

(HKSFC CE No. AGO928)

## News Headlines

### Asia shares ease after run of gains, dollar, oil recover

- Asia ex-Japan set to post fourth straight week of gains
- Dollar recovers after Thursday's slide
- Oil rises as optimism over OPEC cuts outweighs rising US supply (Reuters)

### Big bets on oil remain stalwart, despite bearish signals

- Market continues to bet that crude prices will climb higher
- U.S. stockpiles are brimming at their largest levels ever recorded
- \$90 million invested in energy-commodities ETPs in Feb (Reuters)

### BHP Billiton, Escondida workers far apart one week into strike

- Positions of BHP and the striking union remain distant
- Workers demand that every miner be offered the same benefits package
- Two sides will also need to address issue of the one-time bonus typically given to miners when labor contracts are renegotiated in Chile (Reuters)

### Brazil's Vale produced record 349 mln tonnes of iron ore in 2016

- Production reached 349 million tonnes in 2016, above its own guidance, helped by mines in northern Brazil and the start of its new S11D mine
- Continues to halt or reduce higher cost tonnes from its mines in the southeastern state of Minas Gerais
- Guidance for 2017 remained at 360-380 million tonnes (Reuters)

### Sterling struggles as markets take Brexit breather

- Sterling fell around a quarter of a percent against the euro and underperformed gains for other major currencies
- The pound has been stuck in a 3-cent range for a month
- Negative signs from a handful of economic data (Reuters)

Precious Metals	High	Low	Close*	Chg.	% Chg.
Gold Spot (\$/oz)	1242.33	1231.65	1238.76	6.20	0.50%
COMEX Gold Apr17 (\$/oz)	1243.70	1233.30	1240.10	5.40	0.44%
Silver Spot (\$/oz)	18.1370	17.9100	18.0880	0.1080	0.60%
COMEX Silver Mar17 (\$/oz)	18.1400	17.9350	18.0900	0.1100	0.61%
Platinum Spot (\$/oz)	1018.30	1003.50	1013.05	2.20	0.22%
NYMEX Platinum Apr17 (\$/oz)	1021.70	1011.30	1015.50	1.40	0.14%
Palladium Spot (\$/oz)	794.90	783.50	793.10	2.75	0.35%
NYMEX Palladium Mar17 (\$/oz)	795.85	786.80	793.00	4.15	0.53%

London Fixes	Gold	Silver	Platinum	Palladium
AM (\$/oz)	1236.75	18.1000	1012.00	790.00
PM (\$/oz)	1240.55		1013.00	791.00

Energy Products	High	Low	Close*	Chg.	% Chg.
NYMEX WTI Mar17 (\$/bl)	53.59	52.68	53.46	0.48	0.91%
ICE Brent Mar17 (\$/bl)	56.24	55.13	55.81	0.12	0.22%
NYMEX RBOB Gasoline Mar17 (\$/gal)	1.5570	1.5106	1.5257	-0.0228	-1.47%
NYMEX NY Harbor ULSD Mar17 (\$/gal)	1.6485	1.6127	1.6273	-0.0034	-0.21%
ICE Gasoil Mar17 (\$/mt)	498.50	489.00	493.00	-6.75	-1.35%
NYMEX Natural Gas Mar17 (\$/mmBtu)	2.953	2.831	2.832	-0.102	-3.48%

Currencies	High	Low	Close*	Chg.	% Chg.
EUR   USD	1.0680	1.0586	1.0672	0.0074	0.70%
USD   JPY	114.33	113.06	113.20	-0.95	-0.83%
AUD   USD	0.7732	0.7680	0.7694	-0.0014	-0.18%
USD   CHF	1.0065	0.9961	0.9965	-0.0086	-0.86%
USD   CNH	6.8553	6.8403	6.8483	0.0074	0.11%
GBP   USD	1.2523	1.2451	1.2487	0.0029	0.23%
DOLLAR INDEX SPOT (DXY)	101.0700	100.4100	100.4400	-0.7400	-0.73%

\*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. closed mixed as signs of profit-taking emerged. The DJIA closed flat, up 7points, while the S&P500 and NASDAQ closed down by 0.1%. Energy stocks were under pressure amidst volatile crude oil prices. Hong Kong ADRs lower.

