

(HKSFC CE No. AGO928)

News Headlines

Asia shares down, euro pressured on Trump, European political woes

- Strong earnings, solid data underpin risk assets
- Euro hurt by worries over French election, Greek debt
- Dollar under pressure vs yen ahead of Trump-Abe meet
- French-German yield spread highest in over 4 years (Reuters)

BOJ sees improvements in economy but warns on inflation expectations

- Board members said economy on recovery path
- BOJ policymakers said need to stay course on policy
- Some uncertainty about Trump, Brexit (Reuters)

Iran scorns Trump, rebuffs U.S. warning on missiles

- Khamenei says U.S. sanctions can never paralyse Iran
- Trump vowed to stop missile program, revise nuclear deal
- Iran says will not renegotiate nuclear accord (Reuters)

U.S. trade deficit falls as exports hit more than 1-1/2-year high

- Trade deficit falls to \$44.3 billion in December
- Goods, services exports rise to \$190.7 billion
- Goods, services imports increase to \$235.0 billion (Reuters)

Oil extends losses after API reports huge U.S. crude build

- API-US crude stocks soar 14.2 mln bbls vs 2.5 mln build forecast
- U.S. shale oil "is coming back strong" - Societe Generale
- Market shrugs off EIA revised lower U.S. 2017 oil output growth
- China's oil demand growth at three-year low in 2016
- Coming Up: API's U.S. inventory data at 2130 GMT (Reuters)

Precious Metals	High	Low	Close*	Chg.	% Chg.
Gold Spot (\$/oz)	1235.78	1227.33	1233.64	-1.84	-0.15%
COMEX Gold Apr17 (\$/oz)	1237.50	1229.20	1235.50	-1.80	-0.15%
Silver Spot (\$/oz)	17.7900	17.5100	17.7050	-0.0250	-0.14%
COMEX Silver Mar17 (\$/oz)	17.7950	17.5600	17.7000	-0.0400	-0.23%
Platinum Spot (\$/oz)	1015.20	998.95	1005.75	-9.25	-0.91%
NYMEX Platinum Apr17 (\$/oz)	1018.00	1006.20	1008.20	-9.70	-0.95%
Palladium Spot (\$/oz)	773.70	752.75	763.55	-9.50	-1.23%
NYMEX Palladium Mar17 (\$/oz)	774.10	754.80	764.35	-8.45	-1.09%

London Fixes	Gold	Silver	Platinum	Palladium
AM (\$/oz)	1231.00	17.6000	1005.00	755.00
PM (\$/oz)	1231.00		1007.00	768.00

Energy Products	High	Low	Close*	Chg.	% Chg.
NYMEX WTI Mar17 (\$/bbl)	53.24	51.63	51.70	-1.40	-2.64%
ICE Brent Mar17 (\$/bbl)	55.98	54.58	54.66	-1.23	-2.20%
NYMEX RBOB Gasoline Mar17 (\$/gal)	1.5162	1.4716	1.4731	-0.0383	-2.53%
NYMEX NY Harbor ULSD Mar17 (\$/gal)	1.6414	1.6080	1.6148	-0.0233	-1.42%
ICE Gasoil Feb17 (\$/mt)	492.00	482.75	484.00	-7.25	-1.48%
NYMEX Natural Gas Mar17 (\$/mmBtu)	3.156	3.051	3.144	0.084	2.75%

Currencies	High	Low	Close*	Chg.	% Chg.
EUR USD	1.0750	1.0653	1.0680	-0.0069	-0.64%
USD JPY	112.57	111.57	112.37	0.66	0.59%
AUD USD	0.7680	0.7602	0.7624	-0.0033	-0.43%
USD CHF	1.0006	0.9897	0.9970	0.0067	0.68%
USD CNH	6.8393	6.7938	6.8342	0.0356	0.52%
GBP USD	1.2545	1.2344	1.2510	0.0041	0.33%
DOLLAR INDEX SPOT (DXY)	100.7200	99.9130	100.2600	0.3530	0.35%

*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. managed to close higher despite falling crude oil prices hitting index heavy-weights such as Chevron and ExxonMobil. The DJIA and NASDAQ closed up 0.2%, while the S&P500 closed flat. Hong Kong ADRs were mixed as financials fared well but energy stocks dropped.

China/Hong Kong markets

- Hong Kong markets opened lower, dropping by 0.4%, but steadily recovered lost territory throughout the day as Chinese insurers continued to drive ahead. The HSI ended the day slightly lower by 16points (-0.07%) at 23,331points, but the HSCEI managed to post a small 5point gain (+0.06%), closing at 9,840points. Turnover remained elevated at HK\$68.7bn.
- A-shares fell as defense and airline stocks suffer the heaviest selling. The SSE closed down 3points (-0.12%) to 3,153points. China reported that its foreign exchange reserves fell below US\$3tn, the first time since 2011. The country has spent about US\$1tn in defending its currency. Further capital control measures could impact market sentiment, which could result in the SSE retesting its 3,100point support.
- HSI Feb AT futures rebounded touching a high of 23,326points. However, intense selling emerged above the 23,300point level, which pulled it back down to close at 23,282points (+21points, +0.09%) with a 49point discount to the HSI. Volume fell to 4,486 with NOI still increasing slightly to 36,432, signifying that much of the built-up selling pressure has been alleviated.
- The HSI continues to be supported by its 10-day MA (c.23,233points) while its RSI remains high at 61. The MACD has not dipped into negative territory. However, the index will be capped by the upper bound of its Bollinger Band (c.23,474points) before attempting to retest its 9th Sept high (c.24,364points).

