FIS

MACRO REPORT

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	Last	Previous	Changes %
US Dollar Index (DXY)	99.53	98.79	**+0.75%**
USD/CNY	6.7095	6.7068	**+0.04%**
US FOMC Upper Interest Rate	3.75	3.75	**0.00%**
China Repo 7 day	1.42	1.41	**+0.71%**
Caixin China Manufacturing PMI	51.50	50.90	**+1.18%**
Markit US Manufacturing PMI	53.10	53.70	**-1.12%**

Commentary:

Global Macro Markets:

Global macro markets this week were driven by two core narratives: escalating geopolitical tensions lifting oil prices and sticky inflation reinforcing rate-hike expectations. Following the widening Middle East conflict, vessel traffic through the Strait of Hormuz collapsed to fewer than five merchant vessels per day, while Saudi Arabia's east-west oil pipeline was attacked and shut down. The scheduled meeting between Iran and Gulf states was postponed. Escalating risks across key energy transit routes amplify tail risks for energy markets.

US President Donald Trump announced cash distributions to households, which are viewed as consumption stimulus that could stoke inflation. Market-implied odds of a September Fed rate hike surged to 88% from 60% post-NFP, with more hikes priced in for the rest of the year. Multiple investment banks revised their baseline from no change to a rate increase. That said, repeated repricing of rate-hike scenarios has already been largely absorbed by markets, limiting downside pressure on commodities. The ECB delivered a 25 bp rate hike on 10 September as scheduled, lifting the deposit facility rate to 2.50% in its second hike this year, and simultaneously halted principal reinvestment for maturing securities. China's August CPI rose to 0.8%, while YoY PPI inflation widened to 3.8%. Stripping out energy effects, PPI remains elevated, signalling industrial recovery and emerging inflationary pressures.

Long-end US Treasury yields continued to climb, with the 30-year Treasury yield breaking 5.35%, hitting its highest level since 2007. The US Treasury's previous bond buyback programme failed to cap yields effectively, showing that markets continue to price in inflation and fiscal supply pressures.

FFA:

Capesize freight rates peaked and retreated from multi-year highs. Early in September, Capesize 5TC surged above $58,000/day, marking a three-year high. The Atlantic market retains resilient fundamentals. Brazilian iron ore exports, Guinean bauxite shipments and West African iron ore projects collectively underpin fixture activity in the Atlantic basin. Cargo diversion continues given the relative rate advantage of Panamax vessels. Separately, falling steel output and depressed mill profitability may weigh on demand for seaborne iron ore and coking coal.

Panamax freight rates corrected last week. The South American grain season is nearing its end, driving a notable rise in Atlantic tonnage supply, while ballasting vessel availability in the Pacific has increased sharply. Weak grain demand out of the Black Sea further erodes rate support.

Source: Bloomberg, FIS

	Last	Previous	Changes %
Shanghai & Shenzhen 300 Index	4510.16	4548.05	**-0.83%**
Dow Jones Industrial Average	52421.20	53414.25	**-1.86%**
FTSE 100 Index	10697.57	10822.13	**-1.15%**
Nikkei 225 Index	63492.99	66399.84	**-4.38%**
BVAL US 10-year Note Yield	5.0013	4.7975	**+ 4.25%**
BVAL China 10-year Note Yield	1.6630	1.6607	**+ 0.14%**

The Supramax market edged higher, led mainly by the Atlantic basin. Rates on US Gulf/Far East and US Gulf/Continent Europe routes remained elevated. Fixtures for ECSA/Far East voyages were concluded at firm levels alongside substantial repositioning bonuses, reflecting resilient demand for long-haul trades. Tight tonnage availability across the Atlantic, combined with solid long-haul cargo enquiries, jointly provided near-term support for Supramax freight rates.

Oil:

Middle East geopolitical tensions have escalated sharply. The Strait of Hormuz, the world's critical energy artery, has become a frontline for military confrontation. Daily oil flows through the strait have collapsed from 8 million bpd to below 2 million bpd. Houthi forces seized Mokha, overlooking Red Sea tanker lanes, further strengthening Iran's leverage over global oil and gas prices. Iran's foreign minister confirmed that a meeting scheduled for 14 September would discuss new maritime corridors within the strait, yet Oman's foreign minister announced the indefinite postponement of the planned meeting the same evening, narrowing diplomatic options once again. Wall Street has collectively revised oil price forecasts higher, with tail risks rising sharply.

On the supply side, the IEA widened its projected decline in 2026 global oil demand to 2.5 million bpd. Saudi oilfield output fell by 1.9 million bpd late last month to 6.24 million bpd, the lowest level since 1990. Should hostilities escalate further, production from Middle Eastern oil exporters faces additional downside risks.