### China/Hong Kong markets

- Propelled by Tencent (700.HK) and HSBC (5.HK) the HSI closed beyond the 24,000point threshold, closing at 24,107points (+112points, +0.47%). The HSCEI also performed well but saw some profit-taking towards the closing bell causing it to close up by just 18points (+0.18%) at 10,455points. Turnover continues to be high at HK\$107.6bn with blue-chips making up HK\$40.2bn.
- A-shares recovered from previous day's drop as the SSE rebounded by 16points (+0.52%) to close at 3,229points. The index closed with an up-candle as a sign that investors remain optimistic, snatching up shares of coal, brokerages, and steel manufacturers. Turnover at RMB226.6bn.
- After dropping to a session low of 23,992points, HSI Feb AT futures steadily regained lost ground, eventually closing near session-highs at 24,057points (-1points, 0%). The 50point discount to the HSI suggests that the investors remain cautious even in light of strong Hong Kong, US, and China markets.
- Exuberance has not faded even with the RSI (78) reaching "over-bought" territory. Capital continues to support the market higher with the OBV (+794bn) reaching the highest level in over a year. The index is now within striking distance of our 24,364point target. If the HSI can exceed this mark, 25,000points will be the next goal.

### Trading Idea – "Silver prices rebound as industrial growth picks-up"

- Silver prices have risen by 10%YTD despite threats of a stronger USD and a rise in real rates.
- Although silver's rise could be attributed to speculative buying, fundamentally about 50% of silver's demand comes from industrial use. Hence, optimism over industrial growth has led to a rebound toward the US\$18/oz. mark.
- Silver's 10-day MA looks to past through its 150-day MA, which is a positive signal for further price advance. However, selling pressure will likely emerge at the US\$19/oz. resistance. Long Silver futures.

	Hang Seng Index (HSI)	Hang Seng China Enterprise Index (HSCEI)	Shanghai Comp (SSEC)
Open	24139.31	10537.90	3210.36
High	24161.39	10544.10	3230.28
Low	23969.57	10396.75	3207.79
Close	24107.70	10455.02	3229.62
Change	112.83	18.98	16.63

(Reuters)



Silver spot price daily chart [Source: Reuters]

## Precious Metals

The precious metals sector was moderately higher on Thursday with **gold** starting its steady ascent from \$1236 Apr. in early Asian session, broke through \$1240 shortly after the yanks came in and marked the high at \$1243.70 Apr. before retracing back a little and settled the day at \$1240. **Silver's** action was rather muted during Asian time zone but we did observe that exceptional volume being traded at \$17.95 Mar. with over 4k contracts changing hands which occupied about a third of total volume at that period of time. The grey metal soared above \$18 afterwards and topped out at \$18.1350 Mar. before ending the day at \$18.07. Weaker USD and some profit taking in equities sector was said to help push metals higher.

Technically speaking, gold is on track to attack on the next big target at \$1250 and, if succeed, will put \$1270 on the radar screen. Initial support now comes in at \$1232 then \$1225. Silver touched the high at \$18.135 yesterday which was not too far from our forecast at \$18.15 and today it sits comfortably above \$18. Look for the grey metal to charge toward \$18.25 and then \$18.50 while support now lies at \$17.90 and \$17.75 respectively.



Gold spot daily chart [Source: Reuters]

## Energy Products

### Crude

NYMEX WTI and ICE Brent crude oil closed 0.91% and 0.22% higher last night after OPEC stated that it was willing to extend its production cut agreement (set to expire this June) in lieu of increasing crude oil inventories. Originally global stockpiles were expected to fall by 300million barrel within the six-month period. This could be difficult as producers increasingly are tempted to cheat on quotas the longer the cuts are in place. Furthermore, any extension in production cuts will ultimately benefit US shale producers while countries who are not required to cut production, like Libya, ramp up production and grab market share.

### Distillates

Gasoil and jet fuel stocks in Singapore tanks eased but remained high, keeping differentials in check, trade sources said on Thursday. Onshore middle distillates inventory eased by 702,000 barrels to a two-week low of 13.706 million barrels in the week to Feb. 15th. Traders had been selling diesel stored temporarily in offshore tankers as the market structure flipped into backwardation where prices for cargoes loading in current months are higher than those loading in later months. But activity was picking up again as traders take advantage of cheap freight rates. Still, unworkable arbitrage economics meant that India shipped more gasoil to Singapore last week. Viva Energy said it was repairing a minor leak on an unspecified unit at its 120,000 barrels-per-day Australian oil refinery on Thursday, after "smouldering" led to the unit being shut. All other units at the plant were unaffected. A media report said the affected unit was the plant's "cracker". The company had removed hydrocarbon feed from the unit earlier on Thursday while it investigated the problem. Viva declined to name the affected unit.

### Fuel Oil

Spurred by a surprise drop in fuel oil inventories, bullish sentiment on Thursday lifted Asia's prompt month time spreads for 380-cst fuel oil to multi-week highs. Premiums for the March/April time spread of 380-cst fuel oil on the Intercontinental Exchange (ICE) were trading at \$2.70 a tonne by 1800 Singapore time (1000 GMT) on Thursday, up by about 70 cents a tonne from around the same time in the previous session. Industry sources said the strength in the prompt market structure was largely sentiment driven. On Wednesday, 380-cst fuel March/April time spreads widened their backwardated structure amid active trade which stirred expectations of a bullish trading strategy in the near term. Sellers covering their short positions after the spike in prices likely contributed to the sharp rise in prompt month time spreads over the past two sessions. In the physical markets, no cash deals were reported in the Platts window on Thursday.

