

(HKSFC CE No. AGO928)

News Headlines

Asian stocks seen weak on U.S. cues; bonds eyed

- Asian stocks look set to edge lower for a second day on Monday as weak cues from U.S. share markets and declining European government bond yields on political worries push investors to take profits after a recent rally. (Reuters)

Wary of Trump unpredictability, China ramps up naval abilities

- China navy beneficiary of significant spending in recent years
- China still lags U.S. but building towards blue water navy
- PLA Navy more visible in South and East China Seas, Indian Ocean (Reuters)

China summons reformer to tackle banking woes

- Guo to head CBRC after 20-year financial, political career
- Guo seen as capable, passionate reformer
- "Serious, respected" regulation needed for shadow banking (Reuters)

Malaysia rolls out red carpet as Saudi king kicks off Asia tour

- King Salman arrives in Kuala Lumpur for start of rare Asian tour
- Month-long tour includes Indonesia, China, Japan and others
- Petronas-Saudi Aramco expected to sign historic deal on Tuesday (Reuters)

U.S. new home sales rebound; consumer sentiment dips

- New home sales rise 3.7 percent in January
- Housing inventory increases 3.5 percent
- Consumer sentiment slips in February (Reuters)

Precious Metals	High	Low	Close*	Chg.	% Chg.
Gold Spot (\$/oz)	1260.10	1247.15	1256.56	7.22	0.58%
COMEX Gold Apr17 (\$/oz)	1261.20	1248.80	1258.00	7.30	0.58%
Silver Spot (\$/oz)	18.4070	18.1200	18.3500	0.1900	1.05%
COMEX Silver May17 (\$/oz)	18.4600	18.2100	18.4150	0.1700	0.93%
Platinum Spot (\$/oz)	1028.60	1003.75	1027.00	17.25	1.71%
NYMEX Platinum Apr17 (\$/oz)	1032.00	1010.90	1031.50	19.30	1.91%
Palladium Spot (\$/oz)	785.00	766.55	771.25	-4.01	-0.52%
NYMEX Palladium Jun17 (\$/oz)	786.80	770.40	773.45	-0.20	-0.03%

London Fixes	Gold	Silver	Platinum	Palladium
AM (\$/oz)	1255.35	18.2700	1015.00	779.00
PM (\$/oz)	1253.65		1027.00	786.00

Energy Products	High	Low	Close*	Chg.	% Chg.
NYMEX WTI Apr17 (\$/bl)	54.51	53.76	54.02	-0.34	-0.63%
ICE Brent Apr17 (\$/bl)	56.66	55.74	56.04	-0.43	-0.76%
NYMEX RBOB Gasoline Mar17 (\$/gal)	1.5250	1.4945	1.5148	-0.0093	-0.61%
NYMEX NY Harbor ULSD Mar17 (\$/gal)	1.6548	1.6293	1.6400	-0.0131	-0.79%
ICE Gasoil Mar17 (\$/mt)	500.00	492.50	494.25	-4.25	-0.85%
NYMEX Natural Gas Mar17 (\$/mmBtu)	2.670	2.587	2.670	0.044	1.68%

Currencies	High	Low	Close*	Chg.	% Chg.
EUR USD	1.0617	1.0554	1.0560	-0.0019	-0.18%
USD JPY	112.95	111.91	112.18	-0.39	-0.35%
AUD USD	0.7720	0.7661	0.7669	-0.0044	-0.57%
USD CHF	1.0079	1.0021	1.0073	0.0013	0.13%
USD CNH	6.8580	6.8460	6.8525	0.0046	0.07%
GBP USD	1.2570	1.2444	1.2465	-0.0087	-0.69%
DOLLAR INDEX SPOT (DXY)	101.1700	100.6600	101.0900	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

- Wall St. rebounded last Friday with markets closing at new record highs after rising by 0.05%-0.17%. However, focus for this week will be placed on President Trump's economic agenda as he addresses Congress on Tuesday night (Wednesday morning local time). Hong Kong ADRs lower.

