

(HKSFC CE No. AGO928)

News Headlines

Trump steps up attack on judge, court system over travel ban

- Trump says courts making it difficult to ensure security
- President has 'every right' to criticize -Pence
- Appeals court denies request for immediate stay
- Ban will stay in place until appeals court panel acts
- Some travelers take advantage of newly reopened window (Reuters)

Asia shares track Wall St higher, dollar becalmed

- Asia shares ex-Japan add 0.3 pct, Nikkei up 0.7 pct
- Dollar stuck around 112.65 yen, \$1.0785 per euro
- Markets quiet ahead of US earnings rush, Abe/Trump meeting (Reuters)

World business grows as it faces upcoming risks

- Global business activity started 2017 on solid ground
- Political risks could curtail growth this year (Reuters)

U.S. job growth accelerates in January, but wages lag

- Nonfarm payrolls increase 227,000 in January
- Unemployment rate rises to 4.8 percent from 4.7 percent
- Average hourly earnings edge up 0.1 percent (Reuters)

Oil prices edge up on Iran tensions, but rising shale output caps gains

- Oil prices edged up on Monday on fears that new U.S. sanctions against Iran could be extended to start affecting crude supplies, but markets were capped by further signs of growing U.S. production. (Reuters)

Precious Metals	High	Low	Close*	Chg.	% Chg.
Gold Spot (\$/oz)	1221.40	1207.10	1219.80	3.99	0.33%
COMEX Gold Apr17 (\$/oz)	1223.20	1208.30	1221.60	4.10	0.34%
Silver Spot (\$/oz)	17.5410	17.2300	17.4600	0.0300	0.17%
COMEX Silver Mar17 (\$/oz)	17.5400	17.2600	17.5200	0.0350	0.20%
Platinum Spot (\$/oz)	1003.80	980.75	1003.90	2.90	0.29%
NYMEX Platinum Apr17 (\$/oz)	1007.60	988.00	1006.40	3.70	0.37%
Palladium Spot (\$/oz)	760.20	739.98	748.50	-11.00	-1.45%
NYMEX Palladium Mar17 (\$/oz)	760.95	741.20	750.05	-8.60	-1.13%

London Fixes	Gold	Silver	Platinum	Palladium
AM (\$/oz)	1213.05	17.2800	992.00	749.00
PM (\$/oz)	1215.20		992.00	747.00

Energy Products	High	Low	Close*	Chg.	% Chg.
NYMEX WTI Mar17 (\$/bl)	54.22	53.40	53.85	0.21	0.39%
ICE Brent Mar17 (\$/bl)	57.30	56.39	56.72	-0.02	-0.04%
NYMEX RBOB Gasoline Mar17 (\$/gal)	1.5643	1.5192	1.5602	0.0221	1.44%
NYMEX NY Harbor ULSD Mar17 (\$/gal)	1.6746	1.6421	1.6690	0.0115	0.69%
ICE Gasoil Feb17 (\$/mt)	500.25	493.00	498.50	1.75	0.35%
NYMEX Natural Gas Mar17 (\$/mmBtu)	3.201	3.042	3.053	-0.140	-4.38%

Currencies	High	Low	Close*	Chg.	% Chg.
EUR USD	1.0797	1.0711	1.0781	0.0023	0.21%
USD JPY	113.45	112.28	112.70	-0.10	-0.09%
AUD USD	0.7695	0.7618	0.7683	0.0028	0.37%
USD CHF	0.9985	0.9902	0.9924	0.0002	0.02%
USD CNH	6.8271	6.7916	6.8003	-0.0091	-0.13%
GBP USD	1.2537	1.2456	1.2485	-0.0035	-0.28%
DOLLAR INDEX SPOT (DXY)	100.2600	99.5630	99.8680	0.0780	0.08%

*The close price of a future contract represents the last trade price before the electronic session close yesterday
In the case of spot, the close price is as of 5pm NY Time

Market Highlights

Overseas markets

- Wall St. was bolstered by a stronger-than-expected non-farm jobs data and by President Trump's possible easing of bank regulations. The DJIA/S&P500/NASDAQ closed 0.94%/0.73%/0.54% higher driven by financials. Hong Kong ADRs generally lower.

China/Hong Kong markets

- China Caixin manufacturing PMI for January came in lower than expected (actual 51 vs. expected 51.8) sparking a 229point reversal in the HSI after it touched a day-high of 23,226points upon opening. The HSI/HSCEI closed 55/13points (-0.24%/-0.13%) lower at 23,129/9,683points after a midday rebound. Turnover at HK\$58.3bn with blue-chips contributing 32.8%.
- A-shares also headed south after the PMI number was released. Furthermore China tightened monetary policy by raising money market rates which sent the SSE into a downward spiral, closing near day-lows, down 19points (-0.60%) to 3,140points. Financials and energy stocks took the brunt of the selling as turnover reached RMB108bn.
- HSI Feb AT futures, however, surged 114point (+0.50%) as US markets rebounded. Prompt month futures closed at 23,140points with an 11point premium to the HSI. Volume increased to 5,961contracts.
- HSI closed right above its 10-day MA support (c.23,128points) and above the 23,000point level, which indicates that upward momentum in the market has not yet diminished. However, we believe that the market needs to consolidate before it advances towards 24,600-25,000point range.

