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## News Headlines

### Asian stocks steady, euro pressured by French election worries

- Asian stocks held near 1-1/2-year highs in subdued early trade on Tuesday as a holiday in the United States left investors with few catalysts, while the euro nursed overnight losses as lingering concerns about the looming French election rattled its bonds. (Reuters)

### EU welcomes Pence assurance of Trump's support

- VP Pence spends day visiting EU, NATO in Brussels
- EU's Tusk says heard backing for "united Europe"
- But Trump wants Europe to raise NATO spending now
- Trump support for Brexit had raised fears in bloc (Reuters)

### Japan Feb flash manufacturing PMI shows expansion at 3-yr high

- Japanese manufacturing activity expanded in February at the fastest pace in almost three years, a preliminary survey showed on Tuesday, a sign that domestic and overseas demand is improving. (Reuters)

### Chinese investors find their cash is losing its cachet

- Tight capital controls, deal scrutiny hurt investor confidence
- Chinese firms struggle to close deals owing to lack of FX
- Overseas direct investment dropping sharply
- Sellers want Chinese buyers to provide proof of funds
- Regulators will approve deals that make economic sense (Reuters)

### Greece, lenders agree to work out new reforms to unblock aid

- Lenders to send experts back to Greece to work out reforms
- Reforms to affect pension, income tax, labour market
- Once reforms agreed, IMF to make new debt sustainability report
- If Greece outperforms fiscal targets it could spend excess on growth (Reuters)

Precious Metals	High	Low	Close*	Chg.	% Chg.
Gold Spot (\$/oz)	1238.91	1232.24	1238.00	2.78	0.23%
COMEX Gold Apr17 (\$/oz)	1240.20	1232.40	1238.40	2.40	0.19%
Silver Spot (\$/oz)	18.0690	17.8800	18.0100	0.0400	0.22%
COMEX Silver Mar17 (\$/oz)	18.0600	17.9100	18.0500	0.0750	0.42%
Platinum Spot (\$/oz)	1005.70	992.50	1005.50	2.00	0.20%
NYMEX Platinum Apr17 (\$/oz)	1008.80	1000.20	1008.20	1.90	0.19%
Palladium Spot (\$/oz)	780.80	766.00	774.50	-3.50	-0.45%
NYMEX Palladium Mar17 (\$/oz)	780.30	765.05	772.20	-5.60	-0.72%

London Fixes	Gold	Silver	Platinum	Palladium
AM (\$/oz)	1235.35	17.9800	1001.00	775.00
PM (\$/oz)	1237.30		1002.00	777.00

Energy Products	High	Low	Close*	Chg.	% Chg.
NYMEX WTI Mar17 (\$/bl)	53.88	52.88	53.69	0.32	0.60%
ICE Brent Apr17 (\$/bl)	56.42	55.70	56.15	0.43	0.77%
NYMEX RBOB Gasoline Mar17 (\$/gal)	1.5295	1.4976	1.5055	-0.0055	-0.36%
NYMEX NY Harbor ULSD Mar17 (\$/gal)	1.6546	1.6365	1.6471	0.0102	0.62%
ICE Gasoil Mar17 (\$/mt)	500.00	493.25	496.00	2.50	0.51%
NYMEX Natural Gas Mar17 (\$/mmBtu)	2.826	2.745	2.769	-0.074	-2.60%

Currencies	High	Low	Close*	Chg.	% Chg.
EUR   USD	1.0633	1.0601	1.0609	-0.0002	-0.02%
USD   JPY	113.23	112.75	113.07	0.22	0.19%
AUD   USD	0.7691	0.7654	0.7686	0.0017	0.22%
USD   CHF	1.0043	1.0008	1.0022	-0.0003	-0.03%
USD   CNH	6.8625	6.8411	6.8560	0.0051	0.07%
GBP   USD	1.2482	1.2400	1.2460	0.0048	0.39%
DOLLAR INDEX SPOT (DXY)	100.9800	100.7700	100.9500	0.0000	0.00%

\*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. closed for President's Day but European markets continue to surge on earnings optimism and positive economic data, while continuing to wait for Trumponomics policies to emerge.

