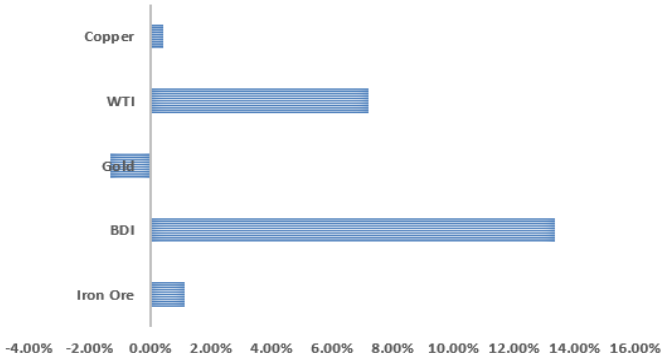
Supply-side recovery remains on the horizon. The wet season in West Africa has concluded. Simandou iron ore shipments hit a record 3.21mn tonnes in August. As weather-related disruptions fade and China's port iron ore stocks remain seasonally elevated, global supply is poised for a potentially rapid rebound. Market participants await the outcome of negotiations between China Mineral Resources Group and Australian miners, which will shape future shipment volumes and cadence.

Entering the September peak-demand season, underlying demand is picking up and steel mills may begin raw material restocking in due course. Some Brazilian mines cut output last week amid exceptionally high ocean freight rates; high freight costs continue to feed through to commodity spot costs. Nevertheless, around 70% of Chinese steel mills are loss-making. Significant output expansion is unlikely given the concurrent headwinds of elevated coking coal, iron ore and freight costs.

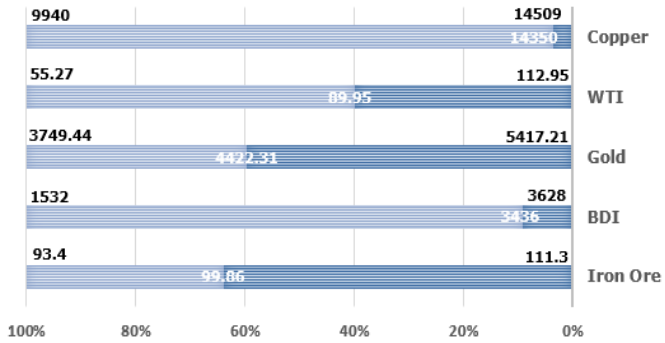
Coking Coal: Multiple Chinese authorities have emphasised supply security. Domestic supply is recovering gradually, yet tightness in high-grade coking coal still requires combined inflows from imports from Mongolia and Australia. Mongolian coking coal exports have risen notably in September but are already near elevated levels, leaving limited upside for further throughput gains. With the monsoon season over and the September steelmaking peak season underway, India may ramp up purchases of Australian coking coal. Mirroring iron ore dynamics, surging freight adds landed-cost pressure for seaborne coking coal.

Source: Bloomberg, FIS

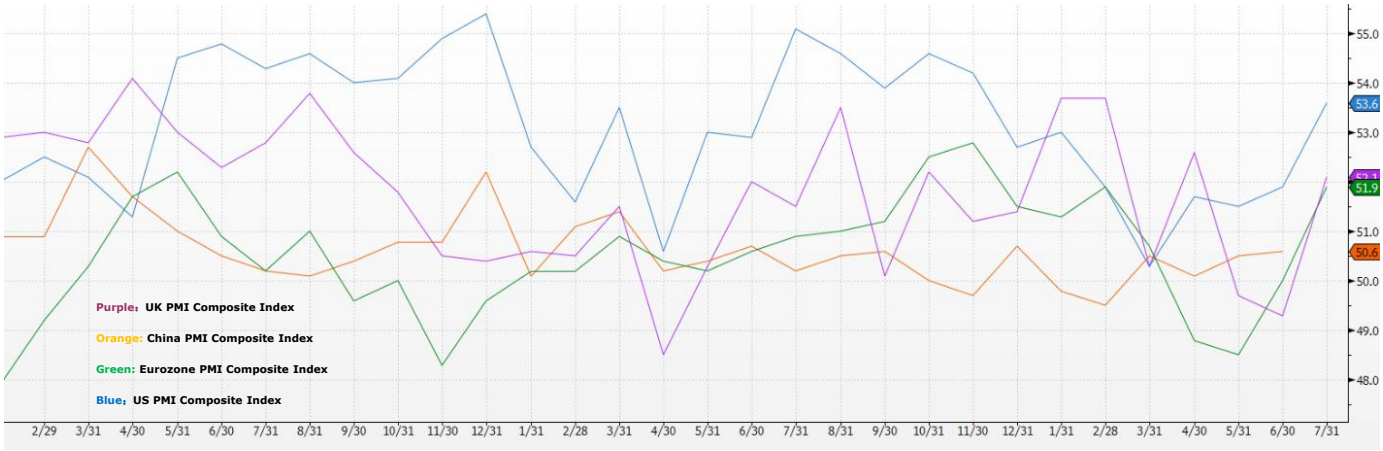
Commodity Relative Price Range (Past 52 Weeks)



