

	Last	Previous	Changes %
US Dollar Index (DXY)	101.96	102.18	-0.22%
USD/CNY	6.6814	6.6926	-0.17%
US FOMC Upper Interest Rate	4.00	3.75	+6.67%
China Repo 7 day	1.39	1.41	-1.42%
Caixin China Manufacturing PMI	52.10	51.50	+1.17%
Markit US Manufacturing PMI	55.20	53.10	+3.95%

Commentary:

Global Macro Markets:

US September CPI rose to 3.7% YoY and PPI reached 6.3% YoY, both well above market expectations, with inflationary pressure spreading from energy into core goods, non-housing services and capital goods. Yet the US 10-year Treasury yield fell sharply from 5.24% to 5.08%. The decline came almost entirely from lower real yields and a narrower term premium, rather than a retreat in inflation expectations. The trigger for this unusual combination was an AI credit shock: several core AI companies suffered a simultaneous sell-off in both equities and bonds, and capital that had been highly concentrated abruptly rotated into Treasuries on a large scale, reversing long-end yields and weighing on equities and commodities to some extent. Faced with above-consensus economic data, Fed officials delivered coordinated remarks that temporarily capped near-term rate-hike pricing. China's Q3 GDP grew 4.5% YoY, with cumulative growth of 4.6% in the first three quarters. The September PMI returned to expansionary territory. However, the National Bureau of Statistics flagged insufficient domestic demand. Yesterday's financial forum mentioned phasing out liquidity tools for large-scale redemptions by non-bank institutions, as well as macro policy efforts. Some research institutions believe the policy is conducive to the high-quality transformation of the commodity sector and a recovery in valuations.

The pricing logic in commodity markets is shifting from "inflation and rate hikes" towards a "recession trade". Geopolitical issues continue to fluctuate between escalation and de-escalation, but their marginal impact on crude oil is weakening. With limited scope for further incremental supply increases, the market has begun to price in demand contraction, and this logic is gradually spreading across the entire commodity complex. The transmission chain is shifting from a supply narrative to demand-driven pricing, and correlations across major commodity sectors are weakening accordingly.

FFA:

Capesize rates fell sharply this week, down nearly 50% from the September high. Australian miner shipping demand in the Pacific remains persistently weak, with available tonnage clearly oversupplied. Chinese steel mill margins are low and iron ore port inventories are elevated, leaving underlying demand insufficient. In the Atlantic, the ballaster list has lengthened, with South Brazilian and West African cargoes insufficient to absorb prompt tonnage. Looking ahead, long-haul Brazil and South America routes will continue to absorb tonnage, and elevated fuel oil prices should provide floor support for rates. However, the near-term weakness is unlikely to reverse.

The Panamax market was relatively steady. Coal cargoes continued to come onto the market, with Southeast Asian demand and Indian imports providing core support. Drydocking and safety inspections delayed tonnage availability, temporarily tightening prompt capacity. Grain transportation was broadly stable, with US Gulf cargoes relatively firm. In addition, following the sharp decline in Capesize rates, some charterers may shift to Panamax vessels, potentially generating additional demand.

	Last	Previous	Changes %
Shanghai & Shenzhen 300 Index	4170.61	4317.25	-3.40%
Dow Jones Industrial Average	51966.03	51850.55	+0.22%
FTSE 100 Index	10764.69	10656.28	+1.02%
Nikkei 225 Index	64916.70	69030.92	-5.96%
BVAL US 10-year Note Yield	5.16	5.26	-1.94%
BVAL China 10-year Note Yield	1.6335	1.6513	-1.08%

The Supramax segment showed relatively greater resilience this week. Steel exports from North China were stable, nickel ore activity in Southeast Asia was brisk, and coal transportation remained active. Regional tonnage was relatively tight, providing effective support for rates.

Oil:

The strongest support for last week's oil price rally came from a substantial inventory drawdown. In the week to 9 October, US commercial crude inventories plunged by 8.6mn barrels to 415.6mn barrels, far exceeding the market's expected draw of 288,000 barrels. Hurricane Isaias shut in more than 70% of Gulf of Mexico offshore production. On the geopolitical front, diplomatic signals emerged in quick succession, but no constructive developments have materialised. Market sentiment was broadly firm, and oil prices rose sharply.

Oil prices turned lower early this week, mainly dragged down by demand-side factors: elevated freight costs have weakened refinery operating appetite and commodity logistics efficiency, while the market has again begun to price in the possibility of an easing in Russia-Ukraine negotiations. Gulf exports have recovered to about 80% of pre-war levels, but flow volumes do not equal actual delivered volumes. Geopolitical risk events remain frequent, and transit does not equate to safety. The energy market is currently awaiting two key signals: a diplomatic breakthrough and inventories in key regions reaching a bottom.