Trading Idea – “Gold shines as USD weakens and political risks increase”

- Gold continues to outshine after the US Fed puts off an interest rate hike sending the USD to new year lows.
- Furthermore, the US' Muslim ban and renewed sanctions against Iran raises political risks around the world, prompting gold's safe-haven.
- Gold prices continue to rebound, advancing above previous resistance levels. We reiterate Long COMEX gold futures with a short-term target of c.US\$1,250/oz.

	Hang Seng Index (HSI)	Hang Seng China Enterprise Index (HSCEI)	Shanghai Comp (SSEC)
Open	23216.97	9718.62	3160.08
High	23226.92	9726.84	3162.68
Low	22997.46	9632.86	3136.01
Close	23129.21	9683.23	3140.17
Change	-55.31	-13.09	-19.00

(Reuters)



Gold spot daily chart [Source: Reuters]

Precious Metals

The latest U.S. jobs report shows the U.S. economy added 227k jobs in January while the unemployment rate ticked up to 4.8% from 4.7% in December. But the slowdown in wage growth suggests the Fed may avoid hiking interest rates too quickly. Precious metals prices swung around recent levels. Gold Apr finished at \$1222, up \$4. Silver Mar edged up 4 cents closing at \$17.52. Platinum Apr followed gold higher going out at \$1006, increased by \$4. Palladium Mar on the other hand lost \$9 ending the week at \$750.

China is to release data on service sector activity and trade and the U.S. is to release monthly trade figures in the coming week. Gold is likely to find support at \$1215 and resistance at \$1230. Keep eyes on the political risks and dollar.



Gold spot daily chart [Source: Reuters]

Monday, February 06, 2017

Energy Products

Crude

Crude oil prices continue to shrug off continual increases in both crude oil and refined product inventories as revealed in the EIA's latest batch of data, which showed a 6.5million barrel increase in crude oil inventories (vs. est. 3.3million barrels). COT data released last Friday showed that non-commercial contracts for WTI crude futures surged 10,169contracts to a multi-year high of 492,692, which is the third week that speculative positions were boosted by +10,000 contracts. Furthermore, Baker Hughes' latest rig count showed a 13 out-of-14 week increase in US oil drilling rigs, which jumped by 17 to 583, the highest since 23rd Oct 2015. Currently, sentiment and fears of further sanctions on Iran are supporting crude oil prices. However, as sentiment slowly wanes the concoction of higher inventories, greater US oil production, and possible position closings could send crude oil prices sharply lower.

Inventories of Crude and Products
In the week ending 27th Jan, 2017
 (million barrels)

	Stocks	Weekly Change
Crude	494.8	+6.5
Gasoline	257.1	+4.1
Distillates	170.7	+1.6
Aggregated	2,042.5	+5.2

(EIA: Data released on 01 Feb, 2017)

(Next Release Date: 08 Feb, 2017)

Distillates

The 500ppm sulphur gasoil cash differential remained firm on Friday as supply of the fuel remained in short supply. With North Asian refiners maximizing jet fuel production over diesel due to firm heating demand during winter, the supply of 500ppm especially is tight. Demand for the fuel, on the other hand, is firm with Indonesia, Sri Lanka and Myanmar buying additional cargoes. Supply of 10ppm sulphur diesel is still ample with the arbitrage to ship the cargoes west not profitable at the moment. This in turn has narrowed the price difference between the two grades, which could prompt refiners to maximize production of the 500ppm sulphur gasoil. Refining margins will stay firm in 2017, backed by limited additions to refined product supplies and solid demand growth, SK Innovation, which owns South Korea's top refiner. Strong regional demand is expected to help keep refining margins for diesel and gasoline strong, despite rising Chinese exports of diesel and high stocks of gasoline the United States. Gasoil cracks - a measure of refining margins - are expected to hold steady in the first quarter, supported by winter demand from the United States and Europe.

Fuel Oil

Asia's fuel oil complex edged higher on Friday but market remained cautious as steady February arbitrage supplies could present further downside risks. Market complex was starting to settle after concerns of rising supplies sparked a sharp sell-off around the start of January when time spreads, refining margins and East-West arbitrage spreads were at multi-month highs. Discounts of the 380-cst Feb/March time spread contract were 25 cents a tonne narrower on Friday to minus 75 cents a tonne but still wider than Monday's settlement at minus 50 cents a tonne. Since the start of the month, the front-month contract fell from an 18-month high of plus \$4.50 a tonne on Jan. 6, to a seven-month low of minus \$1.25 on Tuesday. Singapore's March 180-cst fuel oil also snapped three sessions of declines, narrowing its discount to Dubai crude after gaining 31 cents a barrel from the previous session to minus \$4.82 a barrel, but still remained well below the \$3.47 a barrel discount seen at the start of the week. Refining margins of the February 180-cst fuel against Brent crude also recovered from Thursday's three-month low of minus \$7.15 a barrel to minus \$6.75 a barrel on Friday. South Korean refiner SK Innovation on Friday said it expects to see fuel oil cracks remaining strong in the first quarter of the year amid strong power generation and bunkering demand. In physical markets, higher deal values helped narrow cash discounts of the 380-cst fuel to 32 cents a tonne below Singapore quotes, up from minus 58 cents a tonne in the previous session. Once cash deal was reported in the Platts window after Mercuria bought 20,000 tonnes of the 380-cst fuel oil from Shell at a discount of 25 cents a tonne to Singapore quotes. On Wednesday, cash discounts of the 380-cst fuel were at a near six-month low after sinking to minus 88 cents a tonne to Singapore quotes.