### China/Hong Kong markets

- Earning seasons is in full effect with HSBC (5.HK) and Hang Seng Bank (11.HK) reporting earnings today. Optimism over better results for financials helped propel both the HSI and HSCEI up by 112points/85points (+0.47%/+0.82%) to 24,146points/10,445points. However, turnover shrunk to HK\$78.1bn.
- A-shares recovered all of last Friday's losses, investors are positive on the CSRC's new rules on refinancing, which sent shares of baijiu, construction materials, steel, and oil companies higher. The SSE closed 37points (+1.18%) higher at 3,202points, with turnover steady at RMB250bn.
- HSI Feb AT futures closed near session lows dropping 28points (-0.12%) to 24,092points with US markets closed overnight. Investors continue to hedge winnings using futures as NOI increase by 294contracts to 35,011. However, volume fell to 4,064contracts with expiry next Monday.
- The HSI is on track to break beyond the 9<sup>th</sup> Sept high of 24,364points. An influx of mainland capital combined with optimism over company earnings could send the HSI to its next resistance at 25,000points.

### Trading Idea – “Long Silver + Short Gold as precious metals rebound”

- Both Gold and Silver have rebounded by 9.4% and 14.5% from Dec lows.
- During this upward trend, the gold/silver ratio has broken below the its 100-day MA as well as its previous trading channel.
- The ratio could revert to its previous low of 66x, which means silver prices could surge to US\$18.75/oz. (+4%) given current gold prices. With the gold/silver ratio continuing to head lower, we recommend Longing Silver + Shorting Gold futures.

	Hang Seng Index (HSI)	Hang Seng China Enterprise Index (HSCEI)	Shanghai Comp (SSEC)
Open	24066.00	10376.75	3198.96
High	24202.34	10478.18	3241.46
Low	24022.15	10361.45	3198.96
Close	24146.08	10445.48	3239.96
Change	112.34	85.35	37.89

(Reuters)



Gold/Silver spot prices ratio daily chart [Source: Reuters]

## Precious Metals

Gold and silver hovered in tight range during The U.S. Presidents Day. Gold Apr edged up \$2 closing at \$1238. Silver Mar finished at \$18.05, raised 7 cents. Platinum Apr more or less followed gold and managed to sustain atop \$1000 going out at \$1008, up \$2. Palladium Mar was the only metal ended in red, dropped \$6 to \$772.

Market is waiting for the FOMC minutes of its February meeting on Wednesday and look for more indications on the timing of the next rate hike. Meanwhile gold is likely to stay in range between \$1225 and \$1250.



Gold spot daily chart [Source: Reuters]

## Energy Products

### Crude

NYMEX WTI and ICE Brent are still holding a trading pattern below the US\$54/bbl (WTI) and US\$57/bbl (Brent) handle. Prices continue to be supported by positive sentiment and assurances from OPEC that production cuts have been adhered to and could be extended beyond the 6month window if needed. However, persistently high inventories could cause crude oil prices to drop. Currently in the US there are record levels of crude oil and gasoline sitting in storage tanks. This counter seasonal trend, particularly for gasoline, should be worrisome as it would suggest weaker demand for the fuel. Lately, US gasoline demand has faltered with demand averaging 8.2million barrels-per-day (bpd) in January, about a 4%YoY decline. This would further point to higher elasticity in gasoline demand than previously thought with the emergence of proven electric and hybrid vehicles.

