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News Headlines

Asia stocks ease, dollar steadies after Fed-led losses

- Asia ex-Japan, Nikkei slip after Wall Street's mixed performance
- Dollar up after Fed minutes show readiness but caution on rates
- Oil recovers after surprise drop in U.S. crude inventories (Reuters)

Federal Reserve minutes point to rate hike 'fairly soon'

- Many Federal Reserve policymakers said it may be appropriate to raise interest rates again "fairly soon" should jobs and inflation data come in line with expectations, according to the minutes of the Fed's last policy meeting released on Wednesday. (Reuters)

Stocks fade from record highs, dollar falls on Fed minutes

- Global stocks retreat from record high
- Dollar index falls as traders trim view on March U.S. rate hike
- Bond yields waffle on uncertainty over French election
- Oil futures drop on concerns over rising U.S. stockpile (Reuters)

U.S. home sales hit 10-year high, prices soar

- Existing home sales increase 3.3 percent in January
- Housing inventory rises 2.4 percent
- Median house price jumps 7.1 pct from year ago (Reuters)

EU tells Italy to reduce fiscal gap or risk being fined

- Italy's debt set to rise despite EU rules to the reverse
- Rome must take steps worth 0.2 pct of GDP, as promised -EU
- Banks hurt economy, Italy saddled with pile of bad loans (Reuters)

Precious Metals	High	Low	Close*	Chg.	% Chg.
Gold Spot (\$/oz)	1240.34	1231.23	1237.31	1.41	0.11%
COMEX Gold Apr17 (\$/oz)	1241.90	1231.50	1238.20	1.50	0.12%
Silver Spot (\$/oz)	18.0540	17.8900	18.0230	0.0830	0.46%
COMEX Silver Mar17 (\$/oz)	18.0400	17.9050	18.0000	0.0500	0.28%
Platinum Spot (\$/oz)	1005.40	991.46	1003.25	0.25	0.03%
NYMEX Platinum Apr17 (\$/oz)	1008.40	998.50	1006.40	0.70	0.07%
Palladium Spot (\$/oz)	784.30	762.75	771.00	-10.50	-1.34%
NYMEX Palladium Mar17 (\$/oz)	784.80	765.00	769.60	-11.05	-1.42%

London Fixes	Gold	Silver	Platinum	Palladium
AM (\$/oz)	1237.50	18.0000	1003.00	783.00
PM (\$/oz)	1236.65		999.00	774.00

Energy Products	High	Low	Close*	Chg.	% Chg.
NYMEX WTI Apr17 (\$/bl)	54.60	53.35	53.87	-0.36	-0.66%
ICE Brent Apr17 (\$/bl)	57.01	55.64	56.19	-0.48	-0.85%
NYMEX RBOB Gasoline Mar17 (\$/gal)	1.5236	1.4838	1.5194	0.0261	1.75%
NYMEX NY Harbor ULSD Mar17 (\$/gal)	1.6526	1.6068	1.6375	-0.0035	-0.21%
ICE Gasoil Mar17 (\$/mt)	499.50	487.50	495.00	-1.75	-0.35%
NYMEX Natural Gas Mar17 (\$/mmBtu)	2.640	2.522	2.600	0.021	0.81%

Currencies	High	Low	Close*	Chg.	% Chg.
EUR USD	1.0573	1.0492	1.0555	0.0020	0.19%
USD JPY	113.72	112.88	113.27	-0.40	-0.35%
AUD USD	0.7714	0.7664	0.7702	0.0028	0.36%
USD CHF	1.0140	1.0074	1.0102	0.0012	0.12%
USD CNH	6.8687	6.8540	6.8569	-0.0062	-0.09%
GBP USD	1.2507	1.2421	1.2449	-0.0023	-0.18%
DOLLAR INDEX SPOT (DXY)	101.7200	101.1700	101.2200	-0.1500	-0.15%

*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 continued breaking records, rising 0.2%, despite weaker crude oil price pulling down shares of ExxonMobil and Chevron. The S&P500 and NASDAQ closed down 0.1% as financials and tech stocks retreated. Hong Kong ADRs closed mixed.

