FIS

MACRO REPORT

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info@freightinvestor.com | freightinvestorservices.com | fis-live.com
London (+44) 20 7090 1120 | Dubai (+971) 4 4493900 | Singapore (+65) 6535 5189 | Shanghai (+86) 21 6335 4002

	Last	Previous	Changes %
US Dollar Index (DXY)	100.38	99.62	**+0.76%**
USD/CNY	6.6922	6.7122	**-0.30%**
US FOMC Upper Interest Rate	4.00	3.75	**+6.67%**
China Repo 7 day	1.44	1.43	**+0.70%**
Caixin China Manufacturing PMI	51.50	50.90	**+1.18%**
Markit US Manufacturing PMI	53.10	53.70	**-1.12%**

Commentary:

Global Macro Markets:
Following its FOMC meeting, the Federal Reserve announced an increase in the federal funds rate target range from 3.50–3.75% to 3.75–4.00%, marking its first rate hike in three years. The dot plot shows that of the 18 officials providing rate projections, 12 expect one more 25 bp hike this year, four expect two more, and only two expect no further hikes this year. Core PCE forecasts were revised higher, with the timeline for inflation returning to the 2% target now pointing to 2029, one year later than previously projected. Political pressure from the Trump administration was not reflected in the decision. The Bank of Japan raised rates, the ECB signalled tightening, and the Bank of England abandoned its plan to sell long-dated government bonds. Most institutions expect China to refrain from RRR or rate cuts this year, but more policy-based financial instruments will be deployed in Q4 to support the economy. Industrial goods and metals staged a relief rally after the hike was delivered, as the bad news had been priced in. Long-end and short-end bond yields edged slightly lower. US equities, however, plunged sharply, reflecting equity market repricing of the confirmed tightening path and earnings outlook. China's Q4 fiscal stimulus carries high certainty; the remaining RMB 2.1tn of special-purpose bonds will likely be issued in a concentrated manner, while the RMB 800bn of new policy-based financial instruments remain in an accelerated deployment phase.

Gulf crude exports have recovered to only about 70% of pre-war levels, down about 5 million bpd from normal levels. Oil prices fell for consecutive sessions from last weekend into early this week, with the market betting that Middle Eastern crude can continue to reach global buyers via alternative routes. Iran's president travelled to the US on 22 September to attend the UN General Assembly; Iranian Foreign Minister Araghchi had departed earlier and stopped in Doha en route for consultations on regional developments. Iranian President Pezeshkian is expected to address the UNGA on 23 September. The US State Department approved visas for the Iranian delegation. The market is beginning to price in a de-escalation in US-Iran relations.

China and the US are negotiating reciprocal tariff reductions on "non-sensitive" goods. The US Trade Representative previously said the tariff-cut list for China will be published on 24 September, covering about $30bn of Chinese goods exported to the US; the market expects the rate could be lowered to the MFN base rate or even lower. The talks cover AI, trade and investment; some media reports suggest that China and the US are discussing an extension of the trade truce.

The macro narrative is shifting from "rate-hike uncertainty" to "tightening path confirmation + geopolitical de-escalation expectations". Commodity markets have largely exhausted the bad news in the short term, but pressure on US equities reflects liquidity tightening and earnings downgrade risks. Going forward, focus on the Fed's pace of rate hikes this year, the implementation of China's Q4 policy tools, actual progress on alternative Middle East transport routes, and details of the US-China tariff-cut list.

Source: Bloomberg, FIS

	Last	Previous	Changes %
Shanghai & Shenzhen 300 Index	4507.39	4510.16	**-0.06%**
Dow Jones Industrial Average	52048.83	52421.20	**-0.71%**
FTSE 100 Index	10739.01	10697.57	**+0.39%**
Nikkei 225 Index	64136.25	65270.95	**-1.74%**
BVAL US 10-year Note Yield	4.9688	5.0013	**-0.65%**
BVAL China 10-year Note Yield	1.6518	1.6630	**-0.67%**

FFA:
The Capesize market weakened early in the week before recovering. At the start of the week, limited cargo supply and ample tonnage in the Pacific pressured rates lower. Mid-week, Pacific rates edged up on fuel-price support, while a tighter tonnage balance in the Atlantic pushed rates steadily higher. Continued demand from South Brazil and West Africa absorbed tonnage, keeping the Atlantic supply-demand balance tight and providing structural floor support for Capesize rates. Longer term, the Simandou project continues to ramp up, offering clear structural incremental volumes. In the near term, high fuel consumption and elevated costs have diverted some coal cargo demand towards Capesize vessels, which, combined with pre-holiday iron ore restocking in China, provides interim support to rates.

