

(HKSFC CE No. AGO928)

News Headlines

Dollar, Treasury yields jump on Fed jolt as Trump speech looms

- Asia ex-Japan stocks down 0.3 pct; Nikkei up on weaker yen
- 2-yr Treasury yields at 2017 high on March hike expectation
- Oil prices slide on fears of further U.S. supply increases (Reuters)

Policy details and tone will be key in Trump speech to Congress

- After a turbulent start to his presidency, Donald Trump goes before the U.S. Congress on Tuesday night to give a speech that will be closely watched for details of his plans for the economy and whether he can strike a more conciliatory tone. (Reuters)

U.S., China discuss 'mutually beneficial' economic relationship

- U.S. Secretary of State Rex Tillerson and Chinese State Councilor Yang Jiechi on Tuesday discussed improving and maintaining a "mutually beneficial economic relationship" between the United States and China, the State Department said. (Reuters)

Fed officials jolt market with talk of pending rate hike

- 'Coordinated effort' seen to reset expectations for March
- Raising rates in March leaves room for more hikes in 2017 (Reuters)

U.S. economy slowed in Q4 despite robust consumer spending

- Fourth-quarter GDP rises at 1.9 percent rate
- Consumer spending growth revised up to 3.0 percent pace
- Business, government spending revised lower
- Trade deficit rises in January, wholesale inventories fall (Reuters)

Precious Metals	High	Low	Close*	Chg.	% Chg.
Gold Spot (\$/oz)	1258.30	1247.41	1248.52	-4.16	-0.33%
COMEX Gold Apr17 (\$/oz)	1259.30	1248.20	1248.80	-4.60	-0.37%
Silver Spot (\$/oz)	18.4570	18.2100	18.3060	0.0470	0.26%
COMEX Silver May17 (\$/oz)	18.5100	18.2800	18.3600	0.0500	0.27%
Platinum Spot (\$/oz)	1036.00	1017.50	1023.85	-4.85	-0.47%
NYMEX Platinum Apr17 (\$/oz)	1038.90	1024.10	1026.80	-4.90	-0.47%
Palladium Spot (\$/oz)	786.00	765.25	771.75	-11.26	-1.44%
NYMEX Palladium Jun17 (\$/oz)	786.75	768.05	771.30	-11.95	-1.53%

London Fixes	Gold	Silver	Platinum	Palladium
AM (\$/oz)	1251.90	18.2800	1026.00	783.00
PM (\$/oz)	1255.60		1029.00	781.00

Energy Products	High	Low	Close*	Chg.	% Chg.
NYMEX WTI Apr17 (\$/bl)	54.23	53.18	54.00	-0.04	-0.07%
ICE Brent Apr17 (\$/bl)	56.15	55.23	55.56	-0.30	-0.54%
NYMEX RBOB Gasoline Mar17 (\$/gal)	1.5327	1.4734	1.5192	-0.0138	-0.90%
NYMEX NY Harbor ULSD Mar17 (\$/gal)	1.6434	1.5924	1.6284	-0.0135	-0.82%
ICE Gasoil Mar17 (\$/mt)	498.00	488.00	494.75	-0.75	-0.15%
NYMEX Natural Gas Apr17 (\$/mmBtu)	2.788	2.653	2.769	0.077	2.86%

Currencies	High	Low	Close*	Chg.	% Chg.
EUR USD	1.0630	1.0568	1.0575	-0.0010	-0.09%
USD JPY	112.88	111.67	112.75	0.08	0.07%
AUD USD	0.7694	0.7641	0.7657	-0.0014	-0.18%
USD CHF	1.0101	1.0006	1.0056	-0.0031	-0.31%
USD CNH	6.8643	6.8448	6.8549	-0.0066	-0.10%
GBP USD	1.2470	1.2368	1.2380	-0.0062	-0.50%
DOLLAR INDEX SPOT (DXY)	101.4000	100.7800	101.1200	-0.0100	-0.01%

*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 ends a 12-day winning streak, falling by 0.12%, as markets await President Trump's address to Congress. The S&P500 and NASDAQ also declined by 0.3% and 0.6%, respectively, as retailers and on-line shopping providers fell. Hong Kong ADRs lower.

China/Hong Kong markets

- Hong Kong markets continue to see liquidity drawn away. The HSI/HSCEI fell 184points/32points (-0.77%/-0.32%) to 23,740points/ 10,297points as turnover dropped to HK\$73.1bn as investors await Trump's address. Blue-chips contributed 35.9% or HK\$26.2bn in turnover.
- Mainland markets stabilized with volatility declining. Shares of delivery services, financials, and cement performed particularly well, lifting the SSE by 13points (+0.40%) to 3,241points.
- HSI Mar AT futures rebounded to 23,800points (+58points or +0.24%). Short-selling for shares listed on the HSI fell to HK\$7.5bn from HK\$8bn, which led to less downward pressure on futures. The March contract closed with a premium of 60points, which points to a possible rebound today. NOI current stands at 33,474.
- Despite total liquidity outflows being only a small part of net inflows over the past months, the HSI has closed down four-consecutive days and now looks to test the 20-day MA support (c.23,752points). If this support level were to fail the HSI could fall back to its 50% retracement (c.23,436points) based on 2015 highs and lows.

Trading Idea – “US rising output puts WTI at a disadvantage”

- US crude oil production continues to grow offsetting high compliance by OPEC on production cuts.
- Trump's protectionist energy policies combined with lower environmental and tax regulations could result in further increases in US crude oil, while the rest of the world rebalances.
- The spread between WTI and Brent futures could expand beyond its current trading channel. Short WTI + Long Brent futures.

