



China Sourcing Update

March 30, 2017

Raw Material Prices: Hard Goods

1. Price index of ABS resin goes up further in February

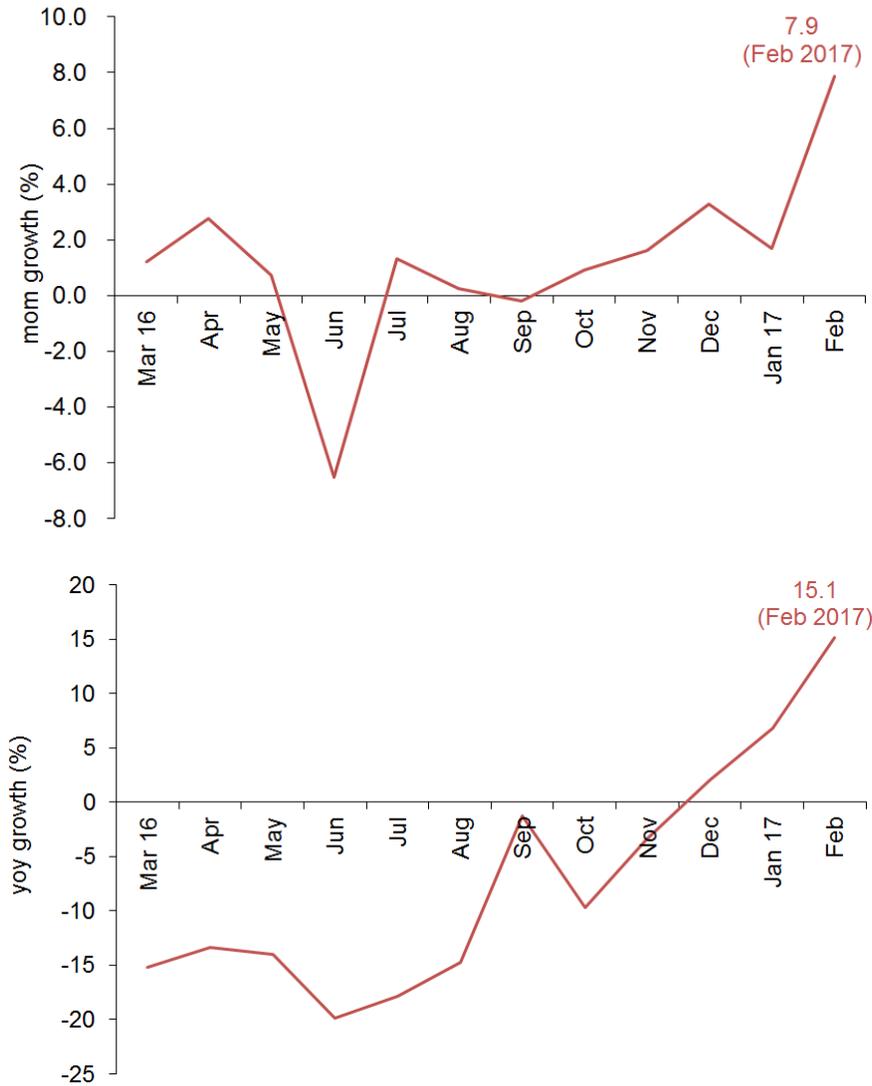
The price index of ABS resin¹ soared by 7.9% mom in February, after rising by 1.7% mom in January (see *exhibit 1*).

The jump in prices of ABS resin in the two-month period was mainly caused by a rise in upstream prices. Prices of butadiene and styrene, the major raw materials of ABS resin, surged during early January to mid-February.

According to the latest media reports, the prices of butadiene and styrene dropped during mid-February to early March, putting downward pressure on the prices of ABS resin. Thus, we expect that the prices of ABS resin will fall in the near future.

¹ The index is compiled by the China Logistics Information Center (CLIC). The CLIC is a sub-division of the China Federation of Logistics & Purchasing (CFLP), which is the first logistics and purchasing industry association approved by the State Council. One of the CFLP's missions is to push forward the circulation of factors of production in China.

