

(HKSFC CE No. AGO928)

## News Headlines

### Asia up as Wall Street extends record rise, dollar steady

- MSCI Asia-Pacific index up 0.1 pct, Nikkei adds 0.15 pct
- Asia equities retain upbeat mood from European and US sessions
- USD steady after hawkish comments from Fed officials
- Crude near 1-1/2-month highs on hopes for tighter supply (Reuters)

### White House delivered EU-sceptic message before Pence visit -sources

- Bannon met with German ambassador last week
- Message contrasted with conciliatory line of VP Pence
- Anxiety over US policy lingers despite reassurances (Reuters)

### Stocks hit record highs, dollar rises on rate-hike view

- Dow, S&P, Nasdaq hit record on retail boost
- Euro zone PMIs at nearly 6 years offset HSBC profit woes
- Dollar up on hawkish Fed comments, European political risk
- Oil rises as OPEC sees higher compliance with cuts (Reuters)

### BoE's Carney put on the spot by lawmakers over low-rate view

- BoE challenged on new view of jobs impact on inflation
- Carney says questions raised over years about link
- Lawmakers press BoE on forecasting record
- Carney says pickup in wages would test BoE on rates (Reuters)

### Oil rises 1 pct as OPEC sees higher compliance with cuts

- OPEC says 90 percent of oil output cuts made in January
- OPEC wants compliance with cuts even higher - Sec-Gen
- Too early to say if supply cut deal should be extended -Barkindo
- Net long Brent contracts hit record high -ICE
- BofA Merrill cuts Brent forecast by \$5 amid US shale recovery (Reuters)

Precious Metals	High	Low	Close*	Chg.	% Chg.
Gold Spot (\$/oz)	1238.85	1225.73	1235.90	-2.10	-0.17%
COMEX Gold Apr17 (\$/oz)	1239.90	1226.80	1236.70	-1.70	-0.14%
Silver Spot (\$/oz)	18.0860	17.8000	17.9400	-0.0700	-0.39%
COMEX Silver Mar17 (\$/oz)	18.0700	17.8150	17.9500	-0.1000	-0.55%
Platinum Spot (\$/oz)	1004.90	984.10	1003.00	-2.51	-0.25%
NYMEX Platinum Apr17 (\$/oz)	1007.80	990.50	1005.70	-2.50	-0.25%
Palladium Spot (\$/oz)	779.90	760.90	781.50	7.00	0.90%
NYMEX Palladium Mar17 (\$/oz)	782.00	763.10	780.65	8.45	1.09%

London Fixes	Gold	Silver	Platinum	Palladium
AM (\$/oz)	1228.70	17.8900	993.00	763.00
PM (\$/oz)	1233.20		988.00	767.00

Energy Products	High	Low	Close*	Chg.	% Chg.
NYMEX WTI Mar17 (\$/bl)	54.68	53.59	54.02	0.33	0.61%
ICE Brent Apr17 (\$/bl)	57.31	56.10	56.67	0.52	0.93%
NYMEX RBOB Gasoline Mar17 (\$/gal)	1.5330	1.4875	1.4933	-0.0122	-0.81%
NYMEX NY Harbor ULSD Mar17 (\$/gal)	1.6750	1.6400	1.6410	-0.0061	-0.37%
ICE Gasoil Mar17 (\$/mt)	505.00	495.75	496.75	0.75	0.15%
NYMEX Natural Gas Mar17 (\$/mmBtu)	2.779	2.556	2.579	-0.190	-6.86%

Currencies	High	Low	Close*	Chg.	% Chg.
EUR   USD	1.0616	1.0524	1.0535	-0.0074	-0.70%
USD   JPY	113.77	113.06	113.67	0.60	0.53%
AUD   USD	0.7690	0.7645	0.7674	-0.0012	-0.16%
USD   CHF	1.0105	1.0020	1.0090	0.0068	0.68%
USD   CNH	6.8700	6.8537	6.8631	0.0071	0.10%
GBP   USD	1.2480	1.2397	1.2472	0.0012	0.10%
DOLLAR INDEX SPOT (DXY)	101.6000	100.9100	101.3700	0.4200	0.42%

\*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. reopened with a roar as all three major indices pushed new highs, rising 0.5%-0.6%. Optimism for stronger global growth continues to sweep through markets. Hong Kong ARDs higher.