Panamax rates declined. South American grain cargoes, combined with high bunker prices, provided some support to rates. Reduced Panama Canal transits increased tonne-mile demand, but some cargoes were diverted to Supramax vessels. Coal consumption by China's major coastal power groups fell week-on-week. In addition, the ongoing Russia-Ukraine conflict continues to curb Black Sea grain exports, further weighing on regional rates.

China's steel product exports exceeded 10 million tonnes in August for the fourth consecutive month, continuing to provide core support for Supramax demand. Meanwhile, smaller vessels have absorbed part of the coal trade volume from larger ships, further boosting Supramax cargo availability. Philippine nickel ore exports are approaching their seasonal peak, providing marginal incremental support to rates. With these three factors reinforcing each other, Supramax fundamentals are temporarily underpinned in the near term, limiting downside potential for rates.

Oil:
The Saudi East-West pipeline has sustained extensive damage. US officials estimate that crude flows could resume "within days", though full restoration may take five to six weeks. Transit volumes through the Strait of Hormuz have plunged by nearly half, while the Bab el-Mandeb Strait is under growing strain. Oman has delayed talks with Iran over navigation through the strait. The supply shock drove crude oil to a fresh high since April. Last weekend, market chatter emerged that Middle Eastern crude could continue to reach global buyers via alternative routes. Saudi Aramco has begun supplying more crude to Asian refineries, conducting ship-to-ship transfers off Oman's Sohar Port, and has sold about 20 million barrels of crude to Asian buyers this week.

Meanwhile, the US rate hike has been delivered, pressuring oil prices from a macro and valuation perspective, with prices turning lower. Physical and futures markets have diverged: physical prices remain firm, constrained by supply shortages and route uncertainty, while futures have come under near-term pressure and softened as positions were closed early on expectations of future weakness.

On the OPEC+ front, the seven core members decided on 6 September to maintain October output targets at September levels, marking the first pause in production increases since April this year. On the demand side, the IEA widened its projected decline in 2026 global oil demand by 940,000 bpd to 2.5 million bpd, the largest annual average decline since the 2020 pandemic shock. As the Iran war drags on, consuming nations are being forced to adapt to reduced supply.

Geopolitical supply shocks and downward revisions to demand expectations coexist, and the "strong physical, weak futures" pattern may persist. Going forward, focus on actual progress on alternative transport routes and changes in OPEC+ policy.

Source: Bloomberg, FIS

	Last	Previous	Changes %
LME Copper 3 Month Rolling	14661.00	14001.00	**+4.71%**
LME Aluminium 3 Month Rolling	3267.00	3244.50	**+0.69%**
WTI Cushing Crude Oil	98.10	98.75	**-0.66%**
Platts Iron Ore Fe61%	96.70	94.95	**+1.84%**
US Gold Physical	4365.15	4292.15	**+1.70%**
BDI	3399.00	3507.00	**-3.08%**

Metals:

Copper: LME 3-month copper extended its correction early in the week, probing lower. After the Fed's rate hike was delivered on Wednesday, the bad news was priced in, and copper prices rebounded sharply on the confluence of low inventories and peak-season expectations. A structural shift bears watching: the LME Cash/3M spread has flipped completely from backwardation to contango, suggesting that previously tight prompt supply may be starting to loosen. The rapid destocking phase in non-US regions has ended, with LME copper inventories up 5.2% week-on-week and SHFE copper inventories up 2.36% week-on-week. Going forward, focus on the sustainability of inventory restocking and the actual realisation of peak-season demand.