Exhibit 1: Price index of ABS resin, March 2016 to February 2017



Source: China Logistics Information Center

2. Price index of PP continues to trend upward

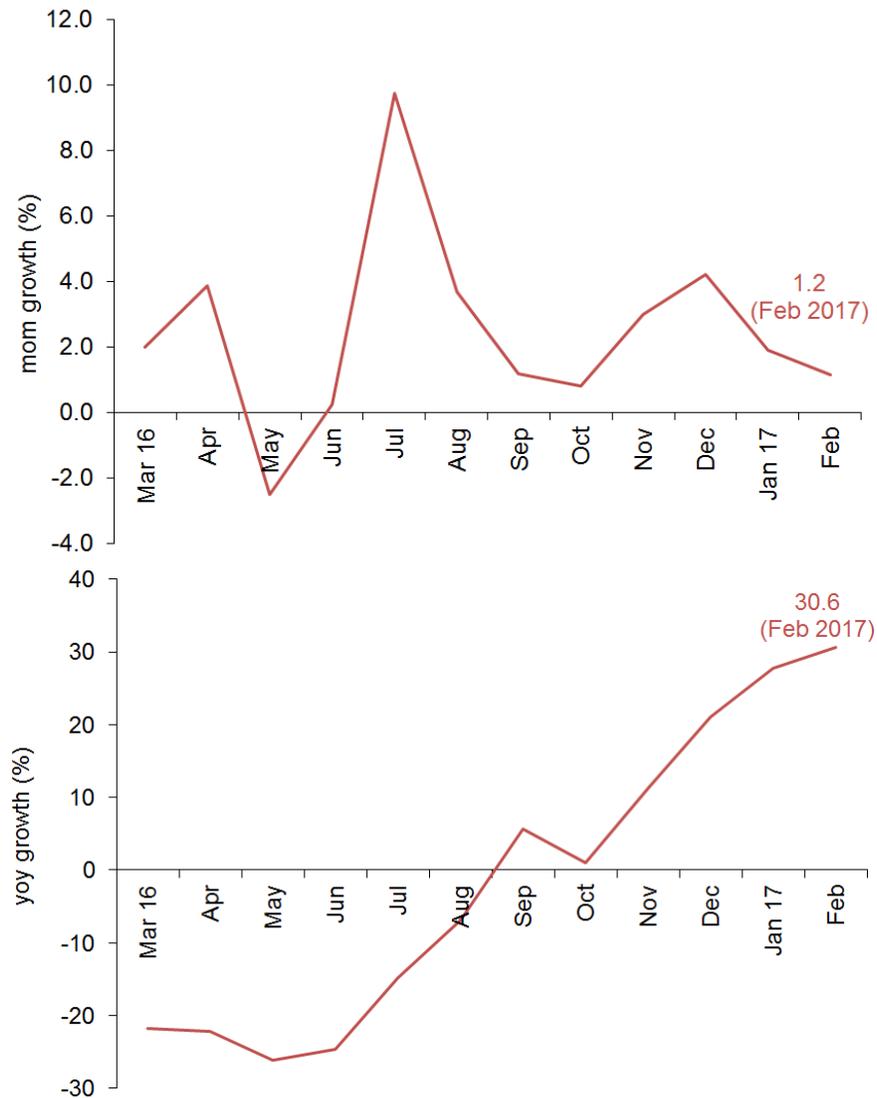
The price index of polypropylene (PP)² rose by 1.9% mom in January and then went up by 1.2% mom in February (see exhibit 2).

² The index is compiled by the China Logistics Information Center (CLIC).

The main reasons for the increase in the price index of PP in the two-month period were that some PP producers raised the prices of their products, and the prices of PP futures in China surged during the period.

According to the local media, in early March, a number of PP producers lowered the prices of their products, and the prices of PP futures in China plummeted. Therefore, we expect the overall prices of PP to fall in the foreseeable future.

Exhibit 2: Price index of PP, March 2016 to February 2017



Source: China Logistics Information Center

3. Price index of natural rubber rises further

The price index of natural rubber³ went up by 2.7% mom in February, after jumping by 14.8% mom in January (see exhibit 3).