China/Hong Kong markets

- Local markets shook off HSBC's poor results as the HSI closed above the 24,000point mark once more as fresh capital continues to enter the market. The HSI/HSCEI rebounded by 238points/129points (+0.99%/+1.24%) to 24,201points/10,537points as property developers and Chinese banks soared. Turnover rebounded to HK\$92.5bn.
- The SSE continued to push higher. Sectors related to the "One belt, One road" policy, such as cement and construction machinery surged by 4.5% and 3.2%, respectively. However, financial stocks receded. Turnover at RMB234.8bn.
- HSI Feb AT futures continues to trade counter to the underlying index, closing 19points lower (-0.08%) at 24,109points. The discount to the HSI narrowed slightly to 92points after expanding to as much as 134points. Trading increased to 7,838contracts but NOI fell by 3,993 to 31,790contracts as inventors closed out positions before next week's 27th Feb expiry.
- The HSI is again near the 9th Sept high of 24,364points. Momentum in the market will push the index to 25,000points in our view. However, prior to that the HSI may trade sideways while consolidating at the 24,364point level.

Trading Idea – "Fed minutes and markets rule out March rate hike"

- US Fed February minutes show that although interest rates will be lifted "fairly soon", the Fed is doubtful on the fiscal-stimulus proposal touted by President Trump.
- Ambiguity in the President's policies suggests that the Fed will not raise interest rates in March, which the market consensus gives a probability of just 34.0%.
- We continue to argue that the USD remains overvalued compared to other currencies, such as the Euro and JPY, where clarity on economic growth is more certain. We believe that the DXY has the potential to revert back towards its 50% retracement (c.97.87points). Short ICE DXY futures.

	Hang Seng Index (HSI)	Hang Seng China Enterprise Index (HSCEI)	Shanghai Comp (SSEC)
Open	24059.09	10482.33	3252.69
High	24201.96	10547.92	3261.38
Low	23999.55	10444.65	3243.84
Close	24201.96	10537.58	3261.22
Change	238.33	129.02	7.89

(Reuters)



Dollar index (DXY) daily chart [Source: Reuters]

Precious Metals

The Fed minutes released on Wednesday were roughly in line with market expectations, pointing to rate hike “fairly soon” should jobs and inflation data are in line with or stronger than their current expectations. Precious metals remained inside recent ranges. Gold Apr edged up \$1 to \$1238. Silver Mar slightly gained 5 cents to \$18. Platinum finished at \$1006, up less than \$1. Palladium was the only one falling \$11 to settle at \$770.

The yellow metal is likely to remain in range between \$1225 and \$1250. Keep eyes on the U.S. economic status for further indication on the timing for interest rate hike.



Gold spot daily chart [Source: Reuters]

Thursday, February 23, 2017

Energy Products

Crude

Crude oil prices fell by more than 1% last night but recovered slightly before the close-of-trade. NYMEX WTI and ICE Brent April futures contracts closed 0.66% and 0.85%, respectively lower, at US\$53.87/bbl and US\$56.19/bbl. However, prices have rebounded during Asian trade after API reported a surprise draw in US crude oil inventories of 884,000bbl, which would break a 6-week long streak of crude oil inventory builds. Yet, we must bear in mind that refineries in the Northern Hemisphere are beginning to cut production with Spring around the corner. With lower crude oil demand expected in the weeks to come, inventories could soon return to its uptrend.