China/Hong Kong markets

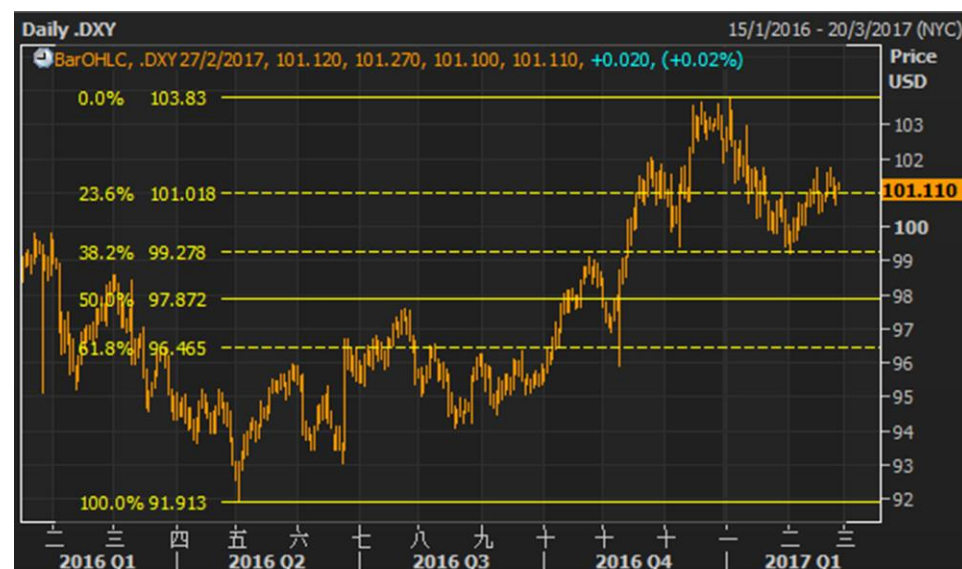
- The HSI closed below 24,000point, ending the day near day-lows, as profit-taking continues. However, overall selling pressure was not extreme with the HSI/HSCEI closing down by 149points/102points (-0.62%/-0.98%) at 23,965points/10,418points. Turnover further dropped to HK\$80.4bn.
- Mainland shares traded sideways as investors await new policies that may further stimulate equity markets. Telecom and internet stocks saw buying, which helped the SSE close higher by 2points (+0.06%) at 3,253points. Turnover fell to RMB213.8bn.
- HSI Feb AT futures initially opened higher, testing the 24,000point threshold, but plunged to a low of 23,845points before US markets supported a slight rebound during the latter half of the trading session. The prompt month closed at 23,920points (-87points or -0.36%) with volume reaching 8,969contracts. Contract expiry today with NOI at 10,292.
- Last Friday's dip in the HSI indicates that some investors are becoming more risk-adverse as the HSI nears the 9th Sept high of 24,364points. However, there is continued buying of mainland banks and property developers, which will support the market above its 20-day MA (c.23,708points). Volatility should further subside after today's futures expiry.

Trading Idea – “Buy Copper on dips”

- We expect President Trump to reiterate that a weaker USD is needed in order to reduce the US' trade deficits that are at the top of his economic agenda.
- Furthermore, despite increased rhetoric from the US Fed on raising interest rates soon, it is rather unlikely that a rate hike will occur until May.
- The USD remains overvalued in our view and we see the DXY heading lower along with the USD 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	24115.61	10507.98	3246.86
High	24121.91	10519.67	3253.96
Low	23958.13	10411.04	3233.53
Close	23965.70	10418.66	3253.43
Change	-149.16	-102.87	2.06

(Reuters)



Dollar index daily chart [Source: Reuters]

Precious Metals

Precious metals extended gains on Friday amid dimmer possibility of a March interest rate hike. Gold Apr gained \$7 finishing at \$1258. Silver May also raised 17 cents to \$18.42. Platinum Apr was the best performer to surge \$19, or 2%, perching atop at \$1032. Palladium Jun peaked at \$786.80 but lost momentum and retreated back to \$773 unchanged.

Market continues to watch closely on the U.S. economic performance and look for indications of the timing for the next interest rates hike. The yellow metal should find support at \$1250 level. Gold is likely to test higher amid weakening dollar. On coming Tuesday, U.S. President Donald Trump will make his first major address to Congress.



