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News Headlines

Asian shares edge up, await Trump's policy speech

- Hawkish comments from Fed's Kaplan underpin dollar
- Trump flags big infrastructure spending ahead of policy speech
- Crude oil futures steady, gold retreats from 3-1/2-month high (Reuters)

Trump, China's top diplomat, discuss cooperation, possible Xi meeting

- U.S. President Donald Trump, who has attacked China on issues from trade to the South China Sea, held his first face-to-face talks with a member of the Chinese leadership on Monday, and the White House said it was a chance to discuss shared security interests and a possible meeting with President Xi Jinping. (Reuters)

Trump seeks 'historic' increase of 9 pct in U.S. military's budget

- President Donald Trump is seeking what he called a "historic" 9 percent increase in military spending, even as the United States has wound down major wars in Iraq and Afghanistan and remains the world's strongest military power. (Reuters)

Japan factory output unexpectedly falls as exports of cars to US slow

- Jan output -0.8 pct m/m vs forecast +0.3 pct
- Manufacturers see output up in Feb, down in March
- Retail sales +1.0 pct yr/yr vs forecast +0.9 pct
- Economy on fragile footing, Trump factor raises uncertainty (Reuters)

U.S. core capital goods orders fall; manufacturing recovery intact

- Core capital goods orders fall 0.4 percent in January
- Shipments of core capital goods decline 0.6 percent
- Durable goods orders jump 1.8 percent (Reuters)

Precious Metals	High	Low	Close*	Chg.	% Chg.
Gold Spot (\$/oz)	1263.80	1250.40	1252.68	-3.88	-0.31%
COMEX Gold Apr17 (\$/oz)	1264.90	1251.50	1253.40	-4.60	-0.37%
Silver Spot (\$/oz)	18.4830	18.1900	18.2590	-0.0910	-0.50%
COMEX Silver May17 (\$/oz)	18.5400	18.2650	18.3100	-0.1050	-0.57%
Platinum Spot (\$/oz)	1044.10	1019.80	1028.70	1.71	0.17%
NYMEX Platinum Apr17 (\$/oz)	1047.80	1027.30	1031.70	0.20	0.02%
Palladium Spot (\$/oz)	788.20	765.95	783.00	11.76	1.52%
NYMEX Palladium Jun17 (\$/oz)	789.70	769.05	783.25	9.80	1.27%

London Fixes	Gold	Silver	Platinum	Palladium
AM (\$/oz)	1256.25	18.3400	1026.00	773.00
PM (\$/oz)	1257.20		1033.00	784.00

Energy Products	High	Low	Close*	Chg.	% Chg.
NYMEX WTI Apr17 (\$/bl)	54.61	53.94	54.04	0.02	0.04%
ICE Brent Apr17 (\$/bl)	56.77	55.86	55.86	-0.18	-0.32%
NYMEX RBOB Gasoline Mar17 (\$/gal)	1.5420	1.5107	1.5330	0.0182	1.20%
NYMEX NY Harbor ULSD Mar17 (\$/gal)	1.6651	1.6375	1.6419	0.0019	0.12%
ICE Gasoil Mar17 (\$/mt)	501.50	494.25	495.50	1.25	0.25%
NYMEX Natural Gas Apr17 (\$/mmBtu)	2.721	2.659	2.692	-0.107	-3.82%

Currencies	High	Low	Close*	Chg.	% Chg.
EUR USD	1.0630	1.0549	1.0585	0.0025	0.24%
USD JPY	112.83	111.89	112.67	0.49	0.44%
AUD USD	0.7707	0.7659	0.7671	0.0002	0.03%
USD CHF	1.0098	1.0042	1.0087	0.0014	0.14%
USD CNH	6.8649	6.8504	6.8615	0.0090	0.13%
GBP USD	1.2484	1.2382	1.2442	-0.0023	-0.18%
DOLLAR INDEX SPOT (DXY)	101.2700	100.6900	101.1300	0.0400	0.04%

*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

- On the eve of President Trump's address to Congress, all three major indices continued to push higher, closing up by 0.08%-0.28%. The market awaits details of Trump's tax cuts and other economic policies. Hong Kong ADRs lower.

