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News Headlines

African states wary of potential repeal of "conflict minerals" rule

- Trump plans to issue a directive targeting a Dodd-Frank disclosure rule regarding products containing minerals from war-torn parts of Africa
- Might lead to a generalized proliferation of terrorist groups, trans-boundary money laundry and illicit financial flows in the region
- Minerals covered by the rule - gold, tin, tantalum and tungsten (Reuters)

Nippon Steel expects China steel prices to hold firm this year

- Plans to raise product prices again in FY17/18
- Expects coking coal prices at \$150-200/T, iron ore at \$90/T
- Worries over Trump policies have not gone away (Reuters)

U.S. crude and gasoline stockpiles hit record highs - EIA

- Crude inventories rose 9.5million barrels to a record at 518million barrels
- Gasoline stocks rose 2.8million barrels, vs. expectations for a 752,000-barrel drop
- Overall demand for gasoline in the last four weeks was down 5.3 percent year-on-year at 8.43 million barrels per day (bpd) (Reuters)

Gold prices benefit from geopolitical woes, up 6.5% this year

- Precious metals seeing demand revival as gold prices continue to rally amid global economic uncertainties and geopolitical tensions
- Concerns include outcome of the French elections and US foreign policy
- Gold prices gained around 8% after Dec US rate hike (Reuters)

Dollar slips from one-month peak on profit taking after upbeat U.S. data

- Dollar retreats from a one-month high marked on upbeat U.S. data
- Euro recovers from a five-week low
- Euro edged up recovering from a five-week trough (Reuters)

Precious Metals	High	Low	Close*	Chg.	% Chg.
Gold Spot (\$/oz)	1233.22	1216.41	1232.56	4.36	0.35%
COMEX Gold Apr17 (\$/oz)	1234.90	1217.50	1234.70	5.50	0.45%
Silver Spot (\$/oz)	17.9840	17.7100	17.9800	0.0310	0.17%
COMEX Silver Mar17 (\$/oz)	17.9900	17.7550	17.9800	0.0250	0.14%
Platinum Spot (\$/oz)	1010.30	983.55	1010.85	9.50	0.95%
NYMEX Platinum Apr17 (\$/oz)	1014.50	990.40	1014.10	10.40	1.04%
Palladium Spot (\$/oz)	791.20	774.75	790.35	8.61	1.10%
NYMEX Palladium Mar17 (\$/oz)	791.45	776.80	788.85	7.80	1.00%

London Fixes	Gold	Silver	Platinum	Palladium
AM (\$/oz)	1225.15	17.8800	998.00	780.00
PM (\$/oz)	1224.40		992.00	783.00

Energy Products	High	Low	Close*	Chg.	% Chg.
NYMEX WTI Mar17 (\$/bl)	53.51	52.73	52.98	-0.05	-0.09%
ICE Brent Mar17 (\$/bl)	56.25	55.56	55.69	-0.11	-0.20%
NYMEX RBOB Gasoline Mar17 (\$/gal)	1.5603	1.5348	1.5485	0.0039	0.25%
NYMEX NY Harbor ULSD Mar17 (\$/gal)	1.6467	1.6201	1.6307	-0.0026	-0.16%
ICE Gasoil Mar17 (\$/mt)	498.00	491.50	493.25	-6.50	-1.30%
NYMEX Natural Gas Mar17 (\$/mmBtu)	2.994	2.913	2.934	0.000	0.00%

Currencies	High	Low	Close*	Chg.	% Chg.
EUR USD	1.0608	1.0520	1.0598	0.0021	0.20%
USD JPY	114.95	113.83	114.15	-0.10	-0.09%
AUD USD	0.7719	0.7631	0.7708	0.0048	0.63%
USD CHF	1.0118	1.0037	1.0051	-0.0004	-0.04%
USD CNH	6.8645	6.8402	6.8409	-0.0154	-0.22%
GBP USD	1.2480	1.2379	1.2458	-0.0009	-0.07%
DOLLAR INDEX SPOT (DXY)	101.7600	101.0000	101.1800	-0.0700	-0.07%

*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 reflation theme continues to send US indices to record highs with the DJIA/S&P500/NASDAQ all rising by 0.5%-0.64%. US Fed Chairman Yellen's support for interest rate hikes in the futures and bigger-than-expected rises in sales and consumer prices reinforce views that US economic growth is accelerating. Hong Kong ADRs generally higher.

