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News Headlines

Dollar firm, shares ease in Asia as Fed hike looms

- Dollar firm as market prices for March 15 Fed rate hike
- U.S. yields highest since 2009, bonds pressured globally
- Asia shares slip as Wall St rally pauses
- Commodities weighed by rising dollar (Reuters)

Japan's core inflation rises for 1st time in over a year

- Jan nationwide core CPI +0.1 pct vs f'cast flat growth
- Tokyo Feb core CPI -0.3 vs f'cast -0.2 pct
- Jan household spending -1.2 pct vs f'cast -0.4 pct
- Jobless rate slides to 3.0 pct in Jan
- Moderate pickup in inflation expected, relief for BOJ (Reuters)

Trump's attorney general, under fire, removes himself from campaign probes

- Sessions recuses himself but says did nothing wrong
- Democrats renew calls for his resignation
- Controversy over Russia ties have dogged Trump presidency (Reuters)

U.S. jobless claims near 44-year low; rate hike expected this month

- Weekly jobless claims drop 19,000
- Four-week average of claims fall 6,250
- Continuing claims increase 3,000 (Reuters)

Euro zone inflation jumps past ECB target

- ECB targets a rate just below 2 percent
- Puts pressure on rate setters over scaling back stimulus
- ECB due to meet next week (Reuters)

Precious Metals	High	Low	Close*	Chg.	% Chg.
Gold Spot (\$/oz)	1249.78	1230.58	1234.72	-14.14	-1.13%
COMEX Gold Apr17 (\$/oz)	1250.80	1231.10	1234.40	-15.60	-1.25%
Silver Spot (\$/oz)	18.4330	17.6400	17.7580	-0.6520	-3.54%
COMEX Silver May17 (\$/oz)	18.4800	17.7050	17.7900	-0.6700	-3.63%
Platinum Spot (\$/oz)	1017.80	978.75	987.75	-27.95	-2.75%
NYMEX Platinum Apr17 (\$/oz)	1020.50	983.50	989.20	-29.80	-2.92%
Palladium Spot (\$/oz)	776.70	763.60	769.75	-8.00	-1.03%
NYMEX Palladium Jun17 (\$/oz)	777.20	766.10	766.90	-9.45	-1.22%

London Fixes	Gold	Silver	Platinum	Palladium
AM (\$/oz)	1243.30	18.3300	1011.00	776.00
PM (\$/oz)	1238.10		1001.00	774.00

Energy Products	High	Low	Close*	Chg.	% Chg.
NYMEX WTI Apr17 (\$/bl)	53.80	52.54	52.56	-1.11	-2.07%
ICE Brent May17 (\$/bl)	56.44	55.03	55.03	-1.25	-2.22%
NYMEX RBOB Gasoline Apr17 (\$/gal)	1.6730	1.6266	1.6485	-0.0181	-1.09%
NYMEX NY Harbor ULSD Apr17 (\$/gal)	1.6340	1.5780	1.5800	-0.0440	-2.71%
ICE Gasoil Mar17 (\$/mt)	494.25	480.25	480.50	-12.75	-2.58%
NYMEX Natural Gas Apr17 (\$/mmBtu)	2.835	2.730	2.814	0.017	0.61%

Currencies	High	Low	Close*	Chg.	% Chg.
EUR USD	1.0551	1.0492	1.0506	-0.0040	-0.38%
USD JPY	114.59	113.66	114.38	0.67	0.59%
AUD USD	0.7682	0.7552	0.7571	-0.0103	-1.34%
USD CHF	1.0146	1.0081	1.0131	0.0047	0.47%
USD CNH	6.8885	6.8665	6.8848	0.0171	0.25%
GBP USD	1.2306	1.2240	1.2265	-0.0028	-0.23%
DOLLAR INDEX SPOT (DXY)	102.2600	101.7800	102.2000	0.4200	0.41%

*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

- The DJIA retreats by 112points (-0.5%) after the previous day's surge. The S&P500 and NASDAQ also closed 0.6%-0.7% lower as financials and shares of Facebook headed south. Hong Kong ADRs all lower.