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)

Distillates

The Asian jet fuel cash differential slipped on Wednesday after India made a rare offer of a spot cargo. Indian Oil Corp offered the jet fuel cargo for export from Paradip in March. Indian Oil usually sells the jet fuel it produces from its refineries within India. Cargo flows of distillates from Asia to Europe are expected even though the arbitrage economics are unprofitable, shipping fixtures showed. India's Reliance has provisionally booked the Ashley Lady to ship 100,000 tonnes of ultra-low sulphur diesel from Sikka to Europe on March 1, the shipping data showed, though the fixture could not immediately be confirmed. BP and Aramco Trading Company have also booked vessels to ship jet fuel from India and the Gulf to the west. Japan's kerosene inventory fell to a nine-month low of 9.16 million barrels in the week to Feb. 18, latest data from Petroleum Association of Japan showed. Domestic sales of the heating fuel and jet fuel fell, however, while sales of diesel picked up slightly.

Peak winter demand for kerosene may have passed and refiners may be maximizing diesel production. In market news, U.S.-based Freepoint Commodities said on Tuesday it has expanded its presence in Asia, hiring 25 traders and support staff in the last several months with an eye on opportunities in metals, oil and agricultural markets to meet demand in China. The expansion puts Freepoint in direct competition with major Swiss commodity traders Glencore and Trafigura, who are also expanding their businesses in Asia. The company has already started trading oil derivatives in Singapore. Freepoint also plans to join the Platts Market-on-Close assessment process for physical gasoil, jet fuel and gasoline in Asia, S&P Global Platts said on Feb. 14 on their website, referring to its product pricing platform.

Fuel Oil

Asia's fuel oil front-month time spread narrowed on Wednesday in a move that was more reflective of underlying supply conditions over the near term. Traders have said a widening of the near-term backwardation for 380-cst fuel oil seemed exaggerated in the light of arbitrage arrivals in February being at a nine-month high, as well as strong inflows in March. The Intercontinental Exchange-traded 380-cst fuel oil March/April spread narrowed by 60 cents a tonne from the previous session, trading at \$1.55 cents a tonne in backwardation by 1800 Singapore time (1000 GMT). During the second half of the previous week, the 380-cst fuel oil March/April time spread soared, widening its backwardated structure while stirring expectations of a bullish trading strategy in the near term.

In the physical market, liquidity was thin as the number of standing bids at the end of the Platts trading window shrank to three, compared to eight on Tuesday. While there was a steady flow of supplier offers on Wednesday, asking prices were higher when compared to Tuesday. Data compiled by Reuters showed Wednesday's best offers stood at about minus \$2 a tonne to Singapore quotes, compared to around minus \$1.20 a tonne on Wednesday.

Base Metals

Base Metals	High	Low	Close	Chg.	% Chg.
LME Aluminum (\$/tonne)	1,884.50	1,877.50	1,884.50	-1.50	-0.08%
LME Copper (\$/tonne)	6,042.00	5,991.00	6,040.00	-20.00	-0.33%
LME Lead (\$/tonne)	2,295.00	2,276.00	2,276.00	11.00	0.49%
LME Nickel (\$/tonne)	10,820.00	10,780.00	10,810.00	-45.00	-0.41%
LME Tin (\$/tonne)	19,700.00	19,325.00	19,325.00	-475.00	-2.40%
LME Zinc (\$/tonne)	2,877.00	2,862.50	2,865.00	-10.00	-0.35%

Another generally low volume listless day on the LME. Metals survived a sell off and finished the day mid-range, helped by the weaker USD in the afternoon. There has been some small scale long liquidation across the board. Aluminium and Zinc stocks saw large increases in cancelled warrants today, Aluminium fell 124,525t and Zinc 41,675t taking the zinc total to 216,375t the lowest level since December 2008.

LME daily stock (in tonnes):

Base Metals	Total stock	Net change	Stock on warrant
LME Aluminum	2,191,450	-3,925	1,408,050
LME Copper	219,425	-2,000	126,200
LME Lead	189,800	0	119,500
LME Nickel	384,000	-900	279,000
LME Tin	5,820	0	4,710
LME Zinc	385,925	-1,125	216,375



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

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