Risk warning: Crowded long positions and elevated volatility warrant caution against sharp corrections triggered by derivative covering.

Metals:

Copper: LME 3-month copper briefly hit a fresh all-time high of $14,875/tonne. Subsequently, Reuters reported on 10 September that the White House had not yet reached a decision on refined copper tariffs. The report dashed tariff expectations, triggering cascading long liquidation and sending prices sharply lower. On the macro front, surging rate-hike odds coupled with a stronger US dollar tightened liquidity, weighing materially on copper prices. Fundamentals show weakness on both the supply and demand sides. On the supply side, treatment charges remain deeply negative, with the TC index falling to -$211.5/tonne. Major global mines, including Codelco and Escondida, have broadly cut production guidance, reinforcing the supply contraction narrative. On the demand side, elevated copper prices have markedly dampened end-user purchasing appetite; traders are reluctant to build inventories at high cost, and copper rod operating rates have declined visibly. The copper market is currently facing dual uncertainties from unresolved tariff prospects and tightening macro liquidity. High volatility will dominate in the near term. A decisive directional breakout awaits clarity on these two variables.

Source: Bloomberg, FIS

	Last	Previous	Changes %
LME Copper 3 Month Rolling	14001.00	14509.50	**-3.50%**
LME Aluminium 3 Month Rolling	3244.50	3312.00	**-2.04%**
WTI Cushing Crude Oil	98.10	98.75	**-0.66%**
Platts Iron Ore Fe61%	94.95	100.05	**-5.10%**
US Gold Physical	4293.44	4355.99	**-1.44%**
BDI	3507.00	3488.00	**+0.54%**

Lithium: Lithium salt output continued to rise this week, while shipments of overseas lithium ores resumed, leading to an overall looser supply backdrop. Meanwhile, the pace of inventory destocking has slowed markedly, exerting direct downward pressure on prices. On the policy front, Chinese authorities are rolling out an early-warning mechanism for power and energy storage battery capacity, which has dampened market expectations for Q4 demand. Demand shows structural divergence: LFP production schedules remain robust, with demand visibility extending into next year. However, order fulfilment for ternary cells has slowed materially, weakening near-term momentum. Overall, ample supply and cooling policy expectations dominate short-term price movements, while divergent demand will determine relative strength across different lithium products.

Cobalt: Cobalt intermediates, electrolytic cobalt, cobalt powder and cobalt sulphate all corrected sharply. No major news shocks emerged last week. Price declines were mainly driven by sluggish spot transactions dragging down indices and futures. On the demand side, weak demand for ternary batteries and the lack of a meaningful peak season for consumer batteries cap near-term cobalt consumption, leaving fundamentals without solid support.

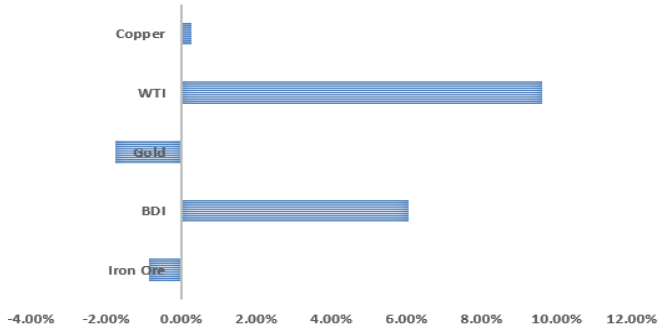
Ferrous:
Iron Ore: Iron ore posted a notable correction this week. After typhoon disruptions subsided, China's port arrivals rebounded sharply by 8.33 million tonnes, with shipments remaining at historically elevated levels. The Simandou project continued to ramp up volumes across August and September, adding marginal supply-side pressure. Port inventories edged lower for two consecutive weeks yet remain high in absolute terms. Markets are pricing in the timing of the Rio Tinto/CMRG agreement and its near-term supply impact. Separately, rumours suggest FMG cargoes are gradually being released at ports.

On the demand side, hot metal output failed to register a meaningful rise during the traditional peak season. Less than 10% of steel mills remain profitable, which is likely to continue capping production appetite. That said, elevated ocean freight and energy costs stemming from geopolitical risks continue to underpin valuations. Prices are expected to trade in a weak range in the near term, with downside limited by cost floors. At the macro level, rising rate-hike expectations triggered broad declines across industrial commodities.

