



China Sourcing Update

February 28, 2018

Raw Material Prices: Hard Goods

1. Price index of ABS resin rises in January

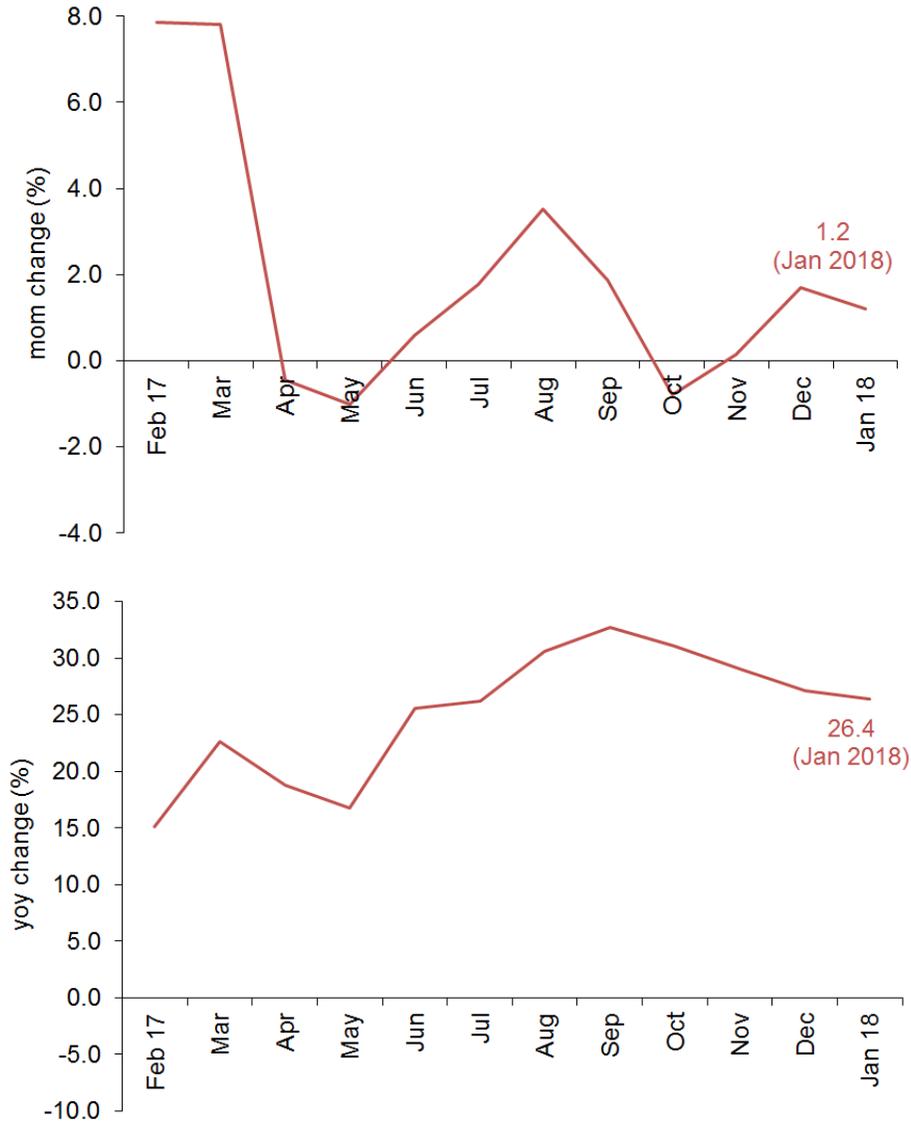
The price index of ABS resin¹ went up by 1.2% mom in January, posting month-on-month gain for three consecutive months (see *exhibit 1*).

The main reason for the increase in the prices of ABS resin in the month was low levels of inventories held by ABS resin producers.

Looking ahead, we expect that the prices of ABS resin will drop in the near term as the downstream demand for the resin is likely to be weak during and around the Chinese New Year holidays.