Lithium: Lithium salts accelerated their decline this week before stabilising and rebounding, with lithium carbonate hitting a fresh six-month low mid-week. Inventories fell rapidly last week, and the spot market bottomed earlier, limiting the pullback. As futures and spot traders re-engaged, futures and spot prices converged again. On the demand side, September battery production schedules rose 6% month-on-month, with LFP providing marginal support for lithium carbonate demand. Ternary material demand, by contrast, declined month-on-month, and the divergence between product types continues.

Cobalt: Cobalt intermediates, electrolytic cobalt, cobalt powder and cobalt sulphate all posted sharp corrections. With no sudden news drivers last week, the price decline was mainly driven by persistently weak spot trading dragging down indices and by weak futures. On the demand side, ternary battery demand weakened, and consumer batteries have yet to show clear peak-season characteristics; overall near-term cobalt demand is limited, with fundamentals lacking support. The DRC's actual exports by the end of June accounted for only two-thirds of its approved quota, with quota execution falling short of expectations. Should there be a sudden concentration of shipments in Q4, supply could increase significantly.

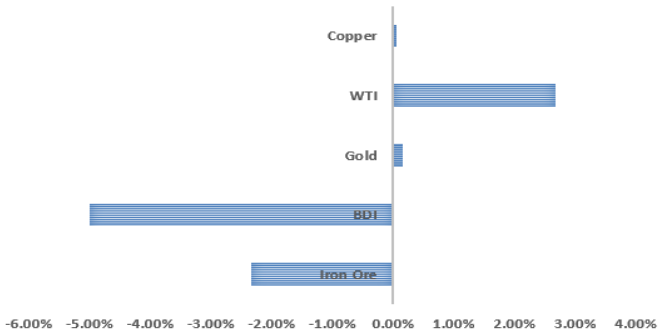
Ferrous:

Iron Ore: Last week, global iron ore shipments edged lower, while China's port arrivals increased marginally, with supply loosening marginally. Port inventories remain high at 163 million tonnes, while steel mill inventories also remain relatively elevated at about 90 million tonnes, and inventory pressure has yet to ease. Iron ore prices, however, have held firm, supported by two factors: first, pre-holiday restocking demand in China has boosted near-term procurement; second, Rio Tinto's shipments remain relatively limited ahead of the conclusion of negotiations with China Mineral Resources Group, creating a temporary structural supply constraint. Overall, high inventories and incremental supply cap upside, but restocking demand and structurally constrained shipments provide floor support. Near-term ore prices may remain firm and range-bound.

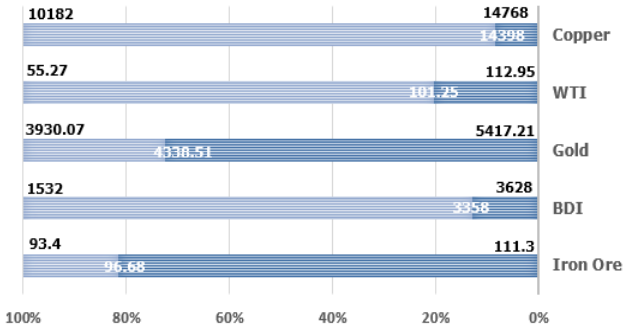
Coking Coal: DCE coking coal futures came under pressure this week from the supply-guarantee policy, with near-month contracts falling sharply, triggering long liquidation as previously profitable funds rushed to exit. The failed auction rate on Mongolia's auction platform increased, and some market participants believe a round of price cuts may emerge in domestic spot coke. Chinese steel margins are currently negative, and the number of profitable steel mills is relatively low, weighing on coking coal demand.