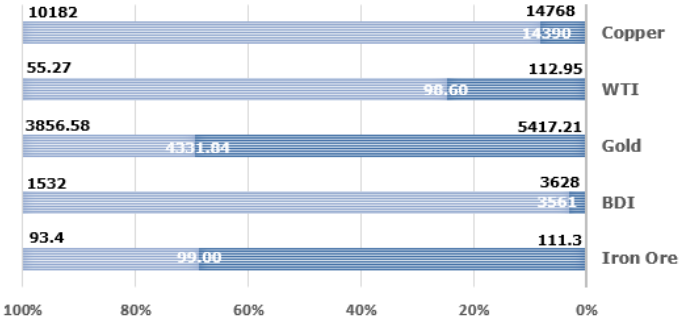
Coking Coal: Chinese authorities are implementing coal supply guarantee plans, yet capacity ramp-up cannot be delivered quickly after permit relaxation, leaving limited short-run supply elasticity. Mongolian coking coal border clearance has remained at 700–800 trucks/day recently, below market expectations of 900–1,000 trucks/day, resulting in weaker-than-expected import replenishment. The fifth round of coke price hikes has been fully implemented, though industry consensus views further price increases as challenging. Demand for high-priced cargoes remains muted, and downstream acceptance of elevated prices is constrained. That said, structural demand for seaborne coking coal remains firm, and the tight supply-demand balance for premium primary coking coal persists. India's coal inventories remain at low levels. With the monsoon season ending, its import procurement window is gradually opening, potentially bringing marginal demand growth for seaborne coking coal.

Source: Bloomberg, FIS

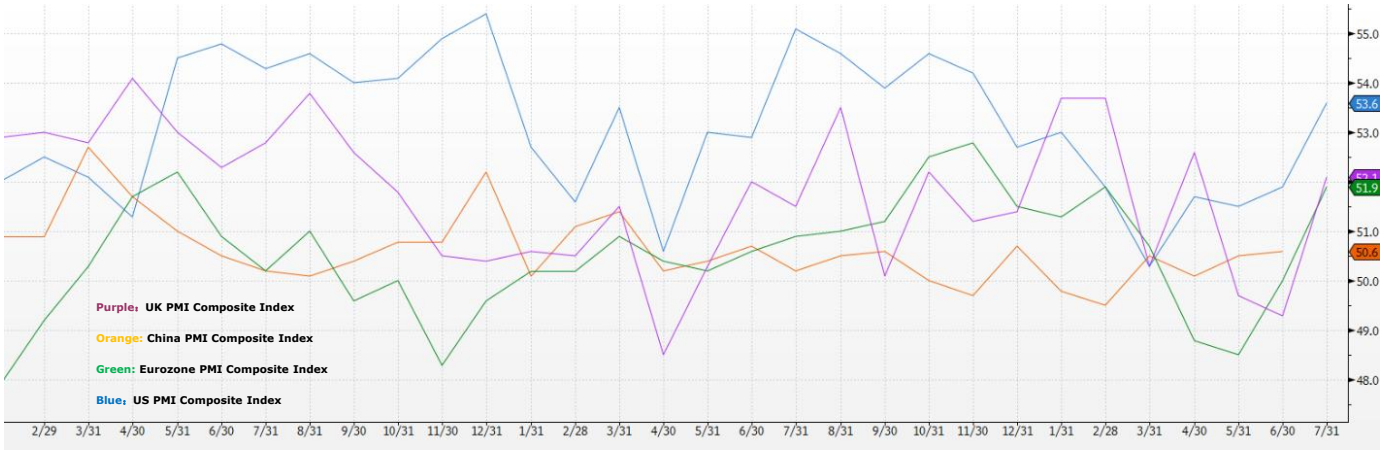
Commodity Relative Price Range
(Past 52 Weeks)



