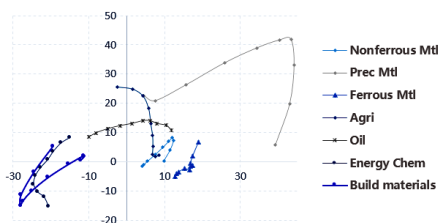
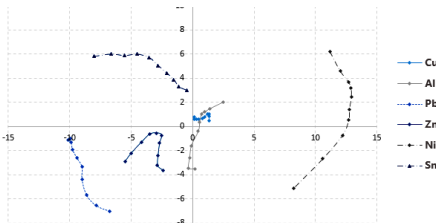


Relative Strength of Price



All products were weak; try to short the coking coal with limited position.

All commodities were weak this week, especially the ferrous metals. Propose trying to hold long position of the sugar and short position of the coking coal according to the situation.



Nonferrous metals fluctuated and dropped; aluminum was relatively strong.

The overall price of nonferrous metals fluctuated and dropped; aluminum performed stronger than other metals while nickel was relatively weak. Propose holding long position of aluminum and short nickel.

Macro Headlines



This week, two sessions have drawn all the attentions from the public, and key topics such as the risk control, financial regulations have been discussed. In general, the economy started to rise after a long recession; under the pressure of tight capital liquidity in 2017, the economy is expected to keep rising by revolutions for supply side, state-owned enterprises, and finance, which can improve the economy structure and release internal demand. The PPI of February released this week rose more than expected and the prices of downstream products kept increasing, but CPI dropped significantly due to the food price. High PPI and low CPI created a market environment with active supply and demand structure, which made the economy begin to recover in a small cycle along with the profitability of enterprises increased. The foreign exchange reserves rebounded for the first time in February in a stable trend. Due to the short-term export decline in February, there exists a trade deficit caused by the exchange settlement. More attention should be paid to liquidity pressures results from rising interest rate, devaluation of exchange rate, and capital outflow.

Copper

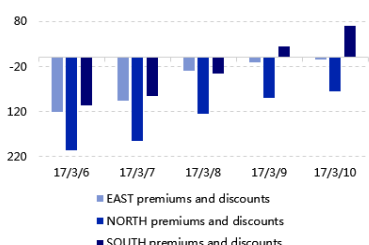


Figure 1 : premiums and discounts

As the delivery of the future approaching, spot prices converged to the future price. The spot price rose, and the price differences between different regions became smaller. In eastern China, speculators in Shanghai were quite active this week; the discount reduced, while the high quality copper traded with a premium. Downstream manufactures increased purchases when the price dropped. Similar to Shanghai, producers in Shandong purchased actively after the decrease of the prices. Many downstream manufactures from Henan purchased copper from Shandong since local scrap holders were unwilling to sell at low price as well as some smelters in Henan overhauled their facilities, which made the spot price in Shandong increased from a discount of 60 RMB to a premium of 20 RMB per ton. In northern China, the production of some unqualified wire productions was restricted according to the environmental policies, and many projects were delayed during the two sessions. The order status of copper stick enterprises was still pessimistic. Holders had to follow offers in Shanghai, and tried hard to push up the discount from b230-b180 to b100-b50 RMB per ton, which is still the lowest quote in China. In southern China, transactions were active in Guangdong since majority downstream producers restarted their production to the normal level and consumption of raw materials was quick. Both holders and producers kept purchasing when the price is low, making the inventories less than 45,000 tons. The price offered in southern China was at a premium from 40 to 100 RMB per ton, which was the highest among three regions.

Mon.	Tues.	Wed.	Thur.	Fri.
73.3	68.4	80.2	59.7	50.2

Data Source: SMM Trade Activity Index

Silver

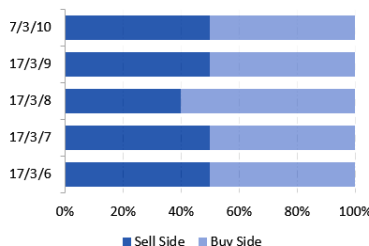


Figure 2 : percentage of buy and sell

Due to the expectation of increasing FOMC interest rate along with the strong US economy and employment data, the future price of silver dropped. The price difference between Ag T+D and Ag1706 converged from -80 RMB to -68 RMB per kilo. Holders offered a minor discount of 2 RMB per kilo at the beginning of this week, and the price increased to a minor premium of 2 RMB per kilo later. With the dipping price, downstream enterprises purchased actively; smelters were unwilling to sell except the long-term orders. With increasing demand from downstream manufactures and smaller spot-future price spread, transactions between traders were active, inventory shortage and oversold even occurred in some enterprises and the spot price was also pushed up from the discount to a premium.

Mon.	Tues.	Wed.	Thur.	Fri.
71.2	39.2	62.8	50.2	79.2

Data Source: SMM Trade Activity Index

Tin

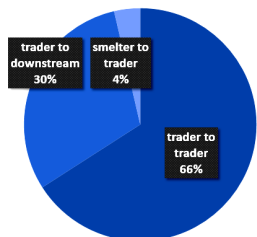


Figure 3: percentage of transaction type

Sn1705 was weak this week, whose price kept decreasing from Monday to Thursday, reaching the historical low point of 140,000 RMB per ton, but stopped on Friday due to the close of short positions. Many speculators expected a lower price and held more short positions in the future market, which made sn1705 weaker. The weekly spot price decreased for four days expect for Friday, and tin was traded at a price of 142,000 to 144,000 RMB per ton in the spot market. Many factors such as oversupply and the low consumption contributed to a discount, and there were few transactions of high quality brands. Downstream manufactures only purchased according to their demands.

Mon.	Tues.	Wed.	Thur.	Fri.
60.5	60.1	56.8	53.2	63.1

Data Source: SMM Trade Activity Index

Industry News

【SMM Operating Rate Survey】: According to SMM research, the operating rate for the copper stick manufactures during the February is 54.23%, which is 4.9% MoM decreasing as well as 2.21% YoY decreasing. The main reason for the decline is that a large manufacture stopped for overhaul during the February.