China/Hong Kong markets

- As reversal of fortunes for local markets with the HSI rising by 304points soon after the opening bell only to lose all its gains and more by the close. Markets brought down as mainland financials and property stock saw intense selling. The HSI/HSCEI eventually closed down 48points/41points (-0.20%/-0.40%) to 23,728points/10,246points. Turnover increased during the selloff to HK\$82.1bn.
- Mainland markets fell ahead of the commencement of the 'Two Sessions' Despite logistic firms doing particularly well, banks and property developers were under pressure as news emerged that the government would add new measures to fight shadow banking and property bubbles. The SSE fell 16points (-0.52%) to 3,230points. Turnover at RMB223.0bn.
- HSI Mar AT futures rebounded slightly, ending the session up 20points (+0.08%) at 23,659points but consistently traded at a 23-125point discount to the HSI. NOI rose by 575contracts with volume at 8,880.
- The HSI not only closed with a down-candle while giving up a 300point gain, but it also broke below its 20-day MA (c.23,805points). This reinforces a likely pullback in the HSI to 23,173points (the 38.2% retracement based on the 12th Dec low of 21,488points).

Trading Idea – “Silver tumbles as Mar rate hike probability reaches 90%”

- Silver's recent run-up has come to an end as the market prepares for a March rate hike by the US Fed.
- Probability of a Mar rate hike surged to 90% after hawkish comments by Federal Reserve governors.
- Spot prices have hit a support of US\$17.7/oz but could fall to US\$17/oz. as prices for the precious metal capitulate. Short Silver futures.

	Hang Seng Index (HSI)	Hang Seng China Enterprise Index (HSCEI)	Shanghai Comp (SSEC)
Open	24044.48	10437.61	3250.52
High	24080.87	10451.16	3256.81
Low	23694.33	10224.53	3228.66
Close	23728.07	10246.89	3230.03
Change	-48.42	-41.09	-16.91

(Reuters)



Silver spot prices daily chart [Source: Reuters]

Precious Metals

Precious metals plummeted on Thursday on stronger dollar as expectations of an interest rate hike in March remained high and growing. Last night U.S. initial jobless claims reported 19k fewer for the week ended February 25, better than expected, and help pushing dollar stronger. Gold Apr price fell \$16 to settle at \$1234. Silver May was the worst performer. After holding very well in the last couple of days atop \$18, yesterday around late New York silver surged over 50 cents and stayed near the bottom till closing at \$17.79, lost 67 cents on the day. Platinum Apr more or less followed silver as it failed to hold \$1000 level, dropped \$30 to end at \$989. Palladium Jun price lost \$9 finishing at \$767.

Market in general thinks the possibility of an interest rate hike in March is increasingly high which boosted the greenback and weighed on gold along with other commodities prices. Meanwhile the upbeat U.S. jobless claims data also helped supporting the expectations. Gold is likely to face selling pressure and find \$1250 as its resistance level. Downside looking at \$1220.



Gold spot daily chart [Source: Reuters]

Energy Products

Crude

Despite OPEC production cut compliance reportedly at 90% and non-OPEC compliance rising to 60%, crude oil prices saw the biggest selloff in weeks with prompt month futures prices falling more than 2% to US\$52.56/bbl (WTI) and US\$55.03/bbl (Brent). Record inventory levels are to blame with US EIA reporting US crude oil stocks rose to a record 520.2million barrels last week. Asian prices have rebounded slightly but are still under pressure from a rising USD. Crude oil price should see stronger buying with prices near US\$50/bbl (WTI) and US\$52/bbl (Brent). Tonight's Baker Hughes' rig count is expected to see a 7th-week of rises as US oil & gas production continue to pick up pace.