China/Hong Kong markets

- Local markets continued to consolidate, extending losses from last week. Volatility also increased with futures expiring yesterday. The HSI traded in a 245point range, falling from a day high of 24,067points, but ended the day down only slightly lower by 40points (-0.17%) at 23,925points. The China-heavy HSCEI fell 87points (-0.84%) to 10,330points. Turnover continued to shrink to HK\$74.4bn as investors to a wait-and-see approach.
- Mainland shares also declined pulled down by aviation stocks, baijiu, and ports. Steel and travel-related stocks saw some buying but it was insufficient to prevent a loss of 24points (-0.76%) for the SSE, which closed at 3,228points. It was the first time in over a month that the SSE closed below its 10-day MA (c.3,235points) and the index's RSI has fallen below 70, reflecting weakness in the market. Yet the fresh capital that has been injected in to the market over the last several weeks will fortify the SSE above its 3,200point support.
- HSI Mar AT futures trended lower throughout the night until it hit a session-low of 23,838points, where it rebounded to a high of 23,936point after US markets opened. However, with US indices opening lower, futures plunged to close at 23,889points (-39points, -0.16%).
- The HSI closed lower on expiry day of the Feb futures contract. However, the drop in the market was not particularly deep. The HSI might fall to its 20-day MA (23,706points) but the overall trend is still up. In the short-term, HSI remains in a consolidation phase with the RSI now below 70 and the index dropping below its 10-day MA (c.24,016points).

Trading Idea – “Silver continues to shine with weaker USD to trend weaker on Trump's agenda”

- USD had shown signs of weakness as fiscal and monetary policies conflicts.
- Silver continues on a steady incline after rebounding December lows and continues to lead gold.
- Gold/silver ratio continues to support prices higher.

	Hang Seng Index (HSI)	Hang Seng China Enterprise Index (HSCEI)	Shanghai Comp (SSEC)
Open	23941.81	10395.02	3249.19
High	24067.68	10446.59	3251.65
Low	23822.88	10306.32	3224.09
Close	23925.05	10330.85	3228.66
Change	-40.65	-87.81	-24.77

(Reuters)



Silver spot prices daily chart [Source: Reuters]

Precious Metals

Market awaits details of Trump's tax cuts and other economic policies. Precious metals in general traded in range bounded on Monday. Gold Apr dropped \$5 to \$1253. Silver May fell 10 cents finishing at \$18.31. Platinum Apr managed to settle unchanged at \$1032. Palladium Jun on the other hand rebounded over \$10 during the day after dipping below \$770 in Asia morning and closed at \$783.

U.S. President Trump's address to congress on Tuesday is under spotlight. Gold is likely to remain trading in range ahead of the congress. Keep eyes on the prospect of the Fed interest rates hike plans.



Gold spot daily chart [Source: Reuters]

Tuesday, February 28, 2017

Energy Products

Crude

WTI price slightly increased 0.04% while Brent dropped 0.32% to US\$54.04/bbl and US\$55.86/bbl respectively. Report from energy provider Genscape showed a build of more than 800k barrels of crude at the Cushing storage hub in Oklahoma which weighs on crude prices. On the other hand, market participants are hopeful that OPEC may further cut production, after the United Arab Emirates and Iraq have pledged to catch up with their targets. Keep watching closely to the crude inventory data which is due to be released on Wednesday.

Inventories of Crude and Products
In the week ending 17th Feb, 2017
 (million barrels)

	Stocks	Weekly Change
Crude	518.7	+0.6
Gasoline	256.4	-2.7
Distillates	165.1	-5.0
Aggregated	2,044.0	-11.0

(EIA: Data released on 23 Feb, 2017)

(Next Release Date: 01 Mar, 2017)

Distillates

Gasoil and jet fuel cash differentials fell on Monday as spot supply from India flooded the market. India's Essar Oil offered its fourth gasoil cargo for loading in March, in a sign that gasoil demand in India may have slowed. Indian Oil Corp also offered a high sulphur gasoil cargo for March. Indian state-owned refiners have also been upgrading their units to produce cleaner diesel, which may have reduced their requirements from Essar Oil which supplies diesel to them, which in turn has increased the latter's diesel exports. India's Mangalore Refinery and Petrochemicals Ltd (MRPL) had earlier offered 50ppm sulphur diesel, a change from the usual 500ppm sulphur gasoil that it usually exports. India will move towards 50ppm sulphur diesel nationwide by April. Malaysia's Prime Minister Najib Razak announced on Monday that Saudi Arabia's state oil company will invest \$7 billion into an oil refinery to be set up by Malaysian oil company Petroliam Nasional Bhd. Najib said the decision was made before noon on Monday after discussions between top executives from Petronas and Saudi Aramco to build the plant, part of Malaysia's Refinery and Petrochemical Integrated Development (RAPID) project in Pengerang in the southern state of Johor. This follows an announcement in Vietnam that the country's new \$7.5 billion Nghi Son oil refinery expects to take delivery of its first crude oil in May and to have its first products by the third quarter of the year. This is expected to increase exports of diesel and jet fuel in the region, which could dent margins, as supply of the fuels is ample with China stepping up exports of diesel. Still, in the short term, supply is expected to tighten as refineries in Asia undergo heavy maintenance.