### China/Hong Kong markets

- Earning miss from HSBC (5.HK) caused the HSI to give up all of its morning gains and more. The index plunged more than 300points from day-highs, slightly rebounding before the closing bell to end the day down 182points (-0.76%) at 23,963points. The HSCEI fared slightly better than the broader index but still closed down 36points (-0.35%) at 10,408points. Turnover increased to HK\$87.7bn amidst the selloff.
- The SSE hit an 11-week high as investor sentiment continues to improve. The A-share index closed up 13points (+0.41%) higher at 3,253points as over RMB10bn in pension funds are expected to enter the market by the end of this month.
- HSI Feb AT futures traded sideways after opening at 23,920points. However, futures saw heavy buying, spiking by over 60points, as US markets opened higher after the long weekend. The prompt month contract closed up 94points (+0.39%) at 23,996points with a 32point premium as volume increased to 7,731contracts.
- Yesterday's HSI drop below the 24,000point mark shows that investors are cautious after the recent rise in the index. However, with continued support from US and China markets, the HSI should consolidate around its 10-day MA (c.23,872points) before continuing its advance toward the 9<sup>th</sup> Sept high of 24,364points.

### Trading Idea – “OPEC ‘jaw-boning’ pushes crude oil higher”

- In light of consistently high global crude oil inventories, OPEC touts the possibility of extending its production cuts beyond the 6-month time frame.
- This caused a 0.61% jump in WTI crude oil prices, while Brent rose by 0.93% with the WTI-Brent spread to expanding to US\$-2.2/bbl.
- Extended OPEC cuts will have a greater effect on international markets that primarily benchmarks using Brent crude oil. Hence, the spread between the two benchmarks should continue to expand. Long Brent + Shorting WTI crude oil futures.

	Hang Seng Index (HSI)	Hang Seng China Enterprise Index (HSCEI)	Shanghai Comp (SSEC)
Open	24174.11	10451.53	3242.22
High	24213.64	10533.23	3254.34
Low	23909.15	10369.49	3239.88
Close	23963.63	10408.56	3253.33
Change	-182.45	-36.92	13.36

(Reuters)



WTI-Brent spread daily chart [Source: Reuters]

## Precious Metals

Gold and silver prices dropped on stronger dollar after two Federal Reserve policymakers pointed to the potential for U.S. interest rates to rise next month. Gold Apr dropped \$2 finishing at \$1237. Silver Mar fell 10 cents going out at \$17.95. Platinum Apr followed gold and dropped \$3 to \$1006 after dipping below \$1000 key support level. Palladium was the only metal going in opposite direction settling at \$781, up \$8.

Market is looking ahead to Wednesday's FOMC minutes of its February meeting. Commodities prices will face stronger pressure if the likelihood of a March rate hike is higher. The yellow metal is likely to stay in range between \$1225 and \$1250 for now.



Gold spot daily chart [Source: Reuters]

Wednesday, February 22, 2017

## Energy Products

### Crude

NYMEX WTI and ICE Brent got a boost yesterday after OPEC reiterated higher compliance by members to the agreed production cuts, while touting that cuts could be extended beyond the 6-month period. Although this strategy of ‘jaw-boning’ crude oil prices higher has worked in the past, the underlying data continues to draw a darker picture, where the record high crude oil and refined product inventories continue to show that the supply glut has not been alleviated. API and EIA will begin reporting US crude oil inventories for last week, which has risen for 6-consecutive weeks. Even more worrisome is the sudden spike in US crude oil exports during the week ending on 10th Feb, with over 1million barrels-per-day in crude oil shipped out the US. This could confirm that OPEC’ s position as a force in the crude oil markets is slowly giving way to the US and other non-OPEC producers.

**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)

### Distillates

Spot demand from Egypt supported the Asian gasoil margin to a 3-1/2 month high on Tuesday with refineries in Asia entering peak maintenance. Egyptian General Petroleum Corp (EGPC) is seeking up to 2 million tonnes of high sulphur gasoil for delivery over April to June through two separate tenders. Spot requirements for high sulphur gasoil and ample supply of low sulphur diesel has been narrowing the price difference between the two grades, in turn encouraging refiners to maximise production of the higher sulphur grade. Demand for the 10ppm sulphur diesel has been hampered by a closed arbitrage to Europe where the fuel is used for heating. Most of Europe, except the Iberian region and parts of Britain, is expected to experience above normal temperatures from March to May, The Weather Company said on Tuesday. Singapore made changes to diesel taxes on cars and industries in its budget announcement on Monday. It introduced a volume-based tax on diesel usage from the current annual lump sum, which is aimed at reducing diesel consumption. This may affect demand from the city-state, though overall volumes are small in the country. Singapore is also proposing a carbon tax on direct emitters such as power stations and refineries from 2019, which is expected to hurt refining margins in an industry already threatened by rising capacity in China and the Middle East. Indian Oil Corp cancelled a tender offering light diesel oil for early March and issued another to offer the fuel in mid-March instead.

