

(HKSFC CE No. AGO928)

News Headlines

Asian stocks tread water on U.S. cues, Europe concerns

- Asian stocks looked set to consolidate around four-month highs on Thursday as a cautious Wall Street close and growing political risks in Europe force investors to the sidelines.
(Reuters)

Japan machinery orders rebound, trade protectionism poses risk

- Dec core orders +6.7 pct m/m vs forecast +3.1 pct
- Core orders +6.7 pct yr/yr vs forecast +4.6 pct
- Q4 core orders -0.2 pct, seen +3.3 pct in Q1
- Capex seen crucial for sustainable economic growth
(Reuters)

S&P 500 ekes out gain while banks drag on Dow

- Nasdaq closes at record high for 2nd straight day
- Allergan gains after results; Gilead tumbles on forecast
- Financials lag, while real estate, utilities shine
- Dow down 0.18 pct, S&P up 0.07 pct, Nasdaq up 0.15 pct
(Reuters)

Britons face smaller pay rises, buttressing central bank's slowdown forecast

- firms see pay up 2.2 pct in 2017 vs 2.7 pct in 2016
- Recruiters report fastest pay rises in nine months
- BoE expects consumer spending to soften as inflation up
- BoE survey shows stronger exports, lacklustre investment
(Reuters)

Oil prices edge up on short covering; gasoline jumps

- U.S. crude oil stocks rose last week-EIA
- U.S. gasoline inventories drop after 5 weeks of increases-EIA
- China's oil demand growth falters
- Market can accommodate rising shale output-Qatar minister
(Reuters)

Precious Metals	High	Low	Close*	Chg.	% Chg.
Gold Spot (\$/oz)	1244.13	1229.84	1230.51	-11.10	-0.89%
COMEX Gold Apr17 (\$/oz)	1246.20	1226.10	1229.40	-13.70	-1.10%
Silver Spot (\$/oz)	17.8450	17.5900	17.6400	-0.1400	-0.79%
COMEX Silver Mar17 (\$/oz)	17.8450	17.6150	17.6400	-0.1400	-0.79%
Platinum Spot (\$/oz)	1028.50	1008.50	1016.00	-1.26	-0.12%
NYMEX Platinum Apr17 (\$/oz)	1032.10	1016.20	1017.20	-3.40	-0.33%
Palladium Spot (\$/oz)	778.20	765.30	770.70	-0.54	-0.07%
NYMEX Palladium Mar17 (\$/oz)	778.80	768.00	769.50	-1.65	-0.21%

London Fixes	Gold	Silver	Platinum	Palladium
AM (\$/oz)	1241.75	17.7150	1020.00	773.00
PM (\$/oz)	1236.80		1019.00	777.00

Energy Products	High	Low	Close*	Chg.	% Chg.
NYMEX WTI Mar17 (\$/bl)	53.21	52.37	53.14	0.76	1.45%
ICE Brent Mar17 (\$/bl)	55.92	55.23	55.74	0.58	1.05%
NYMEX RBOB Gasoline Mar17 (\$/gal)	1.5811	1.5471	1.5722	0.0187	1.20%
NYMEX NY Harbor ULSD Mar17 (\$/gal)	1.6624	1.6345	1.6421	0.0053	0.32%
ICE Gasoil Feb17 (\$/mt)	497.25	489.25	491.75	1.50	0.31%
NYMEX Natural Gas Mar17 (\$/mmBtu)	3.189	3.110	3.117	-0.024	-0.76%

Currencies	High	Low	Close*	Chg.	% Chg.
EUR USD	1.0709	1.0648	1.0654	-0.0043	-0.40%
USD JPY	113.34	111.70	113.22	1.29	1.15%
AUD USD	0.7664	0.7605	0.7622	-0.0023	-0.30%
USD CHF	1.0019	0.9930	1.0015	0.0072	0.72%
USD CNH	6.8639	6.8396	6.8627	0.0213	0.31%
GBP USD	1.2582	1.2487	1.2494	-0.0043	-0.34%
DOLLAR INDEX SPOT (DXY)	100.6800	100.0800	100.6500	0.3700	0.37%

*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. rebounded help by higher crude oil prices, which lifted energy stocks, while Trump's comments on tax reform boosted financials. The DJIA, S&P500, NASDAQ all closed about 0.6% higher. Hong Kong ADRs mixed.

China/Hong Kong markets

- The HSI retreated after hitting a day-high of 23,644points as mainland property, banks, and insurers continue to see an influx of buying. However, capital began leaving these sectors during the afternoon, thus giving up much of the earlier gains. The HSI/HSCEI closed up 40points/119points (+0.17%/+1.20%) at 23,525points/10,075points with turnover soaring to HK\$95.9bn.
- Mainland A-shares broke through resistance levels with the SSE rising past 9th Dec highs, closing up 16points (+0.51%) at 3,183points. SOE reform and environmental related shares continued to be favorites helping the SSE jump well above its 50-day MA (c.3,159points) as turnover surged to RMB209.7bn.
- HSI Feb AT futures started the session lower, touching a day-low of 23,422points. However, firm buying throughout the session and a good opening by Wall St. pushed the prompt month contract up by 66points (+0.28%) to close at 23,501points. Volume and NOI were 6,296contracts and 31,327contracts, respectively.
- The HSI closed with a doji yesterday as new liquidity hit a wall of profit-taking. However, with turnover still elevated we believe that the market has room to advance further with the 9th Sept high as a target (HSI: 24,364points; HSCEI: 10,209points).