Metals:

Copper: LME copper inventories extended their decline to a fresh low for the period of 225,525 tonnes, down 70% from the April peak. CME copper inventories continued to set record highs. Copper resources outside the US continued to tighten. Institutional estimates put US copper inventories, including commercial stocks, at around 1.10mn tonnes, exceeding the historical high of the Cold War-era national copper reserve. The US consumes about 6% of the world's copper but holds nearly 70% of visible inventories. LME cancelled warrants edged lower this week but remain at historically high levels. Copper inventories in warehouses continue to be drawn down. The LME Cash/3M spread fell from a record high of \$135.8/tonne to \$89.4/tonne, still at an extremely elevated level, implying that prompt copper supply remains tight.

On 18 October, the Centinela union approved the new collective contract with 94.49% of the vote, formally ending the strike. Antofagasta said mine output remained normal during the strike, with no negative impact on production, and the full-year production target was unchanged, with near-term supply disruption risk receding. Chinese copper rod operating rates rose notably after the National Day holiday, but peak-season demand is broadly in line with expectations and may struggle to drive prices higher at the margin, with the demand-side pull on copper remaining relatively moderate.

The prospect of higher rates and the recent unwind in AI-related investment are both weighing on copper prices. The US Section 232 tariff policy remains unresolved, though its effects are materialising. In the absence of a clear tariff outcome, continuing the strategy of directing copper inflows into the US may maximise returns.

	Last	Previous	Changes %
LME Copper 3 Month Rolling	14339.00	14618.50	-1.91%
LME Aluminium 3 Month Rolling	3016.50	3052.50	-1.18%
WTI Cushing Crude Oil	98.10	98.75	-0.66%
Platts Iron Ore Fe61%	91.40	90.35	+1.16%
US Gold Physical	4124.30	4160.74	-0.88%
BDI	2546.00	2917.00	-12.72%

Lithium: In October, China's domestic lithium carbonate production schedule is around 116,000 tonnes, up only about 1.1% MoM and 30% YoY, significantly below market expectations for a Q4 supply ramp-up. By feedstock, spodumene and salt lake production accounted for the main declines. Purchased-ore smelters face inverted spot costs and weak operating appetite. Australia's Greenbushes cut its full-year output, and Core's restart shipments lagged expectations. Near-term supply disruption risk has declined, but the medium-term risk of a Zimbabwe lithium ore export ban remains. Lithium salt inventories continued to destock, but at a slower pace.

On the automotive side, the car market improved during the National Day holiday, with policy benefits continuing to materialise. Energy storage demand remains strong, with tenders and project implementation concentrated in this period. In consumer electronics, the traditional peak season is underwhelming. Shipments of core traditional products such as smartphones, tablets and PCs declined, while smart device sales increased, though their consumption of battery raw materials remains lower than that of traditional products.

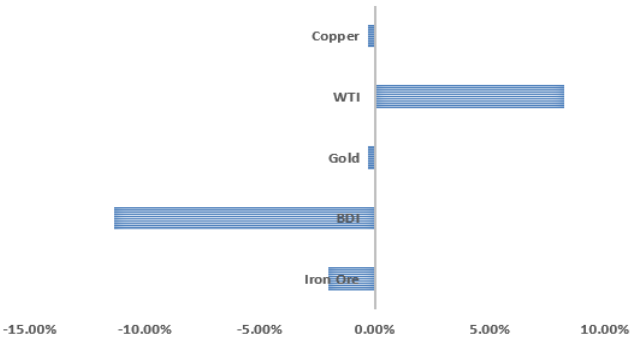
Cobalt: Apart from electrolytic cobalt, most cobalt salt products continued to decline. Producers generally suspended quotations, trading became increasingly closed, and market liquidity was clearly insufficient. Cobalt intermediate CIF China quotes continued to move lower, with raw material payables and MHP cobalt payables both at historic lows, weakening cost support and leaving near-term market sentiment cautious.

Ferrous:

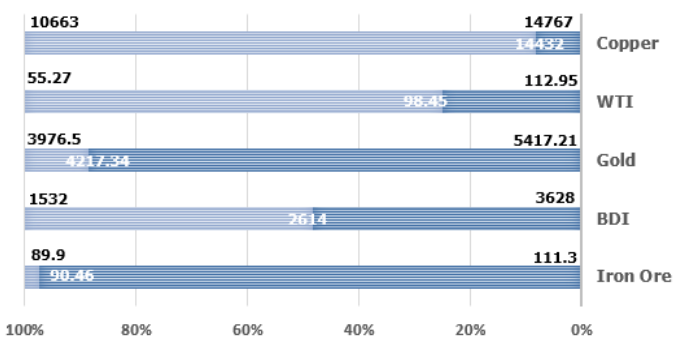
Iron Ore: Global iron ore shipments have remained elevated recently, with high port inventories continuing to dominate the market. Q4 shipment expectations from Simandou and Brazilian mines point to continued supply-side pressure. Some mine management has indicated that high-cost capacity has exited following the sharp price decline, and marginal supply may be tightening. On the demand side, China's hot metal output is at a seasonally low level, with steel mill maintenance increasing recently and underlying demand remaining limited. In terms of valuations, high freight and energy costs provide support, constraining downside to some extent.

