

(HKSFC CE No. AGO928)

## News Headlines

### Asia subdued amid US holiday, eyes on Unilever

- Asia shares ex-Japan dip 0.1 pct, Nikkei down 0.5 pct
- Dollar eases slightly, but euro clouded by politics
- Focus on Unilever shares after Craft drops giant bid (Reuters)

### Japan export growth slows, Trump's trade policies cloud outlook

- Jan exports +1.3 pct yr/yr vs f'cast +4.7 pct
- Imports +8.5 pct yr/yr in Jan vs f'cast +4.7 pct
- Trade surplus with U.S. narrows
- Worries over protectionism under Trump cloud outlook (Reuters)

### Inbound China M&A takes flight on consumer promise

- Inbound M&A in 2017 already twice same period last year
- Consumer/retail account for nearly half early deals
- Beijing relaxed foreign deal approval regime in October
- High valuations remain an obstacle to foreign capital (Reuters)

### "That bus has gone": EU sees no Brexit U-turn now

- PM May will trigger 2-year divorce talks in March
- Brexit a blow to EU but Brussels sees no going back
- Even if Britons sought U-turn, EU may not listen (Reuters)

### Oil steady, but down for the week as glut worries face OPEC cuts

- Brent down 2 pct on the week, WTI 1 pct lower
- U.S. drilling rig count rises for fifth straight week
- U.S. gasoline margins hit 1-year low on oversupply fears
- Dollar index hits session high as U.S. Treasury yield pare fall (Reuters)

Precious Metals	High	Low	Close*	Chg.	% Chg.
Gold Spot (\$/oz)	1243.77	1234.45	1235.22	-3.54	-0.29%
COMEX Gold Apr17 (\$/oz)	1245.10	1235.30	1236.00	-4.10	-0.33%
Silver Spot (\$/oz)	18.0930	17.9400	17.9700	-0.1180	-0.65%
COMEX Silver Mar17 (\$/oz)	18.0950	17.9700	17.9750	-0.1150	-0.64%
Platinum Spot (\$/oz)	1016.20	996.00	1003.50	-9.55	-0.94%
NYMEX Platinum Apr17 (\$/oz)	1019.10	1003.60	1006.30	-9.20	-0.91%
Palladium Spot (\$/oz)	795.10	771.47	778.00	-15.11	-1.90%
NYMEX Palladium Mar17 (\$/oz)	794.95	773.35	777.80	-15.20	-1.92%

London Fixes	Gold	Silver	Platinum	Palladium
AM (\$/oz)	1241.40	18.0050	1014.00	791.00
PM (\$/oz)	1241.95		1010.00	793.00

Energy Products	High	Low	Close*	Chg.	% Chg.
NYMEX WTI Mar17 (\$/bl)	53.52	52.88	53.37	-0.09	-0.17%
ICE Brent Apr17 (\$/bl)	55.88	55.10	55.72	-0.09	-0.16%
NYMEX RBOB Gasoline Mar17 (\$/gal)	1.5250	1.4857	1.5110	-0.0147	-0.96%
NYMEX NY Harbor ULSD Mar17 (\$/gal)	1.6379	1.6110	1.6369	0.0096	0.59%
ICE Gasoil Mar17 (\$/mt)	494.00	488.00	493.50	0.50	0.10%
NYMEX Natural Gas Mar17 (\$/mmBtu)	2.899	2.830	2.843	0.011	0.39%

Currencies	High	Low	Close*	Chg.	% Chg.
EUR   USD	1.0676	1.0602	1.0611	-0.0061	-0.57%
USD   JPY	113.50	112.58	112.85	-0.35	-0.31%
AUD   USD	0.7712	0.7651	0.7669	-0.0025	-0.32%
USD   CHF	1.0033	0.9959	1.0025	0.0060	0.60%
USD   CNH	6.8558	6.8436	6.8509	0.0026	0.04%
GBP   USD	1.2511	1.2385	1.2412	-0.0075	-0.60%
DOLLAR INDEX SPOT (DXY)	100.9600	100.4500	100.9500	0.5100	0.51%

\*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

- A late rally on Wall St. helped push US stock indices higher by 0.02%-0.41% with the DJIA/S&P500/NASDAQ up over 1.5% last week. Markets are still excited over the prospects for the US economy under the Trump administration. Hong Kong ADRs lower.