Source: Bloomberg, FIS

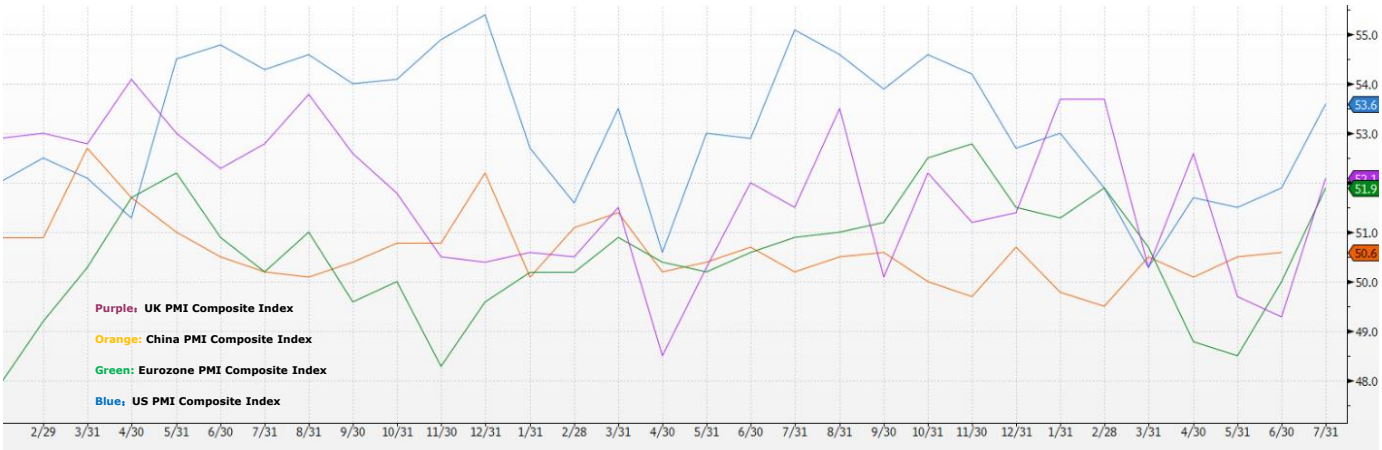
Commodity Relative Price Range
(Past 52 Weeks)