Base Metals

Base Metals	High	Low	Close	Chg.	% Chg.
LME Aluminum (\$/tonne)	1,836.00	1,815.50	1,834.50	5.50	0.30%
LME Copper (\$/tonne)	5,840.00	5,772.00	5,772.00	-114.00	-1.94%
LME Lead (\$/tonne)	2,328.00	2,288.00	2,325.00	-15.00	-0.64%
LME Nickel (\$/tonne)	10,275.00	10,220.00	10,225.00	-170.00	-1.64%
LME Tin (\$/tonne)	19,770.00	19,700.00	19,770.00	-70.00	-0.35%
LME Zinc (\$/tonne)	2,796.00	2,782.00	2,796.00	-55.00	-1.93%

Base Metals opened under pressure in London this morning following a sharp selloff in Asian time. (after the PBOC unexpectedly raised short term interest rates) Markets moved sharply lower following the lead from the ferrous markets, where Iron Ore fell 5.5% and Rebar fell 7%.

There was a small rear-guard action through the London morning session, however 2nd Ring closes, Shanghai reopening and better than expected Non-Farm Payroll numbers (the usual paradox where good figures are deemed bearish) put pay to the recovery and prices fell further through the afternoon.

Overall, while not a bloodbath, an extremely disappointing day on the first day of full Chinese participation in this New Year of the Rooster.

LME daily stock (in tonnes):

Base Metals	Total stock	Net change	Stock on warrant
LME Aluminum	2,256,000	-7,025	1,643,175
LME Copper	257,150	-2,350	152,550
LME Lead	189,225	-150	122,150
LME Nickel	382,074	-24	267,480
LME Tin	5,805	-20	5,495
LME Zinc	392,625	-1,825	273,075



LME Copper 3M chart [Source: Bloomberg]

What to Watch

Economic Data – Week of Feb 06 – Feb 12

Country/Region	Date	Time	Event	Period	Prior	Forecast	Source
China	06-Feb-2017	9:00	FX Reserves	Jan. 2017	3.01TIn	--	--
China	06-Feb-2017	9:45	Caixin Services PMI	Jan. 2017	53.40	--	--
Germany	06-Feb-2017	15:00	Industrial Orders MM	Dec. 2016	-2.50%	0.50%	Reuters Poll
Euro zone	06-Feb-2017	17:30	Sentix Index	Feb. 2017	18.20	17.00	Reuters Poll
US	07-Feb-2017	21:30	International Trade MM \$	Dec. 2016	-45.24B	-45.20B	Reuters Poll
US	07-Feb-2017	23:00	JOLTS Job Openings	Dec. 2016	5.52M	--	--
US	08-Feb-2017	4:00	Consumer Credit	Dec. 2016	24.53B	20.00B	Reuters Poll
US	08-Feb-2017	5:30	API weekly crude stocks	w/o Jan. 30, 2017	5,828.00M	--	--
US	08-Feb-2017	23:30	EIA Weekly Crude Stocks	w/o Jan. 30, 2017	6.47M	--	--
Japan	09-Feb-2017	7:50	Machinery Orders MM	Dec. 2016	-5.10%	3.10%	Reuters Poll
Germany	09-Feb-2017	15:00	Exports MM SA	Dec. 2016	3.8%	-0.85%	Reuters Poll
Germany	09-Feb-2017	15:00	Imports MM SA	Dec. 2016	3.5%	-0.4%	Reuters Poll
US	09-Feb-2017	21:30	Initial Jobless Claims	w/o Jan. 30, 2017	246K	--	--
US	09-Feb-2017	23:00	EIA- Nat Gas, Change Bcf	w/o Jan. 30, 2017	-87B	--	--
China	10-Feb-2017	10:00	Exports YY	Jan. 2017	-6.1%	--	--
China	10-Feb-2017	10:00	Imports YY	Jan. 2017	3.1%	--	--
China	10-Feb-2017	10:00	Trade Balance	Jan. 2017	40.82B	--	--
US	10-Feb-2017	21:30	Import Prices MM	Jan. 2017	0.4%	0.2%	Reuters Poll
US	10-Feb-2017	21:30	Export Prices MM	Jan. 2017	0.3%	--	--
US	10-Feb-2017	23:00	U Mich Sentiment Prelim	Feb. 2017	98.1	97.8	Reuters Poll

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