### China/Hong Kong markets

- Local stock markets saw heightened profit-taking last Friday with the HSI falling below 24,000points for a time. However, by mid-day, mainland banks strengthened, pulling up the HSI from day-lows. The HSI/HSCEI still closed 73points/94points lower (-0.31%/-0.91%) at 24,033points/10,360points. Turnover retracted to HK\$86.2bn.
- A-shares fell last Friday as the China Financial Futures Exchange relaxed restrictions on domestic stock index futures trading. Investors fear that shorting/selling of underlying stocks will increase as a way to profit from futures trading. The SSE dropped 27points (-0.85%) to close at 3,202points. Turnover at RMB250.8bn.
- HSI Feb AT futures fell to a session-low of 23,917points within an hour of the opening bell and remained low throughout the session. The prompt month contract closed 62points (-0.26%) lower at 23,935points. Turnover increased to 7,651points with bearish traders expanding the discount to the HSI to 98points.
- Despite recent turbulence in the market the HSI's rise has been supported by fresh capital from the mainland. Hence, the HSI should easily return to its 9<sup>th</sup> Sept high of 24,364points.

### Trading Idea – “Return of Greek fears overdone as Euro reaches support”

- Echoes of the European Debt Crisis returns as Greece struggles to obtain another bailout with previous reforms unimplemented.
- However, history has shown that the EU and the Greek government are committed to keeping Greece within the economic bloc. Furthermore, recent economic data shows that the country is on a steady path to recovery with 2016 GPD growth at 0.3% and 2017 and 2018 GPD growth expected to reach 2.7% and 3.1%.
- Hence, we believe that Euro fears have been overly-emphasized and recommend Longing CME EUR futures.

	Hang Seng Index (HSI)	Hang Seng China Enterprise Index (HSCEI)	Shanghai Comp (SSEC)
Open	24077.87	10458.17	3227.71
High	24106.34	10475.85	3238.40
Low	23944.68	10311.95	3199.42
Close	24033.74	10360.13	3202.08
Change	-73.96	-94.89	-27.54

(Reuters)



EUR/USD spot prices daily chart [Source: Reuters]

## Precious Metals

Precious metals prices fell on stronger dollar. Gold Apr dropped \$4 finishing at \$1236 while Silver Mar closing at \$17.98, lost 11 cents. On PGMS front, platinum Apr managed to hold atop \$1000 going out at \$1006, down \$9. Palladium Mar peaked at \$794.95 before retreating back to \$778, slipped \$15.

The Fed is scheduled to publish the FOMC minutes of its February meeting on Wednesday. Market is watching closely to more indications on the timing of the next rate hike. Gold is likely to find resistance at \$1250 with downside support lying at \$1225. Meanwhile the U.S. financial markets will be closed on Monday for the Presidents Day holiday.



Gold spot daily chart [Source: Reuters]

Monday, February 20, 2017

## Energy Products

### Crude

NYMEX WTI and ICE Brent crude oil closed lower by 0.17% and 0.16%, respectively, at US\$53.37/bbl and US\$55.72/bbl last Friday after Baker Hughes released its rig count for the week. The report indicated that 10 rigs (6 oil + 4 gas) were added, but more interestingly is that some of these rigs were deployed outside of the Permian basin, which has been the last strong hold of shale. This would suggest that shale's resurgence has expanded to other areas as crude oil prices remain above US\$50/bbl. Crude oil is currently higher in Asian trade, but still sees resistance due to the drill rig data and consistently higher inventories from the US.