China/Hong Kong markets

- The HSI broke beyond the 24,000point barrier before retreating, yesterday, but still ended the day 291points (+1.23%) higher at 23,994points as China banks surged on earnings optimism. The HSCEI also closed up 181points (+1.77%) at 10,436points, while turnover jumped to HK\$111bn.
- The SSE broke its 5-day winning streak with the index closing down by 4points (-0.15%) at 3,212points. The market had rebounded from a day low of 3,207points during the final few minutes. However, there is still optimism within the market and the index should rally again towards its 29th Nov high of 3,282points.
- HSI Feb AT futures rebounded as US markets opened after plunging to a low of 23,911points. Trading edged higher to 7,687contracts as the late-hour rally lifted the prompt-month contract, closing at 23,973points (+4points or +0.02%).
- With the HSI breaking beyond the 24,000point mark, we see the index soon revisiting its 9th Sept high of 24,364points. However, the RSI (at 78) signals an over-bought market and pressure for a downward correction is increasing.

Trading Idea – “US oil inventories surges again; play increasing spread”

- Crude oil prices dropped as US EIA data showed another massive crude oil inventory build of 9.5million barrels (vs. est. 3.5million barrels).
- Despite the negative news, prices for both WTI and Brent crude oil have remained firm. However, given that the inventory surges are US based, while OPEC production cuts have more impact on international supplies, the spread between WTI and Brent has slowly grown.
- The WTI-Brent spread has expanded from last year's average of US\$-1.7/bbl to about US\$-2.1/bbl during 2017. We believe the polarization between the two oil benchmarks will continue to expand the spread and recommend Long Brent + Short WTI crude oil futures.

	Hang Seng Index (HSI)	Hang Seng China Enterprise Index (HSCEI)	Shanghai Comp (SSEC)
Open	23771.95	10311.69	3215.46
High	24067.62	10497.00	3236.00
Low	23771.95	10308.27	3206.56
Close	23994.87	10436.04	3212.99
Change	291.86	181.60	-4.94

(Reuters)



WTI-Brent crude oil price spread daily chart [Source: Reuters]

Precious Metals

Gold ended yesterday's session higher after moving in a choppy, two-way fashion as the yellow metal briefly broke below \$1220 following the Fed's chairwoman Janet Yellen offering speech to the U.S. House of Representatives on U.S. monetary policy Wednesday and hinted that the central bank could gradually raise interest rates sooner rather than later. The initial response was for the USD to soar higher which in turn took down the metals segment. However, as the day went by, the USD pulled back most of its gain made earlier and gold started to rally and finally settled the day at \$1232 Apr. **Silver** weakened to its first support at \$17.7550 Mar. initially but like its sister metal gold, managed to make its way back up to just under the \$18 handle before the closing bell. On the PGM front, April **platinum** rose \$8, or 0.8%, at \$1010, while March **palladium** added \$5, or 0.7%, to \$788.

Technically speaking, as we have mentioned previously, gold still looks good and now odds is running in its favour and a clear break above \$1239 will most likely send it to the next target at \$1250. Support now lies between \$1225 - \$1228 area and any dip to that level should attract bids. Silver looks poised for a move up to \$18.15 with potential to attack \$18.40 before end of this week. Support should come in from \$17.8250 with \$17.75 being the next.



Gold spot daily chart [Source: Reuters]

Energy Products

Crude

US EIA confirmed yet another massive increase in US crude inventories as stock rose 9.5million barrels during the week ending 10th Feb, booking a record high of 518.1million barrels. Not only crude oil up stocks were up, but also gasoline inventories, whose “surprise” gain of 2.9million barrels (vs. est. of 500,000barre drop) sent NYMEC WTI and ICE Brent prompt month contracts down 0.09%/0.20% to US\$52.98/bbl and US\$55.69/bbl, respectively. Refining operable utilization fell to the lowest since last-October at 85.4% signals weaker seasonal demand versus last year, which has exasperated the supply situation. US domestic production remains stable at 8.977barrels-per-day.

Distillates

Asian cash differentials rose on Wednesday as supply of the fuel tightened amid heavy refinery maintenance. Refinery maintenance in Asia, especially with several refineries undergoing planned work to upgrade secondary units to produce cleaner diesel, is heavier this year compared with last year and has led to tighter supply of fuels including diesel. This has in turn shut arbitrage opportunities to ship these fuels to the west. Only about 800,000 tonnes of gasoil from Asia are estimated to be shipped to Europe in February, from about 1.4 million tonnes in December. Spot demand from Sri Lanka also supported gasoil differentials in Asia, though spot supply from India's Essar Oil could help meet the demand. Jet fuel supply is expected to remain high with cargoes likely to be shipped from the Middle East to Singapore as it is currently not profitable to ship the cargoes west.