	Hang Seng Index (HSI)	Hang Seng China Enterprise Index (HSCEI)	Shanghai Comp (SSEC)
Open	23952.64	10337.17	3225.97
High	24007.81	10403.20	3242.68
Low	23740.73	10268.04	3225.97
Close	23740.73	10297.96	3241.73
Change	-184.32	-32.89	13.07

(Reuters)



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

Precious Metals

The likelihood of a March interest rate hike increased after hawkish statements from both Dudley and Williams echoing Fed President Patrick Harker comments earlier on Tuesday. Precious metals prices retreated. Gold Apr dropped \$5 to \$1249. Silver May held rather well, managed to close 5 cents higher at \$18.36. Platinum Apr followed gold and slipped \$5 finishing at \$1027. Palladium Jun lost its uptrend momentum and plummeted to \$771, lost \$12.

Market is watching closely to U.S. President Trump's policies as he is having a speech in Asia morning today. Investors are looking for further indications on the timing for the next interest rate hike. Gold is likely to find resistance around \$1250 and downside support lying at \$1225.



Gold spot daily chart [Source: Reuters]

Wednesday, March 01, 2017

Energy Products

Crude

Crude oil prices softened ahead of inventory data to be released over the next two days. NYMEX/Brent crude oil prompt month futures declined by 0.7%/0.54% to US\$54bbl/US\$55.56bbl. However, prices have rebounded by 0.19%-0.27% after the API reported a build of 2.5million barrels versus a consensus prediction of 2.8million barrels. Validation by the EIA tonight would top another record build in US crude oil inventories, despite OPEC production cuts at 94%. While crude oil prices continue to trade within a narrow band, crude oil producers have reduced long position by 60,609contracts versus a 38,128 drop in short contracts, according to the latest COT data. Hence, we can see the paradigm slowly shifting towards lower prices.

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 500ppm gasoil grade cash differential remained at a discount of 10 cents a barrel to Singapore quotes for a second day on Tuesday after turning negative in the previous session for the first time since Feb. 14 in response to plentiful supplies. The cash differential for 10ppm gasoil grade narrowed 5 cents to a premium of 30 cents, down by more than half compared to a month ago when the premium was 80 cents. The differential between gasoil with 10ppm sulphur content and gasoil with 500ppm sulphur content has narrowed significantly in February throughout Asia. This could be due to abundant supply of ultra-low sulphur gasoil, suggesting that Chinese diesel exports may have rebounded from the multi-month low seen in January.

Fuel Oil

Intensified buying interest in the Platts window lifted cash differentials of Asia's 380-cst high-sulphur fuel oil to a one-month high on Tuesday, triggering speculation that this could mark the start of an anticipated trading play. 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. Aggressive buying interest in the Platts window lifted cash differentials of the 380-cst fuel from a discount of 4 cents a tonne to Singapore quotes on Monday to a \$1.45 a tonne premium on Tuesday, its highest premium since Jan. 24. Three cash trades totalling 60,000 tonnes were reported in the window at premiums ranging between \$1 a tonne to Singapore quotes at the front of the window for loading between March 18 to 22, to \$2 a tonne at the back of the window loading from March 26 to 30. This compared with Monday's only cash deal which saw 20,000 tonnes of the 380-cst fuel trade at a 50 cent per tonne premium to Singapore quotes. Liquidity in the market for 180-cst fuel oil cargoes continues to be absent for a third consecutive session, with no standing bids or offers in the window on Tuesday. In the paper markets, bullish sentiment also lent some support to prompt month time spreads. The Intercontinental Exchange (ICE) traded 380-cst March/April time spread rose to an intraday high of \$3 a tonne before slipping back to \$2.90 a tonne by 1800 Singapore time (1000 GMT), unchanged from Monday's settlement.

Base Metals

Base Metals	High	Low	Close	Chg.	% Chg.
LME Aluminum (\$/tonne)	1,924.00	1,895.50	1,924.00	24.00	1.26%
LME Copper (\$/tonne)	5,980.00	5,940.00	5,973.00	39.00	0.66%
LME Lead (\$/tonne)	2,273.00	2,257.00	2,257.00	2.00	0.09%
LME Nickel (\$/tonne)	10,980.00	10,925.00	10,980.00	-65.00	-0.59%
LME Tin (\$/tonne)	19,225.00	19,175.00	19,225.00	270.00	1.42%
LME Zinc (\$/tonne)	2,827.00	2,818.00	2,825.00	19.00	0.68%

Copper stocks declined another 500t today, on warrant inventory is now 95,725t close to the 9 year low of 92,650. Overnight interest remains quiet, but China's NPC is due to get underway this weekend and tonight sees China PMI data, which might generate a little more interest. Option declaration is tomorrow, which has overall left the market with a short term gamma overhang, contributing to the lack of movement, with this out of the way tomorrow and the long OI smaller than it has been over the last two weeks, perhaps tomorrow we will have a chance to move out of the range. Copper resistance is at 6006. Aluminium has seen more real money buying but good scale up selling has been noted against the 1900's due for declaration tomorrow. Aluminium stocks were down 20,050t. In Nickel there are more mixed signals from the Philippines, in the latest development the Finance Secretary has suggested the government may not be as heavy handed on some of the forecast closures.

LME daily stock (in tonnes):

Base Metals	Total stock	Net change	Stock on warrant
LME Aluminum	2,200,900	-8,650	1,325,775
LME Copper	203,100	-3,775	95,725
LME Lead	189,750	-575	120,000
LME Nickel	377,466	-1,146	273,936
LME Tin	5,550	-25	4,295
LME Zinc	384,150	-1,750	204,675



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		yvonnentang@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