### Fuel Oil

A surplus of supplies and slow seasonal demand for marine fuels continued to weigh on ex-wharf premiums in Asia's fuel oil markets. Over the near term, the upside potential of ex-wharf premiums was limited due to abundant supplies of the fuel and limited demand from shippers and charters, prompting suppliers to offer ex-wharf parcels at lower premiums. Spot ex-wharf offers stood at a \$1 to \$1.50 a tonne premium above Singapore quotes on Tuesday while some suppliers were also offering ex-wharf term deliveries at around \$2 a tonne to Singapore quotes. By contrast, spot ex-wharf premiums at the start of February were trading at about \$4 to \$5 a tonne above Singapore quotes. In the cargo markets, demand for prompt deliveries was also lacking. Buying interest for the actively traded 380-cst fuel oil in the Platts window on Tuesday was mostly concentrated at the back-end of the window with seven of the eight bids for the fuel seeking deliveries between March 19 and 23 at a relatively narrow discount of minus 50 cents to minus \$1 a tonne to Singapore quotes. By contrast, there was one bid for the 380-cst fuel for delivery at the front of the window, between March 8 and 12, seeking a cargo at a discount of minus \$3 a tonne to Singapore quotes. One cash deal totalling 20,000 tonnes of the 180-cst fuel oil was reported trading at parity to Singapore quotes.

## Base Metals

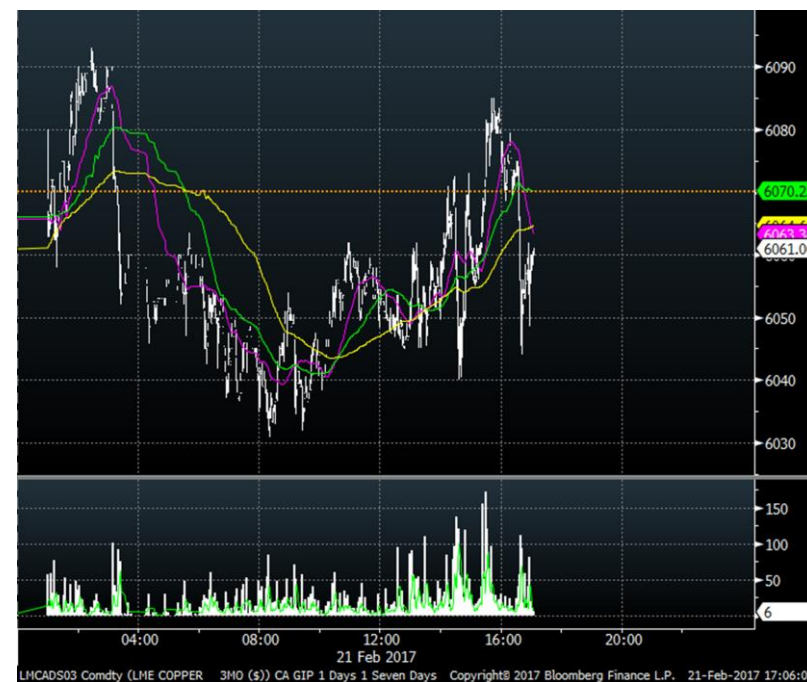
Base Metals	High	Low	Close	Chg.	% Chg.
LME Aluminum (\$/tonne)	1,892.00	1,886.00	1,886.00	-14.00	-0.74%
LME Copper (\$/tonne)	6,081.00	6,045.50	6,060.00	-10.00	-0.16%
LME Lead (\$/tonne)	2,287.00	2,265.00	2,265.00	-45.00	-1.95%
LME Nickel (\$/tonne)	11,075.00	10,855.00	10,855.00	-295.00	-2.65%
LME Tin (\$/tonne)	19,875.00	19,805.00	19,800.00	-100.00	-0.50%
LME Zinc (\$/tonne)	2,880.00	2,873.00	2,875.00	-9.00	-0.31%

Another low volume day, with profit taking in Nickel.