5 Day Moving Average Change
On Commodities



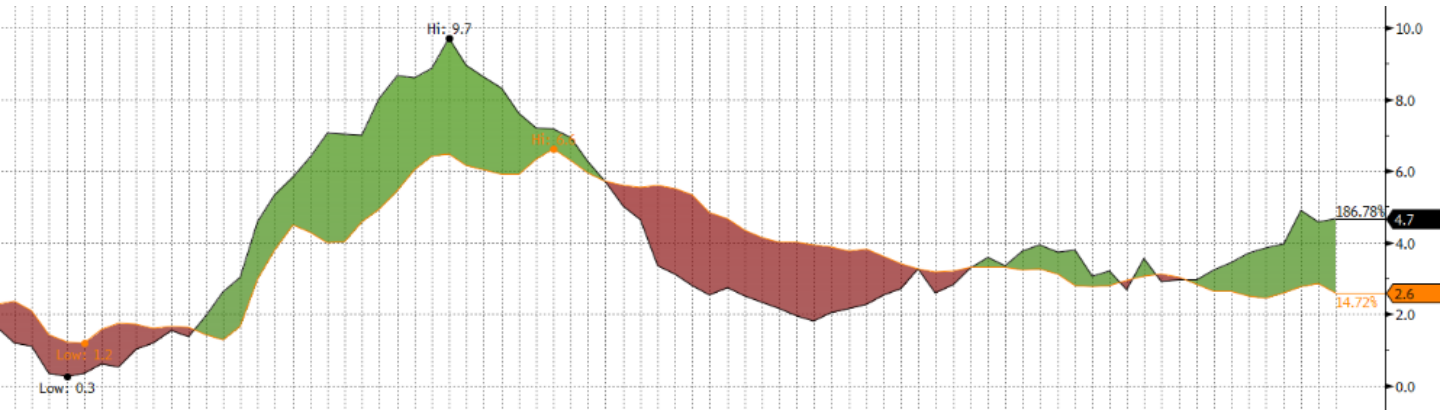
Past 3-year PMI Index



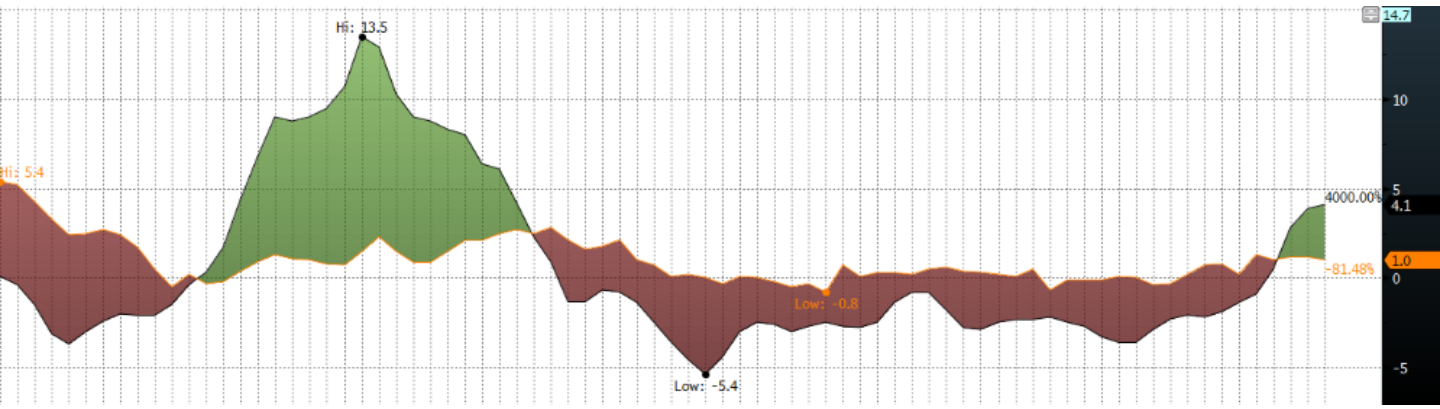
Australian FOB coking coal, meanwhile, is supported by demand from China and India as well as freight rates. Chinese buyers are concentrating on restocking seaborne resources amid a “domestic supply shortage and limited Mongolian coal” environment. However, the deep discount in far-month contracts indicates that the market does not view the current tightness as permanent, and caution is warranted over the FOB market giving back earlier gains from elevated levels. In addition, the China Iron and Steel Association (CISA) has made recommendations to relevant government departments covering safe development, coal mine resumptions and expanded imports.

Source: Bloomberg, FIS

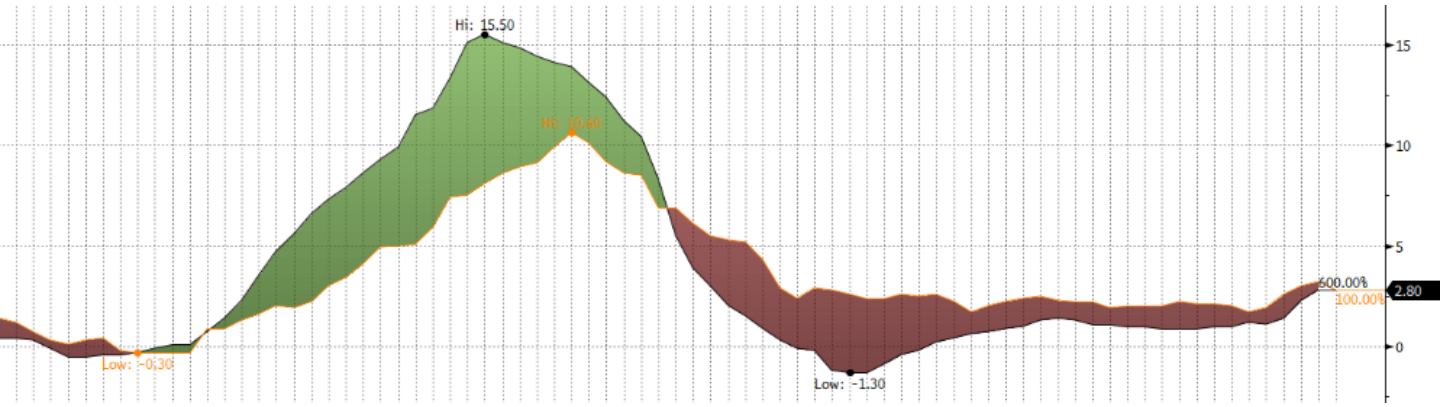
Past 5-year US PPI—CPI (Excl. Food and Energy)



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.

Written by **Hao Pei**,
FIS Senior Research Analyst
haop@freightinvestor.com

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