Trading Idea – “Reflation trade revitalizes USD but policy pushes lower”

- The USD has recently strengthened with the Dollar Index (DXY) rebounding above 100points after hitting its 38.2% retracement level (c.99.244points).
- The rebound comes as the reflation trade begins to pick-up momentum after consolidating in January. However, Trump's policy on trade and on economic reform specifically requires a weaker USD, which the market will oblige.
- We believe the DXY will soon hit resistance and should correct downwards back down towards its 50% retracement (c.97.826points). Reiterate Shorting ICE DXY futures.

	Hang Seng Index (HSI)	Hang Seng China Enterprise Index (HSCEI)	Shanghai Comp (SSEC)
Open	23533.52	9981.11	3164.69
High	23644.63	10122.18	3186.84
Low	23489.65	9981.11	3162.57
Close	23525.14	10075.17	3183.18
Change	40.01	119.83	16.20

(Reuters)



Dollar index daily chart [Source: Reuters]

Precious Metals

Precious metals slipped on stronger dollar. Gold Apr started to fall in early New York session from \$1240 level, closing at \$1229, lost \$14. Silver Mar dropped 14 cents to \$17.64. PGMs followed as well. Platinum Apr lost \$3 going out at \$1017. Palladium Mar closed at \$770, down \$2.

Uncertainties in European politics and U.S. policies helped supporting gold higher in the previous week. But stronger dollar will weigh on commodities prices. The yellow metal is expected to find some pressure at current level but should find some support at \$1220.



Gold spot daily chart [Source: Reuters]

Energy Products

Crude

Optimism continues to bolster crude oil prices despite data showing signs for concern. Crude oil prices advanced for a second day with NYMEX WTI and ICE Brent crude oil futures rising by 1.45% and 1.05%, respectively, to US\$53.14/bbl and US\$55.74/bbl. Prices continued to increase despite EIA reporting a massive 13.8million barrel spike in crude oil inventories, which puts US stocks at an 80-yr high at 508million barrels. Furthermore, elevated prices are causing new capital to flow back into the oil exploration and production industry, which would accelerate new production coming on stream. Hence, animal-spirits could turn bearish if oil production shows an accelerated increase.

**Inventories of Crude and Products
In the week ending 03rd Feb, 2017
(million barrels)**

	Stocks	Weekly Change
Crude	508.6	+13.8
Gasoline	256.2	-0.9
Distillates	170.7	--
Aggregated	2,044.0	+1.5

(EIA: Data released on 08 Feb, 2017)

(Next Release Date: 15 Feb, 2017)

Distillates

Asian gasoil and jet fuel differentials rose on Thursday ahead of refinery maintenances from March. But an unprofitable arbitrage to ship cargoes to Europe is keeping inventories ample, capping any further gains in prices. Singapore onshore gasoil and jet fuel stocks rose nearly 12 percent to a more than two-month high of 14.408 million barrels in the week to Feb. 8, latest data from International Enterprise showed. China and South Korea more than doubled their diesel shipments to Singapore from the previous week, while Australia imported less of the fuel which contributed to the build in stocks, the data showed. Russia and Iran shipped diesel to Singapore while Malaysia's exports of the fuel also rose. Diesel cargoes, which were recently stored in tankers, are being shifted to landed tanks or shipped regionally, as the backwardated market makes storing the fuel unprofitable. Arbitrage to ship diesel to Europe is not profitable as supply remained ample in Europe. Spot demand from Vietnam's Saigon Petro also supported, though the volume was not big enough to boost differentials by much.

Fuel Oil

Prompt spreads Asia fuel oil market slipped in intraday trading after official data showed onshore Singapore fuel oil inventories rising to a six-month high in the week to Feb. 8, but later pared loses as traders looked towards March supplies. Most traders anticipated an inventory build and their focus remained on arbitrage arrivals in March which are expected to narrow with most estimates so far ranging between 4 million tonnes and 4.5 million tonnes. Drawn by strong Asian price benchmarks, Western arbitrage inflows were estimated at about 5.3 million tonnes for February, a second straight nine-month high. The Intercontinental Exchange (ICE) traded 380-cst fuel March/April time spread was unchanged from its previous settlement at parity by 1830 Singapore time (1030 GMT), while the later dated April/May spreads were slightly lower from the previous session. In physical markets, cash discounts of 380-cst fell 46 cents a tonne from the previous session to minus 72 cents a tonne to Singapore quotes, weighed down by the rise in Singapore inventories and aggressive supplier offers.

Base Metals

Base Metals	High	Low	Close	Chg.	% Chg.
LME Aluminum (\$/tonne)	1,856.00	1,850.00	1,850.00	2.50	0.14%
LME Copper (\$/tonne)	5,873.00	5,822.00	5,822.00	-73.00	-1.24%
LME Lead (\$/tonne)	2,388.00	2,335.00	2,335.50	-53.50	-2.24%
LME Nickel (\$/tonne)	10,450.00	10,280.00	10,280.00	-215.00	-2.05%
LME Tin (\$/tonne)	19,200.00	19,075.00	19,075.00	50.00	0.26%
LME Zinc (\$/tonne)	2,858.00	2,830.50	2,830.00	-18.00	-0.63%

A generally quiet day on Base metals with prices drifting a little in the afternoon. Positive fundamentals exist and have encouraged real money buying. Overall however, markets are long and one gets a sense that short term positions are getting jumpy that more progress isn't being made on the upside, and some may be susceptible to a downside flush. Far eastern buying once again has been supportive of Aluminium.

LME daily stock (in tonnes):

Base Metals	Total stock	Net change	Stock on warrant
LME Aluminum	2,237,500	-7,900	1,653,850
LME Copper	251,525	-3,200	140,325
LME Lead	188,825	-75	122,250
LME Nickel	382,584	-660	270,378
LME Tin	5,860	0	5,550
LME Zinc	384,175	-1,050	272,800



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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