The Nickel market is now long and seems to lack the resources to move higher in the face of more Far Eastern trade selling. Today's downtick and the lack of recent momentum has also encouraged some profit taking. Other metals are range bound and the size of speculative length in the market now makes us wonder if more profit taking will be seen towards the end of the week if there is no further upside movement.

### LME daily stock (in tonnes):

Base Metals	Total stock	Net change	Stock on warrant
LME Aluminum	2,195,375	275	1,532,575
LME Copper	221,425	-2,600	126,075
LME Lead	189,800	50	119,550
LME Nickel	384,900	1,116	280,938
LME Tin	5,820	50	4,910
LME Zinc	387,050	-1,750	258,050



LME Copper 3M chart [Source: Bloomberg]

## What to Watch

### Economic Data – Week of Feb 20 – Feb 26

Country/Region	Date	Time	Event	Period	Prior	Forecast	Source
Japan	20-Feb-2017	7:50	Trade Balance Total Yen	Jan. 2017	640.4B	-636.8B	Reuters Poll
Germany	20-Feb-2017	15:00	Producer Prices MM	Jan. 2017	0.4%	0.2%	--
Germany	20-Feb-2017	15:00	Producer Prices YY	Jan. 2017	1%	1.9%	Reuters Poll
Euro zone	20-Feb-2017	23:00	Consumer confidence, Flash	Feb. 2017	-4.7	-4.85	Reuters Poll
Japan	21-Feb-2017	8:30	Nikkei Mfg PMI	Feb. 2017	--	--	--
Euro zone	22-Feb-2017	18:00	Inflation Final MM	Jan. 2017	0.5%	-0.2%	Reuters Poll
Euro zone	22-Feb-2017	18:00	Inflation, Final YY	Jan. 2017	1.1%	1.8%	Reuters Poll
Euro zone	22-Feb-2017	18:00	Infl Ex Food & Energy YY	Jan. 2017	0.9%	0.9%	--
US	23-Feb-2017	05:30	API weekly crude stocks	w/o Feb. 13, 2017	--	9.941M	--
Germany	23-Feb-2017	15:00	GDP Detailed QQ	Q4 2016	0.1%	0.4%	Reuters Poll
Germany	23-Feb-2017	15:00	GDP Detailed YY	Q4 2016	1.5%	1.8%	Reuters Poll
US	23-Feb-2017	21:30	Initial Jobless Claims	w/o Feb. 13, 2017	239K	--	--
US	23-Feb-2017	21:30	Continued Jobless Claims	w/o Feb. 6, 2017	2.08M	2.05M	--
US	24-Feb-2017	23:00	U Mich Sentiment	Feb. 2017	98.5	96.8	Reuters Poll
US	24-Feb-2017	23:00	New Home Sales-Units	Jan. 2017	0.54M	0.57M	Reuters Poll

## Contacts

<b>CMF (HK) Precious Metals</b>		<b>Email: <a href="mailto:PreciousMetalsHKTeam@cmschina.com.hk">PreciousMetalsHKTeam@cmschina.com.hk</a></b>
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>		<b>Email: <a href="mailto:EnergyHKTeam@cmschina.com.hk">EnergyHKTeam@cmschina.com.hk</a></b>
JOE YAM	CE No. AMK311	<a href="mailto:joeyam@cmschina.com.hk">joeyam@cmschina.com.hk</a>
<b>CMF (HK) Base Metals</b>		<b>Email: <a href="mailto:BaseMetalsHKTeam@cmschina.com.hk">BaseMetalsHKTeam@cmschina.com.hk</a></b>
VICTOR CHEW	CE No. AMY782	<a href="mailto:victorchew@cmschina.com.hk">victorchew@cmschina.com.hk</a>
<b>CMF (HK) Iron Ore</b>		<b>Email: <a href="mailto:BulkHKTeam@cmschina.com.hk">BulkHKTeam@cmschina.com.hk</a></b>
YVONNE TANG	CE No. BGM839	<a href="mailto:yvonnatang@cmschina.com.hk">yvonnatang@cmschina.com.hk</a>
<b>CMF (HK) Global Futures</b>		<b>Email: <a href="mailto:GlobalCommoditiesFuturesTeam@cmschina.com.hk">GlobalCommoditiesFuturesTeam@cmschina.com.hk</a></b>
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 (HKSF 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