**Inventories of Crude and Products**  
**In the week ending 10<sup>th</sup> Feb, 2017**  
 (million barrels)

	Stocks	Weekly Change
<b>Crude</b>	<b>518.1</b>	<b>+9.5</b>
<b>Gasoline</b>	<b>259.1</b>	<b>+2.9</b>
<b>Distillates</b>	<b>170.1</b>	<b>-0.6</b>
<b>Aggregated</b>	<b>2,055.0</b>	<b>+11.0</b>

(EIA: Data released on 15 Feb, 2017)

(Next Release Date: 22 Feb, 2017)

## Base Metals

Base Metals	High	Low	Close	Chg.	% Chg.
LME Aluminum (\$/tonne)	1,904.00	1,891.50	1,897.00	-16.00	-0.84%
LME Copper (\$/tonne)	6,035.00	6,000.00	6,000.00	-67.00	-1.10%
LME Lead (\$/tonne)	2,289.00	2,275.00	2,275.50	-53.50	-2.30%
LME Nickel (\$/tonne)	11,070.00	10,915.00	11,070.00	140.00	1.28%
LME Tin (\$/tonne)	19,940.00	19,725.00	19,700.00	-180.00	-0.91%
LME Zinc (\$/tonne)	2,858.00	2,840.00	2,858.00	-12.00	-0.42%

Despite an early overnight rally, where much of the day's volume was traded, it has been quiet day on the LME. Bulks rallied briefly lending support to base but this was short lived. The ongoing manoeuvrings at Escondida continue and in the meantime CTA's unwind some copper length with shorts trying to push it lower. Zinc stocks increased for the second day in a row (perhaps attracted by the recent backwardation). 8625 t was added today taking the total to 299,225, this encouraged more long liquidation. There is a trend line on zinc at \$2824, if we do not hold this a move back to 2750 is possible. Aluminium and Nickel are steady once again. Aluminium stocks decreased by 13000t and spec buyers support the market. There is some trade and gamma selling at this level. Short covering continues in Nickel, whilst there are good scale up offers, the general tonnage seems reduced. In the Philippines, the President is showing some support for the mining clamp down.

### LME daily stock (in tonnes):

Base Metals	Total stock	Net change	Stock on warrant
LME Aluminum	2,208,050	-3,950	1,599,725
LME Copper	236,725	900	130,225
LME Lead	189,125	-25	118,700
LME Nickel	380,100	-510	275,238
LME Tin	5,945	15	5,065
LME Zinc	393,925	-1,800	299,225



LME Copper 3M chart [Source: Bloomberg]

## What to Watch

### Economic Data – Week of Feb 13 – Feb 19

Country/Region	Date	Time	Event	Period	Prior	Forecast	Source
Japan	13-Feb-2017	7:50	GDP QQ	Q4 2016	0.50%	0.30%	Reuters Poll
China	13-Feb-2017	10:00	FDI (YTD)	Jan. 2017	-0.20%	--	--
China	14-Feb-2017	9:30	PPI YY	Jan. 2017	5.50%	6.30%	Reuters Poll
China	14-Feb-2017	9:30	CPI YY	Jan. 2017	2.10%	2.40%	Reuters Poll
Germany	14-Feb-2017	15:00	GDP Flash QQ SA	Q4 2016	0.20%	0.50%	Reuters Poll
Germany	14-Feb-2017	15:00	CPI Final MM	Jan. 2017	0.70%	-0.60%	Reuters Poll
GB	14-Feb-2017	17:30	Core CPI MM	Jan. 2017	0.50%	--	--
Euro zone	14-Feb-2017	18:00	GDP Flash Estimate QQ	Q4 2016	0.30%	0.50%	Reuters Poll
US	14-Feb-2017	21:30	PPI Final Demand MM	Jan. 2017	0.30%	0.20%	Reuters Poll
US	15-Feb-2017	5:30	API weekly crude stocks	w/o Feb. 6, 2017	14,227.00M	--	--
US	15-Feb-2017	21:30	CPI MM, SA	Jan. 2017	0.3%	0.3%	Reuters Poll
US	15-Feb-2017	21:30	NY Fed Manufacturing	Feb. 2017	6.5	6.75	Reuters Poll
US	15-Feb-2017	23:30	EIA Weekly Crude Stocks	w/o Feb. 6, 2017	13.83M	--	--
US	16-Feb-2017	21:30	Initial Jobless Claims	w/o Feb. 6, 2017	234K	--	--
US	16-Feb-2017	21:30	Philly Fed Business Indx	Feb. 2017	23.6	19	Reuters Poll