Coking Coal: Multiple Chinese government departments have called on Shanxi to accelerate coal mine restarts. Against the backdrop of coal supply guarantees, restoring output to normal levels and rebuilding inventories will still take one to two quarters, leaving near-term supply elasticity limited. Recent market talk suggests Mongolia will hold talks with China, with expectations of higher Mongolian imports, though actual incremental volumes remain to be verified. The tight spot market limits downside for coking coal; the third round of coke price cuts has met resistance, intensifying the tug-of-war between coke producers and steel mills. India favours PCI coal and remains cautious about hard coking coal purchases, leaving limited support from overseas demand.

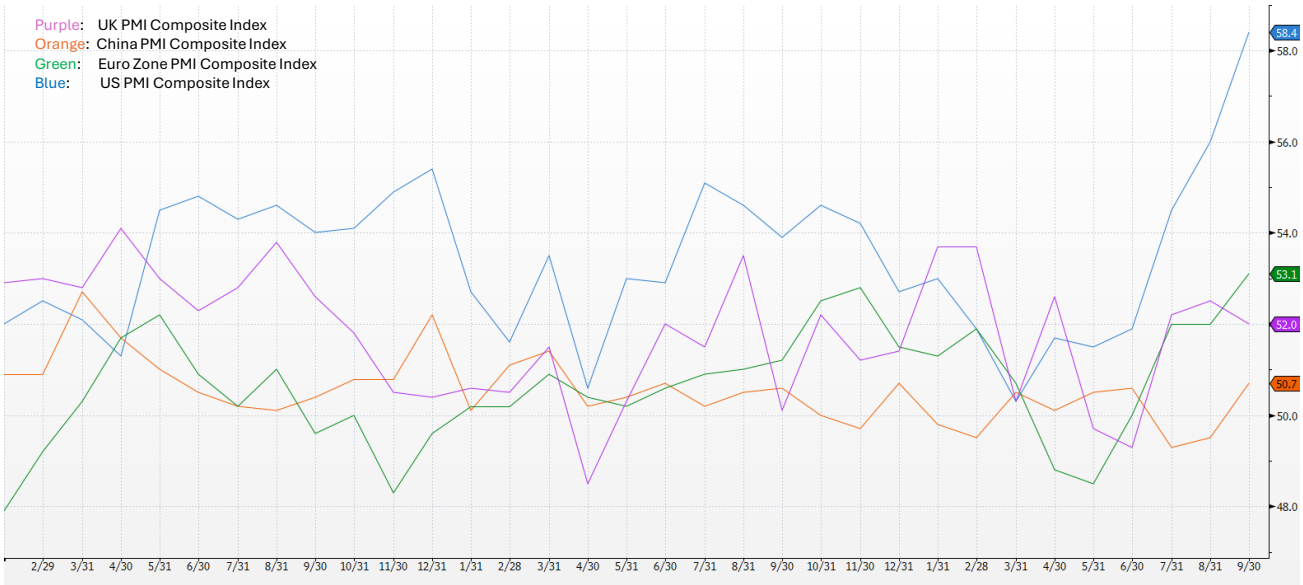
Commodity Relative Price Range
(Past 52 Weeks)



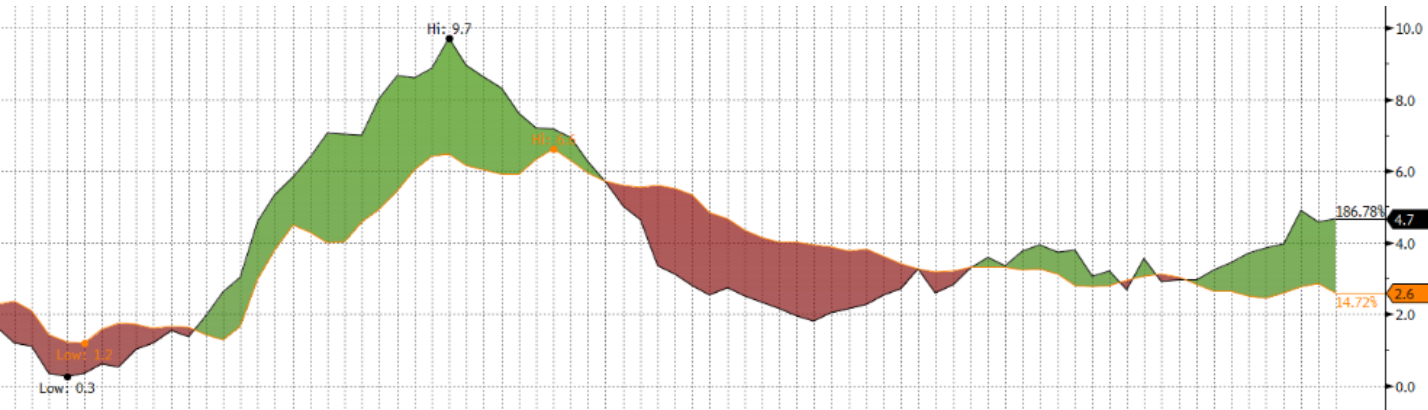
5 Day Moving Average Change
On Commodities