**Inventories of Crude and Products**  
**In the week ending 10<sup>th</sup> Feb, 2017**  
 (million barrels)

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

(EIA: Data released on 15 Feb, 2017)

(Next Release Date: 22 Feb, 2017)

### Distillates

The Asian diesel cash differentials could firm as Australia's largest refinery is expected to be shut for up to two months, in turn boosting imports of the fuel into the country. Oil major BP will shut its 146,000-barrel-per-day Kwinana refinery in western Australia for turnaround in February for up to 8 weeks. The main focus of the work will be maintenance to the residue cracking unit which converts heavy oil from the crude distillation unit and vacuum distillation units into lighter fuels such as diesel and gasoline. This could tighten supply of the ultra-low sulphur diesel which is usually shipped to Australia from Singapore as refineries are set to enter peak maintenance period soon. Brazilian fuel sales fell to 135 billion litres in 2016, down 4.5 percent compared with the previous year, led by a sharp drop in sales of hydrate ethanol. Sales of diesel fell 5.1 percent. Diesel shipments from Asia to Brazil have dropped as a result. Spot demand from Pakistan State Oil supported gasoil and jet fuel. India's Essar Oil likely sold up to 70,000 tonnes of 500ppm sulphur gasoil for March 17 to March 22 loading from Vadinar at a premium of about 70 cents above Middle East quotes. It also likely sold up to 60,000 tonnes of jet fuel for March 11 to March 15 loading at a premium of about 60 cents a barrel to Middle East quotes. Both deals could not immediately be confirmed. Indonesia's Pertamina could have bought two cargoes of 600,000 barrels each of 0.25 percent sulphur gasoil for delivery in early March from Hin Leong at a premium of about 30 cents a barrel to Singapore quotes. But the deal could not be confirmed with the relevant companies.

### Fuel Oil

Premiums of the prompt-month 380-cst fuel oil time spread slipped on Friday as traders took stock of sharp gains in the previous two sessions that came amid a surge in trading activity and a decline in onshore inventories. The 380-cst March/April spreads contract was trading around \$2 a tonne on Friday, down from about \$3 a tonne in the previous session. On Wednesday, trading volumes in the prompt month spread soared and its premium jumped, stirring expectations of a bullish trading strategy in the near term. Bullish sentiment was then supported by a surprise decline in onshore Singapore inventories of fuel oil, which fell 219,000 tonnes to a total of 3.1 million tonnes in the week ended Feb. 15. However, despite losses on Friday, Reuters data showed the 380-cst prompt month spread contract emerge from a 25 cents-per-tonne contango on Monday, to a backwardation of \$2.25 a tonne on Friday. In the physical markets, no cash deals were reported in the Platts window for the second consecutive session despite more aggressive supplier offers as low as minus \$1 per tonne. By contrast, some of the most competitive supplier offers on Monday for similar cargoes stood at a premium of 25 per tonne, which later in the week grew to a premium of \$1 per tonne on Thursday.

## Base Metals

Base Metals	High	Low	Close	Chg.	% Chg.
LME Aluminum (\$/tonne)	1,881.00	1,878.00	1,880.00	-17.00	-0.90%
LME Copper (\$/tonne)	5,965.00	5,960.00	5,960.00	-40.00	-0.67%
LME Lead (\$/tonne)	2,280.00	2,252.50	2,252.00	-23.50	-1.03%
LME Nickel (\$/tonne)	11,050.00	10,950.00	11,050.00	-20.00	-0.18%
LME Tin (\$/tonne)	19,800.00	19,725.00	19,725.00	25.00	0.13%
LME Zinc (\$/tonne)	2,830.00	2,798.00	2,809.50	-48.50	-1.70%

With the exception of Nickel, Base metals are softer today. The downtick is encouraging long liquidation across the board, and in the short term technicals point lower. Zinc has broken its trend line at 2835 triggering stops and looks like it will target 2735 now. Aluminium failed to regain yesterday's high triggering some profit taking. Trade and Far eastern selling has also been noted. Nickel remains steady. The unions are due to meet at Escondido on Monday.

### LME daily stock (in tonnes):

Base Metals	Total stock	Net change	Stock on warrant
LME Aluminum	2,202,350	-5,700	1,572,950
LME Copper	229,075	-7,650	126,075
LME Lead	189,750	625	119,350
LME Nickel	379,494	-606	276,498
LME Tin	5,995	50	5,055
LME Zinc	390,850	-3,075	290,425



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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