Gold spot daily chart [Source: Reuters]

Monday, February 27, 2017

Energy Products

Crude

Crude oil prices fell 0.63% (WTI) and 0.76% (Brent) to US\$54.02/bbl and US\$56.04/bbl, respectively, as the markets are realizing that record high crude oil inventories will not soon abate. Furthermore, US shale's comeback continues to gain traction after another 3 oil rigs were added to the rig count during the week ending 24th Feb. Prices are mixed during Asian trading with WTI down by another 0.04%, while Brent is slightly higher by 0.04%. Optimistic traders are hoping that the less-than-expected build in US crude oil inventories last week is a sign that production cuts have finally begun denting record high inventory. However, the timing of any inventory reduction runs parallel with refinery outages for seasonal maintenance, which could mute effects from the cuts.

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

Asia's gasoil crack for the 500ppm grade remained firm above \$12 a barrel on Friday, against the January average of \$11.50, with stocks drawn down across key regions. U.S. middle distillate stockpiles, which include diesel and heating oil, fell 4.9 million barrels, compared with forecasts for a draw of 483,000 barrels, Energy Information Administration (EIA) data showed. That was the largest weekly drop since October 2014. Gasoil stocks in independently held storage in the Amsterdam-Rotterdam-Antwerp (ARA) hub were also down. Data showed that gasoil stocks in the week to Feb. 23 was down nearly 4 percent, or 117,000 tonnes, at 2.96 million tonnes. The data came shortly after Singapore middle distillates stocks also reflected a fall to a five-week low in the week to Feb. 22.

Fuel Oil

Fuel oil front-month time spreads were steady on Friday having widened slightly since the start of the week, while discounts on the 380-cst grade for prompt delivery narrowed on firmer bids.

The March/April time spread for the 380-cst fuel was unchanged from Thursday at a \$2.25 a tonne premium, but was slightly up from the \$2 a tonne premium at the start of the week. Because fuel oil supplies in Singapore are on the rise, reaching a seven-month high on Thursday, coupled with sluggish bunker fuel demand throughout February, traders put the strength in time spreads down to a trading play. In the physical markets, cash discounts of the actively traded 380-cst fuel oil rebounded from its seven-month low in the previous session despite no trades being reported in the Platts window on Friday. Traders said that the way in which bids and offers are priced across the physical window, with a narrower bid-offer spread and generally higher bid-offer levels at the back end of the window. Total fuel oil flows into East Asia for February are expected to exceed the previous month's nine-month high of 7.3 million to 7.4 million tonnes, lifted by 11-month high Western arrivals, while March supplies are seen boosted by the expectation of yet another bull trading play.

Base Metals

Base Metals	High	Low	Close	Chg.	% Chg.
LME Aluminum (\$/tonne)	1,885.00	1,881.00	1,885.00	18.00	0.96%
LME Copper (\$/tonne)	5,940.00	5,893.00	5,928.00	69.00	1.18%
LME Lead (\$/tonne)	2,258.00	2,241.00	2,259.00	21.00	0.94%
LME Nickel (\$/tonne)	10,850.00	10,750.00	10,860.00	280.00	2.65%
LME Tin (\$/tonne)	19,240.00	19,050.00	19,150.00	370.00	1.97%
LME Zinc (\$/tonne)	2,829.00	2,821.00	2,829.00	39.00	1.40%

Recovering sentiment in the far east on Friday morning saw Base Metals rally through the morning session in London, with Copper regaining the \$5900 on several occasions but never having the strength to make any serious repairs to Thursday's dramatic sell off. So, almost predictably, prices began to fall again through the Official Rings, Shanghai reopening and the Comex Copper opening with Copper trading back near Thursday's lows by mid-afternoon. However news that the striking Copper miners at the giant Escondida mine in Chile now had funding to hold out for at least 2 months, combined with a set of reasonable economic release numbers in the US, seemed to turn the markets on the spot and the ensuing complex wide rally ensured an unexpectedly healthy close to the week in all metals.

Turnovers followed a similar pattern to Thursday with close to half the day's volume being transacted towards the end of the day.