## Contacts

<b>CMF (HK) Precious Metals</b> Email: <a href="mailto:PreciousMetalsHKTeam@cmschina.com.hk">PreciousMetalsHKTeam@cmschina.com.hk</a>		
WILLIAM CHAN	CE No. AGM443	<a href="mailto:williamchan@cmschina.com.hk">williamchan@cmschina.com.hk</a>
SIMON WONG	CE No. BBX031	<a href="mailto:simonwong@cmschina.com.hk">simonwong@cmschina.com.hk</a>
STEPHEN YEK	CE No. BCU327	<a href="mailto:stephenyek@cmschina.com.hk">stephenyek@cmschina.com.hk</a>
<b>CMF (HK) Energy Products</b> Email: <a href="mailto:EnergyHKTeam@cmschina.com.hk">EnergyHKTeam@cmschina.com.hk</a>		
JOE YAM	CE No. AMK311	<a href="mailto:joeyam@cmschina.com.hk">joeyam@cmschina.com.hk</a>
<b>CMF (HK) Base Metals</b> Email: <a href="mailto:BaseMetalsHKTeam@cmschina.com.hk">BaseMetalsHKTeam@cmschina.com.hk</a>		
VICTOR CHEW	CE No. AMY782	<a href="mailto:victorchew@cmschina.com.hk">victorchew@cmschina.com.hk</a>
<b>CMF (HK) Iron Ore</b> Email: <a href="mailto:BulkHKTeam@cmschina.com.hk">BulkHKTeam@cmschina.com.hk</a>		
YVONNE TANG	CE No. BGM839	<a href="mailto:yvonnatang@cmschina.com.hk">yvonnatang@cmschina.com.hk</a>
<b>CMF (HK) Global Futures</b> Email: <a href="mailto:GlobalCommoditiesFuturesTeam@cmschina.com.hk">GlobalCommoditiesFuturesTeam@cmschina.com.hk</a>		
SEOW HOCK HIN	CE No. ALI542	<a href="mailto:seowhockhin@cmschina.com.hk">seowhockhin@cmschina.com.hk</a>

## Disclaimer

This material is neither an official investment research nor a market analysis. It is produced by China Merchants Futures (HK) Co. Limited for information purposes only and only intended for the general information of institutional and market professional clients of China Merchants Futures (HK) Co. Limited and its affiliates only and must not be reproduced, distributed or transmitted (whether in whole or in part) to any other person except for the purpose of obtaining independent professional advice. This material does not constitute a request, offer or invitation by China Merchants Futures (HK) Co. Limited to any person to buy or sell any securities or futures contracts or to participate in any other transactions, nor does this material constitute any investment advice from China Merchants Futures (HK) Co. Limited. Any reference to past performance is not necessarily a guide to the future. The information contained in this material has been compiled from sources believed to be reliable by China Merchants Futures (HK) Co. Limited but China Merchants Futures (HK) Co. Limited makes no representation as to its accuracy or completeness and does not accept any liability for any direct, indirect or consequential loss or damage arising from the use of, or reliance of, the information contained in this material. Any forward looking statement or information in this material speaks only as of the date the statement was made. China Merchants Futures (HK) Co. Limited and its affiliates or its employees may from time to time have long or short positions in securities, warrants, futures, options, derivatives or other financial instruments independent of the information in this material. Neither this material nor any copy thereof may be distributed in any jurisdiction except as in compliance with the applicable laws thereof. If you are in doubt about the contents of this material, you should obtain independent professional advice.

Any person resident in the PRC are responsible for obtaining all relevant approvals from the PRC government authorities, including but not limited to the State Administration of Foreign Exchange, and compliance with all applicable laws and regulations, including but not limited to those of the PRC, before carrying out investment activities in relation to any securities or futures contracts, or financial assets described or referred to in this material.

This Disclaimer has been translated into Chinese. If there is any inconsistency or ambiguity between the English version and Chinese version, the English version shall prevail.

### Hong Kong

China Merchants Futures (HK) Co., Limited (HKSFC CE No. AGO928)

Address: 48/F, One Exchange Square, Central, Hong Kong

Tel: +852 3189 6888

Fax: +852 2530 9168

### Precious Metals

Tel: +852 3189 6228

Fax: +852 2530 9168

### Energy Products

Tel: +852 3189 6226

Fax: +852 2530 9168

### Base Metals

Tel: +852 3189 6330

Fax: +852 2530 9168

### Iron Ore

Tel: +852 3189 6372

Fax: +852 2530 9168

### Global Futures

Tel: +852 3189 6246

Fax: +852 2530 9168