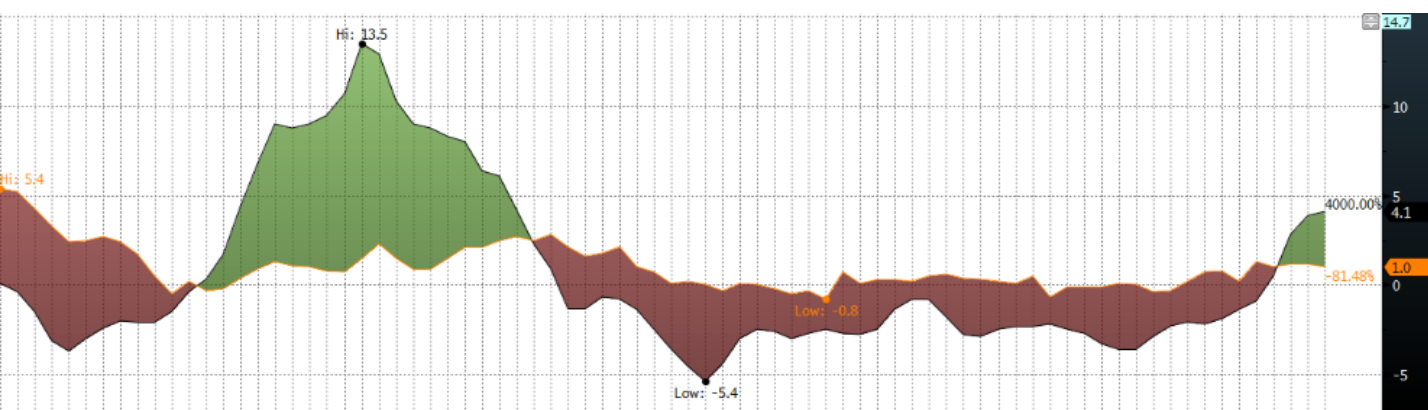
3-Year PMI in Major Economies



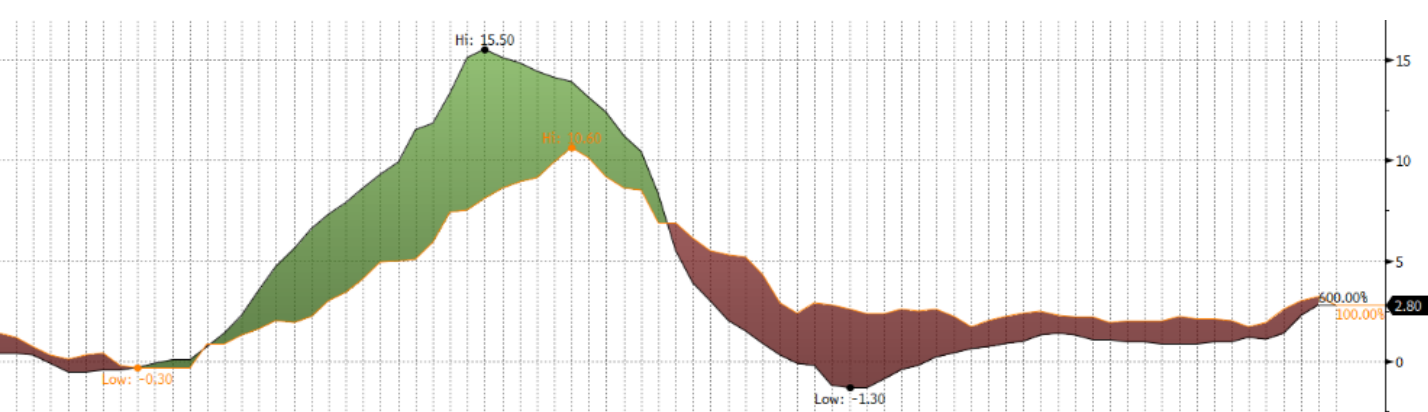
Past 5-year US PPI—CPI (Excl. Food and Energy)



Past 5-year China PPI—CPI



Past 5-year EU PPI—CPI



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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