Fuel Oil

A recovery in buying interest lent support to Asian fuel oil markets on Monday, with both cash differentials and prompt month time spreads edging higher. Premiums of the 380-cst fuel oil March/April time spread rose to a near two-week high of \$2.75 a tonne, up 50 cents from the previous session. The last time premiums of the front-month spread were as high was on Feb. 16 after soaring trading volumes of the contract sparked expectations of a bullish trading play. While the backwardated market structure over the near term is at odds with current supply levels, market sentiment continues to draw support from the anticipated trading play, as well as expectations of an inventory drawdown in March and April stemming from fewer arbitrage supplies. Since the start of February, Singapore inventories have climbed 2.8 million barrels to a seven-month high totalling 26.65 million barrels. In a market characterized by excess supply, inventories will be rising, and the market will typically tend to move from backwardation into contango, or if it is already in contango into a deeper one. In the physical markets, cash discounts of the actively traded 380-cst fuel were also at their narrowest since Feb. 16 on stronger buying interest. Discounts of the 380-cst fuel were assessed at 4 cents a tonne below Singapore quotes, up from minus 68 cents a tonne on Friday. Liquidity in the market for 180-cst fuel oil cargoes was absent for the second consecutive session, with no standing bids or offers in the Platts window in Monday.

What to Watch

Economic Data – Week of Feb 27 – Mar 05

Country/Region	Date	Time	Event	Period	Prior	Forecast	Source
Euro zone	27-Feb-2017	18:00	Economic Sentiment	Feb. 2017	107.90	108.20	Reuters Poll
Euro zone	27-Feb-2017	18:00	Industrial Sentiment	Feb. 2017	0.80	1.00	Reuters Poll
US	27-Feb-2017	21:30	Durable Goods	Jan. 2017	-0.40%	1.90%	Reuters Poll
Japan	28-Feb-2017	7:50	Industrial output prelim mm	Jan. 2017	0.50%	0.30%	Reuters Poll
Japan	28-Feb-2017	7:50	Retail Sales YY	Jan. 2017	0.70%	0.90%	Reuters Poll
GB	28-Feb-2017	8:01	GfK Consumer Confidence	Feb. 2017	-5.00	--	--
US	28-Feb-2017	21:30	GDP 2nd Estimate	Q4 2016	3.20%	2.10%	Reuters Poll
US	28-Feb-2017	22:00	CaseShiller 20 MM SA	Dec. 2016	0.90%	--	--
US	28-Feb-2017	22:45	Chicago PMI	Feb. 2017	50.30	52.30	Reuters Poll
US	28-Feb-2017	23:00	Consumer Confidence	Feb. 2017	111.80	110.90	Reuters Poll
US	01-Mar-2017	5:30	API weekly crude stocks	w/o Feb. 20, 2017	-884M	--	--
China	01-Mar-2017	9:00	NBS Non-Mfg PMI	Feb. 2017	54.6	--	--
China	01-Mar-2017	9:00	NBS Manufacturing PMI	Feb. 2017	51.3	51.1	Reuters Poll
China	01-Mar-2017	9:45	Caixin Mfg PMI Final	Feb. 2017	51	50.8	Reuters Poll
Germany	01-Mar-2017	17:00	Unemployment Chg SA	Feb. 2017	-26K	-10K	Reuters Poll
Germany	01-Mar-2017	21:00	CPI Prelim MM	Feb. 2017	-0.6%	0.5%	Reuters Poll
US	01-Mar-2017	21:30	Personal Income MM	Jan. 2017	0.3%	0.3%	Reuters Poll
US	01-Mar-2017	21:30	Consumption, Adjusted MM	Jan. 2017	0.5%	0.3%	Reuters Poll
US	01-Mar-2017	21:30	Core PCE Price Index MM	Jan. 2017	0.1%	0.2%	Reuters Poll
US	01-Mar-2017	23:00	Construction Spending MM	Jan. 2017	-0.2%	0.6%	Reuters Poll
US	01-Mar-2017	23:00	ISM Manufacturing PMI	Feb. 2017	56	55.7	Reuters Poll
US	01-Mar-2017	23:00	ISM Mfg Prices Paid	Feb. 2017	69	68	Reuters Poll
US	01-Mar-2017	23:30	EIA Weekly Crude Stocks	w/o Feb. 20, 2017	0.56M	--	--
Euro zone	02-Mar-2017	18:00	Inflation, Flash YY	Feb. 2017	1.8%	2%	Reuters Poll
Euro zone	02-Mar-2017	18:00	Unemployment Rate	Jan. 2017	9.6%	9.5%	Reuters Poll
US	02-Mar-2017	21:30	Initial Jobless Claims	w/o Feb. 20, 2017	244K	--	--
US	03-Mar-2017	23:00	ISM N-Mfg PMI	Feb. 2017	56.5	56.4	Reuters Poll

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