5 Day Moving Average Change On Commodities

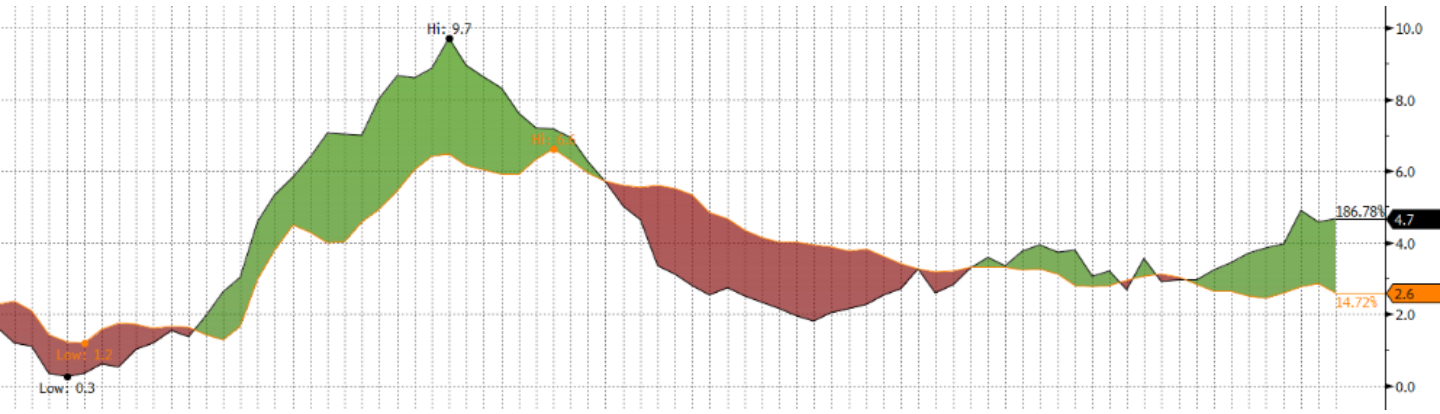


Past 3-year PMI Index

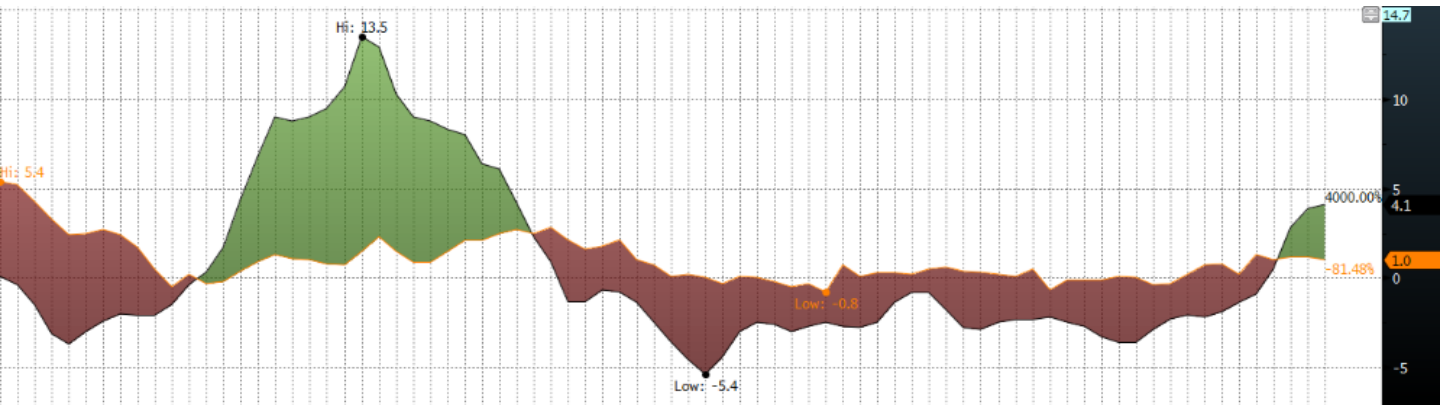


Source: Bloomberg, FIS

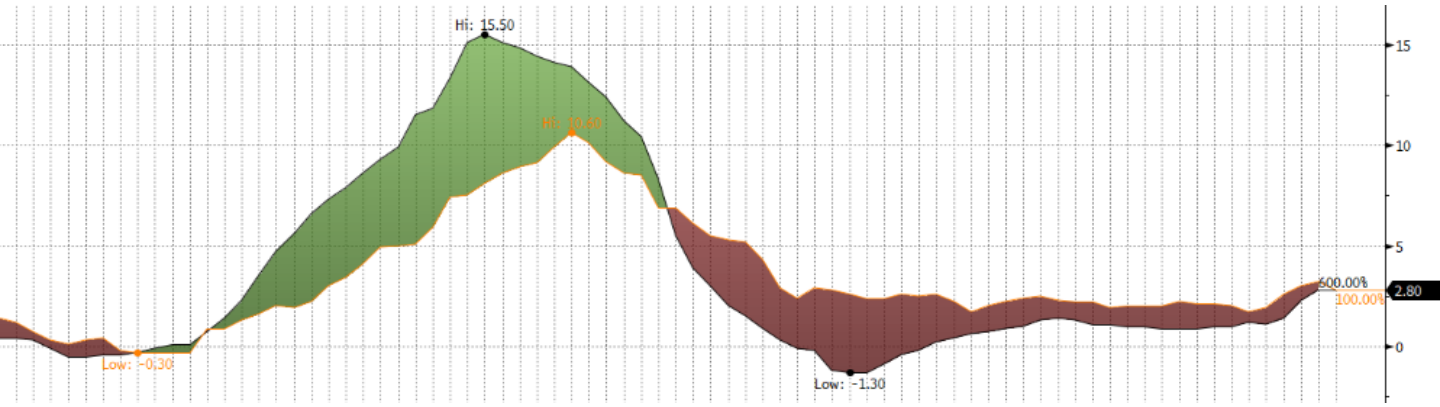
Past 5-year US PPI—CPI (Excl. Food and Energy)



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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