Business has been sporadic at best this week and hopefully, with New Year Strategic Planning out of the way, the much anticipated Chinese, infrastructure related, buying will soon emerge.

LME daily stock (in tonnes):

Base Metals	Total stock	Net change	Stock on warrant
LME Aluminum	2,181,675	-4,800	1,324,300
LME Copper	210,800	-3,225	125,950
LME Lead	190,325	525	120,025
LME Nickel	379,680	-2,040	278,880
LME Tin	5,735	-85	4,200
LME Zinc	381,425	-1,725	198,600



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

Contacts

CMF (HK) Precious Metals Email: PreciousMetalsHKTeam@cmschina.com.hk		
WILLIAM CHAN	CE No. AGM443	williamchan@cmschina.com.hk
SIMON WONG	CE No. BBX031	simonwong@cmschina.com.hk
STEPHEN YEK	CE No. BCU327	stephenyek@cmschina.com.hk
CMF (HK) Energy Products Email: EnergyHKTeam@cmschina.com.hk		
JOE YAM	CE No. AMK311	joeyam@cmschina.com.hk
CMF (HK) Base Metals Email: BaseMetalsHKTeam@cmschina.com.hk		
VICTOR CHEW	CE No. AMY782	victorchew@cmschina.com.hk
CMF (HK) Iron Ore Email: BulkHKTeam@cmschina.com.hk		
YVONNE TANG	CE No. BGM839	yvonnatang@cmschina.com.hk
CMF (HK) Global Futures Email: GlobalCommoditiesFuturesTeam@cmschina.com.hk		
SEOW HOCK HIN	CE No. ALI542	seowhockhin@cmschina.com.hk

Disclaimer

This material is neither an official investment research nor a market analysis. It is produced by China Merchants Futures (HK) Co. Limited for information purposes only and only intended for the general information of institutional and market professional clients of China Merchants Futures (HK) Co. Limited and its affiliates only and must not be reproduced, distributed or transmitted (whether in whole or in part) to any other person except for the purpose of obtaining independent professional advice. This material does not constitute a request, offer or invitation by China Merchants Futures (HK) Co. Limited to any person to buy or sell any securities or futures contracts or to participate in any other transactions, nor does this material constitute any investment advice from China Merchants Futures (HK) Co. Limited. Any reference to past performance is not necessarily a guide to the future. The information contained in this material has been compiled from sources believed to be reliable by China Merchants Futures (HK) Co. Limited but China Merchants Futures (HK) Co. Limited makes no representation as to its accuracy or completeness and does not accept any liability for any direct, indirect or consequential loss or damage arising from the use of, or reliance of, the information contained in this material. Any forward looking statement or information in this material speaks only as of the date the statement was made. China Merchants Futures (HK) Co. Limited and its affiliates or its employees may from time to time have long or short positions in securities, warrants, futures, options, derivatives or other financial instruments independent of the information in this material. Neither this material nor any copy thereof may be distributed in any jurisdiction except as in compliance with the applicable laws thereof. If you are in doubt about the contents of this material, you should obtain independent professional advice.

Any person resident in the PRC are responsible for obtaining all relevant approvals from the PRC government authorities, including but not limited to the State Administration of Foreign Exchange, and compliance with all applicable laws and regulations, including but not limited to those of the PRC, before carrying out investment activities in relation to any securities or futures contracts, or financial assets described or referred to in this material.

This Disclaimer has been translated into Chinese. If there is any inconsistency or ambiguity between the English version and Chinese version, the English version shall prevail.

Hong Kong

China Merchants Futures (HK) Co., Limited (HKSFC CE No. AGO928)

Address: 48/F, One Exchange Square, Central, Hong Kong

Tel: +852 3189 6888

Fax: +852 2530 9168

Precious Metals

Tel: +852 3189 6228

Fax: +852 2530 9168

Energy Products

Tel: +852 3189 6226

Fax: +852 2530 9168

Base Metals

Tel: +852 3189 6330

Fax: +852 2530 9168

Iron Ore

Tel: +852 3189 6372

Fax: +852 2530 9168

Global Futures

Tel: +852 3189 6246

Fax: +852 2530 9168