Trading Idea – “API reports massive increase in US crude oil stocks”

- Crude oil prices fell by over 2% after the American Petroleum Institute (API) reported a 14.23million barrel increase in US crude oil inventory. If confirmed, it will be the fifth week of consecutive inventory increases.
- OPEC production cuts have the negative effect of causing offshore stored oil to be brought back onshore for refining before the futures curve reverts to backwardation. This will negate plans to reduce global inventory and put pressure on crude oil prices. Short NYMEX WTI/ICE Brent crude oil futures.

	Hang Seng Index (HSI)	Hang Seng China Enterprise Index (HSCEI)	Shanghai Comp (SSEC)
Open	23287.89	9811.70	3154.40
High	23403.60	9886.53	3159.54
Low	23256.69	9801.78	3140.04
Close	23331.57	9846.06	3153.09
Change	-16.67	5.80	-3.90

(Reuters)



NYMEX WTI futures daily chart [Source: Reuters]

Precious Metals

Gold prices fluctuated near 3-month high in tight range on Tuesday amid political risks and stronger dollar. Gold Apr dropped \$2 finishing at \$1235. Silver Mar slightly slipped 4 cents to \$17.70. On PGMs front, platinum Apr lost \$10 going out at \$1008. Palladium Mar plummeted during London AM fixing, which fixed at \$755, it then rebounded almost \$20 from intraday low of \$754.80 but could not hold too long before retreating back to close at \$764, down \$8 on the day.

Political risks in the U.S. and Brexit remain under spotlight while market is also watching over the presidential election in France. The yellow metal is likely to find support at \$1225, and resistance stands at \$1250.



Gold spot daily chart [Source: Reuters]

Wednesday, February 08, 2017

Energy Products

Crude

Crude oil futures fell by more than 2% with NYMEX WTI and ICE Brent crude oil prompt month futures closing at US\$51.70/bbl and US\$54.66/bbl, respectively. The catalyst for the drop is the API's report that over 14million barrels of crude oil were added to US stocks during the week ending on 3rd Feb. If confirmed by the EIA's report tonight, it would mark 5-consecutive weeks of inventory increases. This bears the question of where the crude oil is coming from since OPEC has a 91% compliance rate for its production cuts implemented since Jan. One possibility is that as production is cut, the futures curve becomes flattened to a point that storing crude oil offshore is now too unprofitable. Hence, crude oil must now be brought back onshore even amidst weak demand, which results in inventory increases reported by the API and EIA. This would have a negative impact on crude oil prices, which have already shown a ceiling at around US\$54/bbl (WTI) and US\$58/bbl (Brent).

**Inventories of Crude and Products
In the week ending 27th Jan, 2017
(million barrels)**

	Stocks	Weekly Change
Crude	494.8	+6.5
Gasoline	257.1	+4.1
Distillates	170.7	+1.6
Aggregated	2,042.5	+5.2

(EIA: Data released on 01 Feb, 2017)

(Next Release Date: 08 Feb, 2017)

Distillates

Asia's jet fuel cash differential strengthened on the back of demand boosted by colder-than-expected weather, with the discount narrowing to 17 cents a barrel on Tuesday from a 21 cent discount in the previous session. Asia's cash differential for 500ppm gasoil was however unchanged at a discount of 12 cents a barrel. Although there is upcoming refinery maintenance in March in Taiwan and Japan, exports from China remained a concern for regional sellers as the latter's refining capacities have grown over the years. China exported a total of 15.4 million tonnes of diesel in 2016, up 115 percent from a year ago.

Fuel Oil

Asia's fuel oil time spreads narrowed slightly on Tuesday amid an absence of buying interest and limited trade activity on Tuesday. The Intercontinental Exchange (ICE) traded 380-cst fuel oil spread for the Feb/March contract was trading at minus 20 cents a tonne by 1745 Singapore time (0945 GMT), down from Monday's settlement of plus 5 cents a tonne. While concerns of rising supplies and increased arbitrage flows earlier in the month flipped the market structure of the 380-cst fuel into contango for the second quarter of the year, traders said aggressive buying by some of the larger trading houses over the past week lifted most of the forward curve into backwardation. To this effect, one trader pointed out the elevated levels of open interest (OI) in the March swap for the 380-cst fuel on ICE at more than 8,500 contracts compared with an average OI of about 5,000 to 6,000 contracts in the week prior to the pricing month. Meanwhile, refining margins of the 180-cst fuel for March remained virtually unchanged on Tuesday. Discounts of the 180-cst fuel to Dubai crude were 2 cents narrower from the previous session to minus \$4.13 a barrel, while discounts of the same fuel oil to Brent crude were 16 cents narrower to minus \$5.81 a barrel. Fuel oil cracks were under pressure last week as concerns over ample arbitrage flows from the West and rising stocks in Singapore fuelled bearish sentiment.

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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