Fuel Oil

The prompt month time spreads of Asia's 380-cst fuel oil spiked on Wednesday, widening their backwardated structure while stirring expectations of a bullish trading strategy in the near term. Singapore fuel oil trading volumes have soared after 380-cst front-month time spreads on the Intercontinental Exchange (ICE) widened by more than \$1 per tonne from the previous day. Some industry participants were expecting a bullish trading strategy to emerge in the next few weeks based on several market cues including tightening supply fundamentals around March and April, a spike in the 380-cst March swap open interest (OI), as well as increased vessel chartering activity by certain traders that would be used to store and transport the large quantities of the purchased fuel. The Intercontinental Exchange (ICE) traded 380-cst March/April time spread contract rose to as much as \$2 a tonne in early Asian trading, up by about \$1.25 a tonne from the same time in the previous session.

Inventories of Crude and Products
In the week ending 10th Feb, 2017
 (million barrels)

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

(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)	1,913.00	1,884.50	1,913.00	26.00	1.38%
LME Copper (\$/tonne)	6,067.00	6,036.00	6,067.00	46.00	0.76%
LME Lead (\$/tonne)	2,358.00	2,329.00	2,329.00	-26.50	-1.13%
LME Nickel (\$/tonne)	10,930.00	10,780.00	10,930.00	160.00	1.49%
LME Tin (\$/tonne)	20,050.00	19,880.00	19,880.00	-45.00	-0.23%
LME Zinc (\$/tonne)	2,896.00	2,870.00	2,870.00	-33.00	-1.14%

After the fun and games of the last few days, Base metals now have a chance to consolidate. The market is long, so further dips are possible, but it seems likely that these will be bought.

Copper inventories fell again today, by 9550t, taking the total available stock down to just 128,775t.

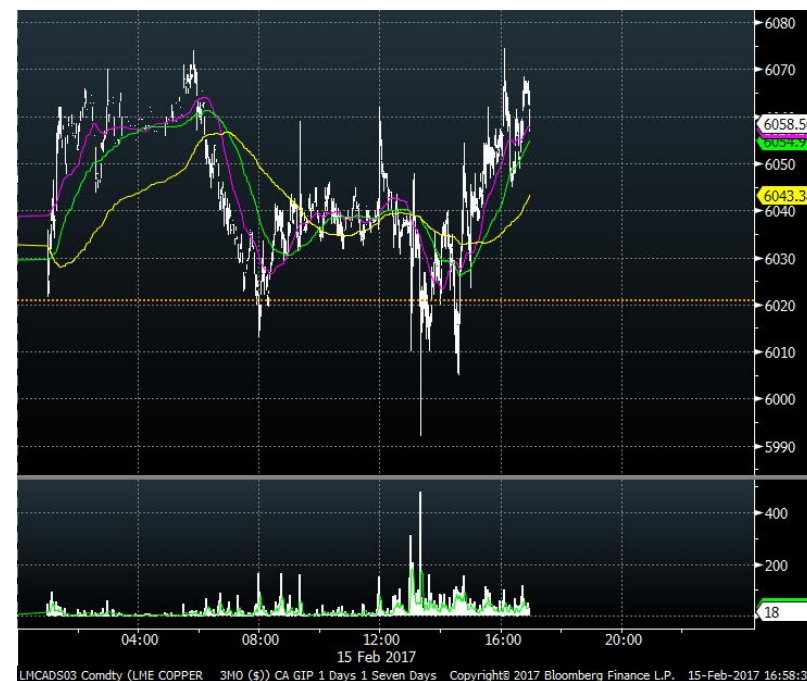
Talks at Escondida (the catalyst for yesterday's precipitous fall) resume today. The market is of the opinion that an agreement will be reached, hence the continued weakness, meanwhile supply issues remain in Indonesia.

Nickel and Aluminium are steady, CTA short covering and Far Eastern selling is the general order flow. Ni is still the only short in the complex. Aluminium continues to see real money and Chinese buying.

US data today was broadly in line with expectations while Empire Manufacturing saw a big uptick, showing 18.7 verses and expectation of 7.

LME daily stock (in tonnes):

Base Metals	Total stock	Net change	Stock on warrant
LME Aluminum	2,212,000	-8,775	1,612,725
LME Copper	235,825	-7,525	128,775
LME Lead	189,150	-25	118,700
LME Nickel	380,610	-936	275,730
LME Tin	5,930	50	5,075
LME Zinc	395,725	14,425	290,600



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

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