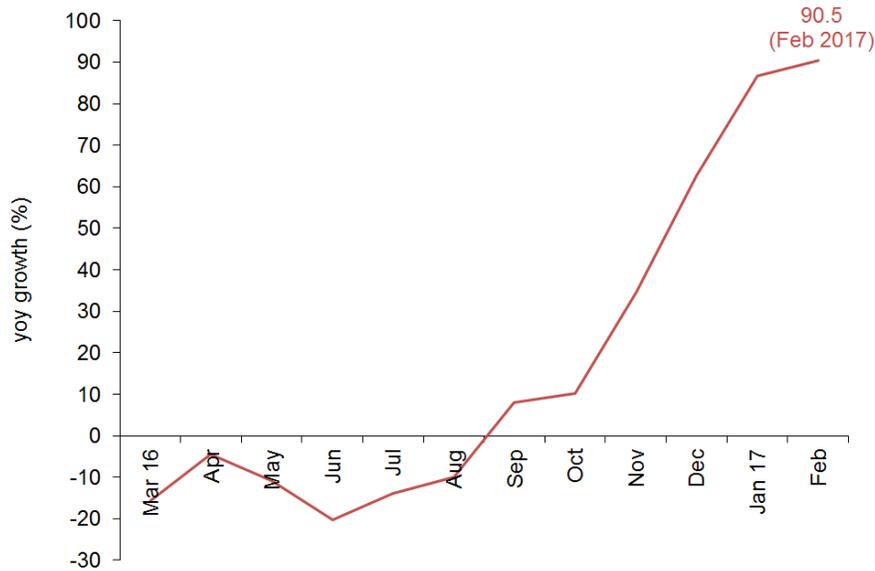
The main reasons for the surge in the spot prices of natural rubber were a hike in the prices of natural rubber futures in China during early January to mid-February, and a reduced supply from major rubber producing countries such as Thailand.

Looking ahead, we expect the price index of natural rubber to fall in the foreseeable future, as the prices of natural rubber futures in China slumped during late February to early March.

Exhibit 3: Price index of natural rubber, March 2016 to February 2017



³ The index is compiled by the China Logistics Information Center (CLIC).



Source: China Logistics Information Center

4. Price indices of non-ferrous metals go up in February

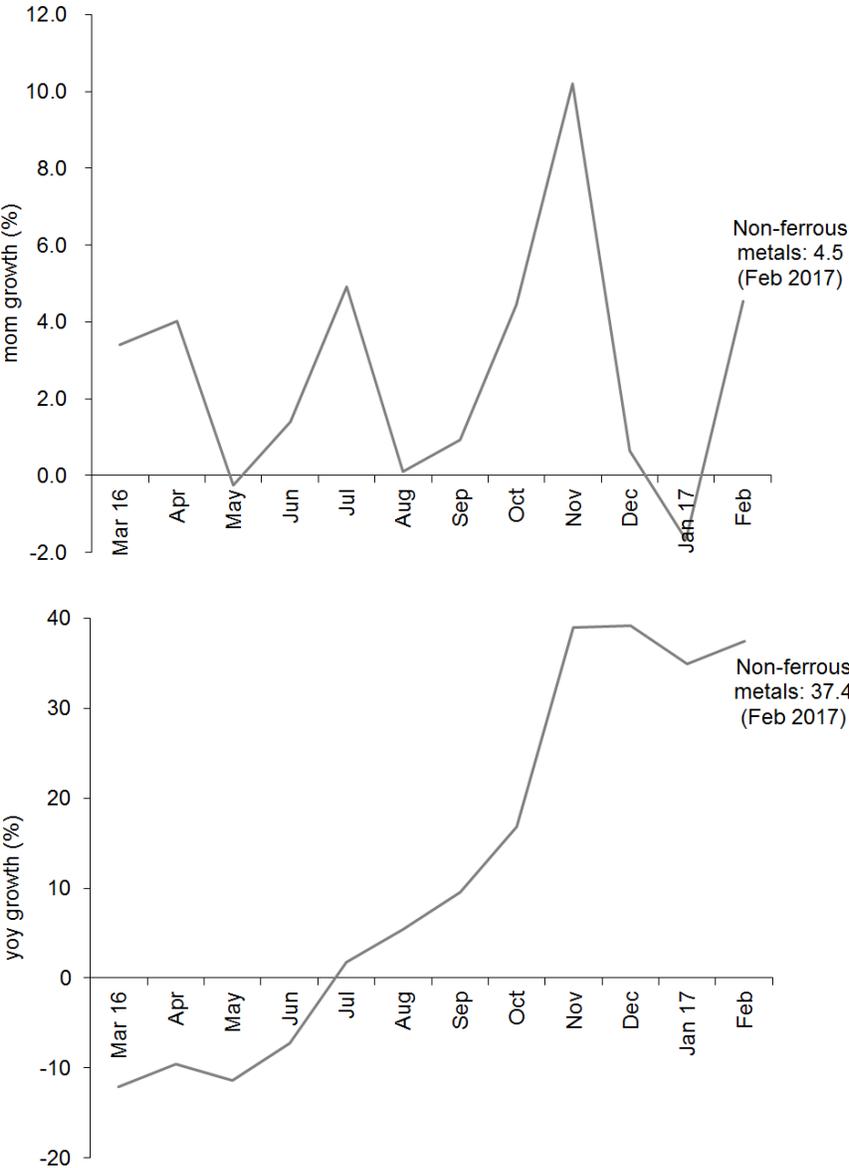
The price index of non-ferrous metals rose by 4.5% mom in February, after dropping by 1.7% mom in January (see exhibits 4 & 5).⁴

According to media reports, the increase in non-ferrous metal prices in China in February was due largely to better-than-expected trade data released by the Chinese government, which helped improve investors' sentiments on non-ferrous metals; an improved downstream demand for non-ferrous metals; and an influx of speculative capital into the domestic commodity market.