5 Day Moving Average Change
On Commodities

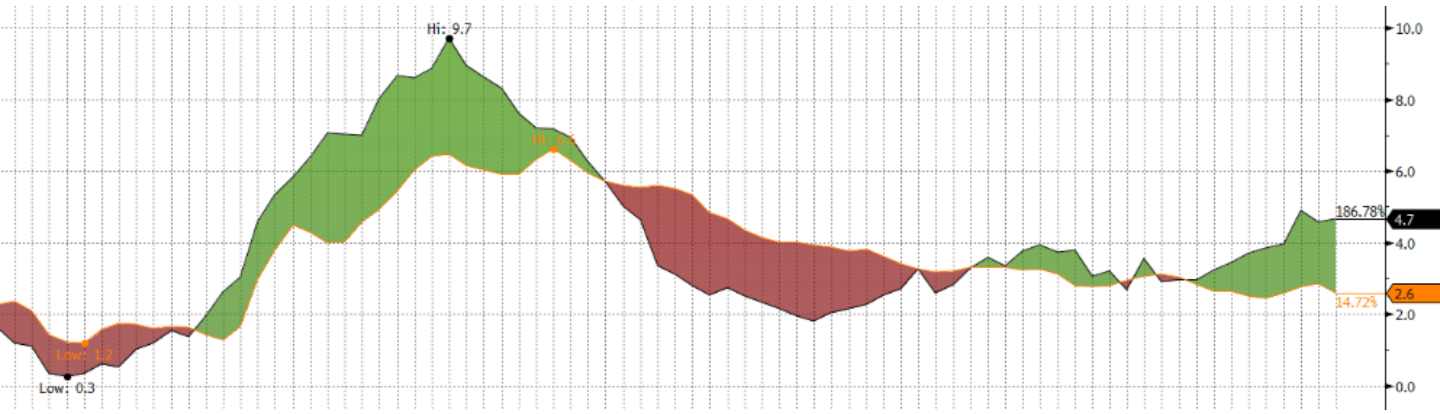


Past 3-year PMI Index

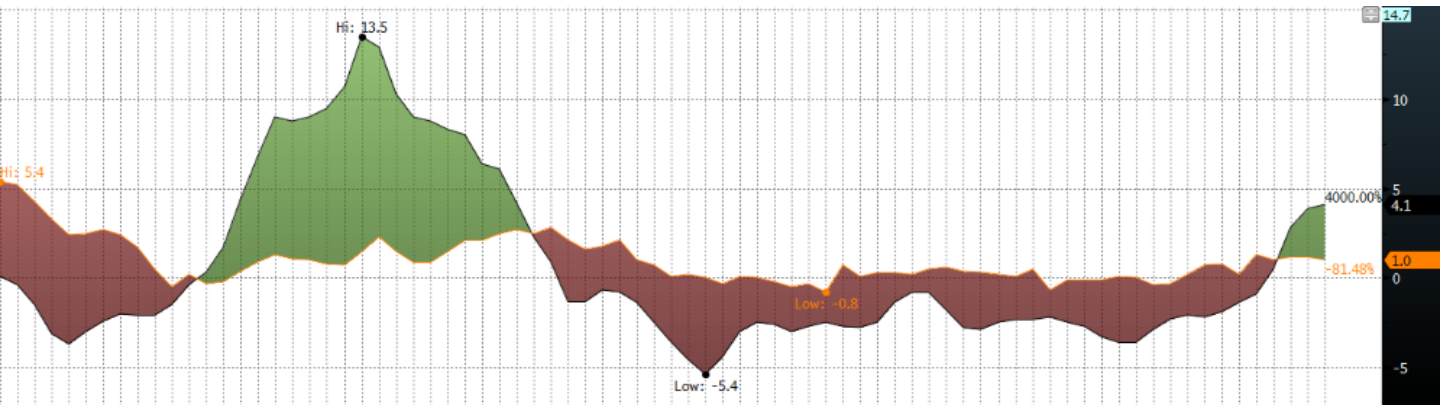


Source: Bloomberg, FIS

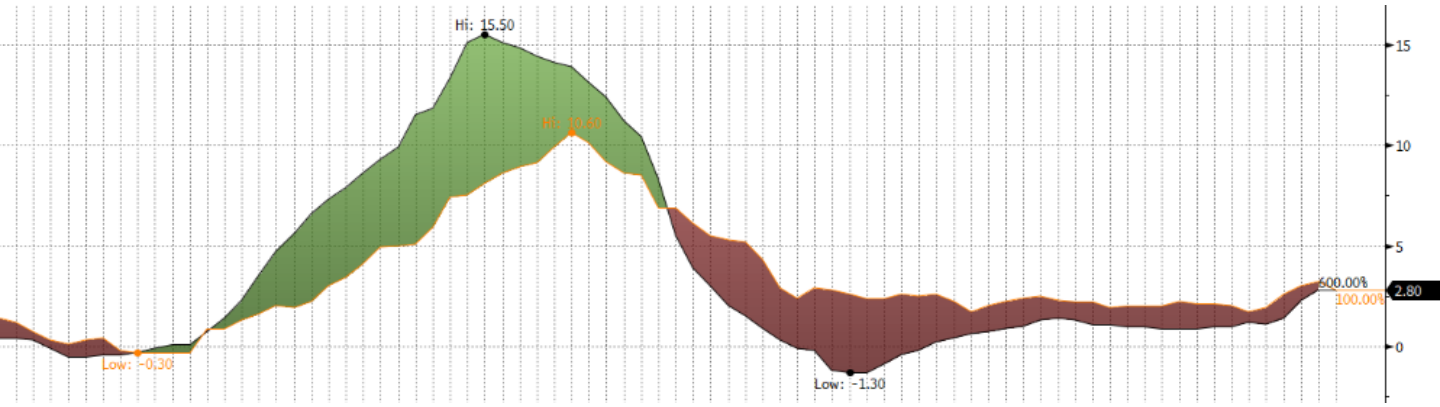
Past 5-year US PPI—CPI (Excl. Food and Energy)



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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