Inventories of Crude and Products
In the week ending 24th Feb, 2017
 (million barrels)

	Stocks	Weekly Change
Crude	520.2	+1.5
Gasoline	255.9	-0.5
Distillates	164.2	-0.9
Aggregated	2,044.3	+0.3

(EIA: Data released on 01 Mar, 2017)

(Next Release Date: 08 Mar, 2017)

Distillates

Asia's gasoil cash differential for 500ppm grade was at a 10 cents a barrel premium to Singapore quotes on Thursday, reflecting comparatively tighter supplies. Leaner 500ppm grade supplies have also narrowed the cash differential between low-sulphur 10ppm and the former. Singapore's middle distillates stocks edged up by about 1.5 percent, or 186,000 barrels, to reach a two-week high of 12.773 million barrels in the week to March 1, official data showed. This contrasted the trend in the U.S. distillate stockpile which had fallen by 925,000 barrels versus expectations for a 611,000 barrel drop, U.S. Energy Information Administration (EIA) data showed. Japan's TonenGeneral Sekiyu, which has shut the 152,000 barrels-per-day (bpd) sole crude distillation unit (CDU) at its Chiba refinery on Wednesday for planned maintenance, will restart the unit in the second half of April. Thai's IRPC expects maintenance this year to reduce its production capacity to about 172,000 bpd in 2017 from 183,000 bpd in 2016. The refiner added it expects this year's gross refining margins to be better than last year.

Fuel Oil

A sell-off in prompt-month time spreads stalled an anticipated trading play just one day after a surge in trading activity for physical cargoes marked the start of the bullish trading strategy. A near record 22 physical deals in the Platts window kicked off the trading play on Wednesday, but buying interest for fuel oil cargoes quickly receded on Thursday to just one trade. The lack of buying interest dragged cash differentials of the 380-cst fuel oil to a discount of 13 cents a tonne to Singapore quotes on Thursday, sharply lower from Wednesday's premium of \$1.70 a tonne. Industry sources said bullish traders were likely rattled by the sharp declines in the prompt-month time spreads. The 380-cst March/April spread contract was trading at a premium of about 75 cents a tonne, down from its intraday high of around \$3 a tonne backwardation in the previous session. Meanwhile, the 380-cst fuel April/May spread contract slipped into contango of around minus 25 cents a tonne on Thursday despite a tighter supply outlook in April. Looking ahead, traders said it was not impossible for bullish market players to plough ahead with the trading play in March, but the current market structure and fundamentals made it increasingly challenging. Aggressive trading strategies occasionally rattle the fuel oil market, often leading to sharp swings across cash and derivatives price amid increased trading activity. Expectations of a bullish trading strategy peaked among industry participants by mid-February after trading volumes of the 380-cst front-month time spreads jumped and open interest (OI) levels of the 380-cst March swaps contract soared.

Base Metals

Base Metals	High	Low	Close	Chg.	% Chg.
LME Aluminum (\$/tonne)	1,935.00	1,912.00	1,911.00	-38.00	-1.95%
LME Copper (\$/tonne)	6,005.00	5,930.00	5,930.00	-86.00	-1.43%
LME Lead (\$/tonne)	2,280.00	2,253.00	2,253.00	-52.00	-2.26%
LME Nickel (\$/tonne)	10,950.00	10,780.00	10,780.00	-250.00	-2.27%
LME Tin (\$/tonne)	19,350.00	19,325.00	19,350.00	-175.00	-0.90%
LME Zinc (\$/tonne)	2,849.00	2,781.00	2,782.00	-80.00	-2.80%

Base metals are unable to hold their gains as long liquidation continues.

There has been a distinct lack of follow through buying following yesterday's rally despite some of the positive underlying factors. In China, Iron Ore has been under some pressure and it seems that this has encouraged further on shore long liquidation across the base metals complex. Copper Zinc and Nickel are approaching areas where there has been some consumer buying, we wait to see if this will be enough to steady the price.

LME daily stock (in tonnes):

Base Metals	Total stock	Net change	Stock on warrant
LME Aluminum	2,180,775	-7,625	1,302,975
LME Copper	200,000	-725	95,775
LME Lead	189,900	300	120,350
LME Nickel	378,444	666	275,682
LME Tin	5,650	90	4,265
LME Zinc	384,075	-25	203,350



LME Copper 3M chart [Source: Bloomberg]

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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