Looking ahead, the plunge in global oil prices during early to mid-March is expected to adversely affect investors' sentiments, which will in turn drag down the prices of commodities, including non-ferrous metals, in the near future. Moreover, a faster pace of interest rate hikes in the US is likely to boost the US dollar and put downward pressure on non-ferrous metal prices. Therefore, we expect that the prices of non-ferrous metals will fall in the coming months.

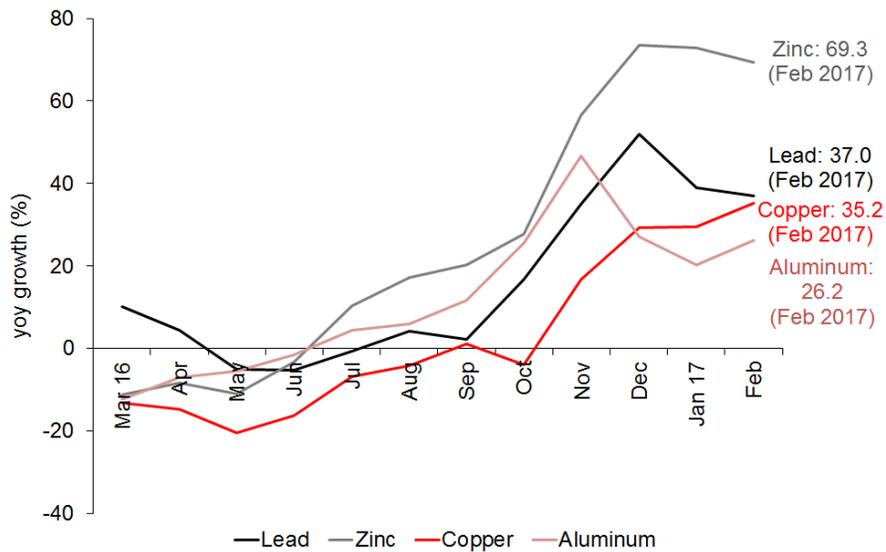
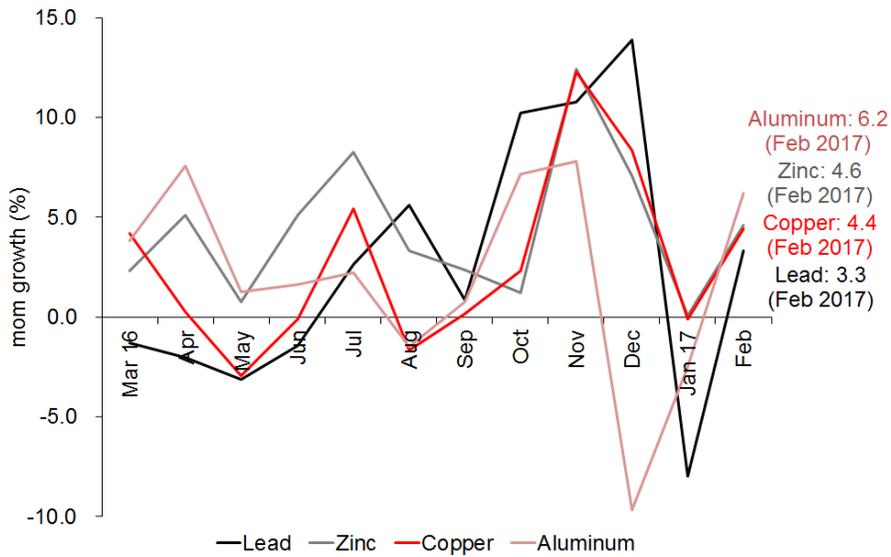
⁴ The indices are compiled by the China Logistics Information Center (CLIC).

**Exhibit 4: Price index of non-ferrous metals,
March 2016 to February 2017**



Source: China Logistics Information Center

**Exhibit 5: Price index of copper, aluminum, lead and zinc,
March 2016 to February 2017**



Source: China Logistics Information Center

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