### 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 price difference between the ultra-low sulphur diesel and 500ppm sulphur gasoil narrowed to 47 cents a barrel on Monday from Friday's 51 cents as demand for the latter outperformed demand for the lower sulphur fuel. Spot demand from Tanzania appeared, supporting the 10ppm sulphur diesel and jet fuel. Kenyan importers are also expected to enter the spot market soon with requirements for diesel and jet fuel. Taiwan's CPC Corp has sold 120,000 barrels of 0.5 percent sulphur gasoil for loading in March at a discount slightly higher than \$1 a barrel to Singapore quotes. Details on the buyer could not be confirmed. Japan's JX Nippon Oil & Energy Corp has cut the amount of crude oil it expects to refine in February by about 4 percent from an earlier target due to unspecified problems with secondary units at multiple refineries. He added that the firm was revising up its oil product export outlook for February by nearly 4 percent to 189,000 bpd as it would ship fuel oil in addition to middle distillates because the refinery problems meant it was unable to turn some product into gasoline. It is unclear which gasoil grade it will export. In the Gulf, jet fuel will be the most widely used product from Qatar's Ras Laffan Refinery 2 and a pipeline connecting it to Doha's Hamad International Airport is expected to be completed by next year.

### Fuel Oil

Asia's physical and paper fuel oil markets diverged on Monday as aggressive supplier offers widened cash discounts of the 380-cst fuel, while premiums of the prompt-month time spreads inched higher on limited activity. Aggressive supplier offers weighed on cash discounts after three cash deals were reported in the Platts window at lower deal values compared with previous sessions. Cargill and Vitol lifted two offers from Mercuria for 20,000 tonnes of the 380-cst fuel at a discount of 50 cents a tonne to Singapore quotes each. Meanwhile, Mercuria also hit Sinopec's bid for a similar 20,000 tonne cargo at a wider discount of \$1.25 a tonne below Singapore quotes in a move that industry sources said suggests that the Geneva-based trader was eager to offload some of its cargoes. Mercuria was also offering 20,000 tonnes of the 380-cst fuel at a discount of \$2.50 a tonne to Singapore quotes for delivery between March 7-11, but failed to find a buyer. The offer was about \$1 a tonne less than the next most competitive offer for a similar cargo for delivery in the same laycan. By comparison, on Wednesday, when the 380-cst fuel last traded in the window, deals for similar cargoes were concluded at a premiums around 30-40 cents a tonne to Singapore quotes. In the paper markets, the March/April time spread premium for the 380-cst fuel was largely unchanged until after the window when it inched 35 cents a tonne higher from Friday to \$2.35 a tonne by 1800 Singapore time. Liquidity will also remain limited on Monday as the Presidents Day holiday in the United States keeps markets there closed for a long weekend.

## Base Metals

Base Metals	High	Low	Close	Chg.	% Chg.
LME Aluminum (\$/tonne)	1,904.00	1,887.00	1,900.00	20.00	1.06%
LME Copper (\$/tonne)	6,070.00	6,006.50	6,070.00	110.00	1.85%
LME Lead (\$/tonne)	2,310.00	2,283.00	2,310.00	58.00	2.58%
LME Nickel (\$/tonne)	11,150.00	11,090.00	11,150.00	100.00	0.90%
LME Tin (\$/tonne)	19,895.00	19,725.00	19,900.00	175.00	0.89%
LME Zinc (\$/tonne)	2,892.00	2,857.00	2,884.00	74.50	2.65%

It's a US holiday and although the markets seem quiet they have been remarkably resilient. An initial sell off in Asia was steadied by large stock draws in Zinc and Aluminium, encouraging Macro and CTA buying.

In copper, there are no real resolutions to Freeport or Escondida, but talks at the latter will continue this week. Zinc stocks fell by 32,375t taking the total to 258kt. This has encouraged short covering in the outright and spreads and the price has put in an impressive performance, trading above Friday's high. Aluminium stocks were down by 13675t, helping the metal to rally, but the uptick in price was met with some long liquidation. Position estimates suggest that Aluminium is currently the largest long in the complex.

### LME daily stock (in tonnes):

Base Metals	Total stock	Net change	Stock on warrant
LME Aluminum	2,195,100	-7,250	1,559,275
LME Copper	224,025	-5,050	126,075
LME Lead	189,750	0	119,350
LME Nickel	383,784	4,290	281,904
LME Tin	5,770	-225	4,950
LME Zinc	388,800	-2,050	258,050



## 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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