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, February 2017 to January 2018



Source: China Logistics Information Center

2. Price index of PP goes up slightly in January

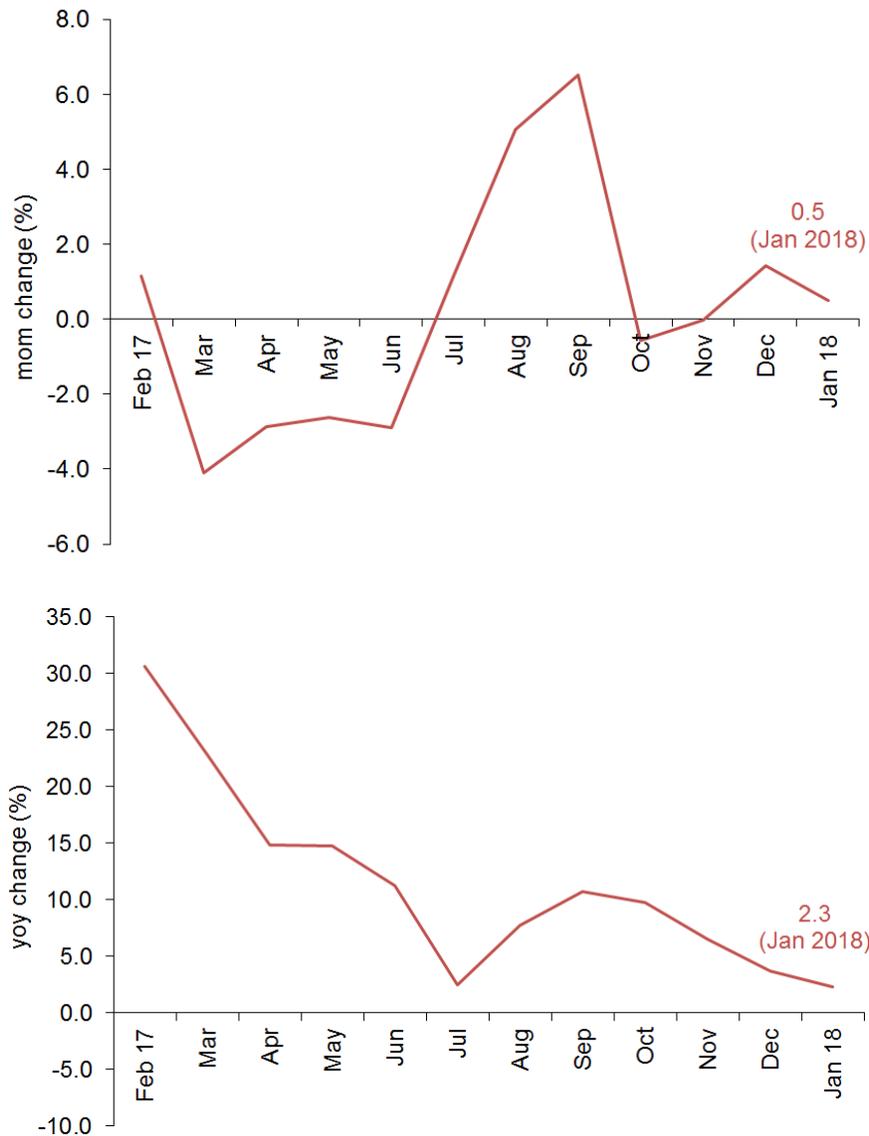
The price index of polypropylene (PP)² rose by 0.5% mom in January, posting month-on-month gain for two consecutive months (see exhibit 2).

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

The increase in PP prices in the month was triggered by a rise in the prices of PP futures in China, in our view.

According to the local media, in view of a sluggish demand, some major PP producers started cutting the prices of their products in early February to reduce their inventories and to boost sales. Therefore, we believe that the price index of PP will decline in the near future.

Exhibit 2: Price index of PP, February 2017 to January 2018



Source: China Logistics Information Center

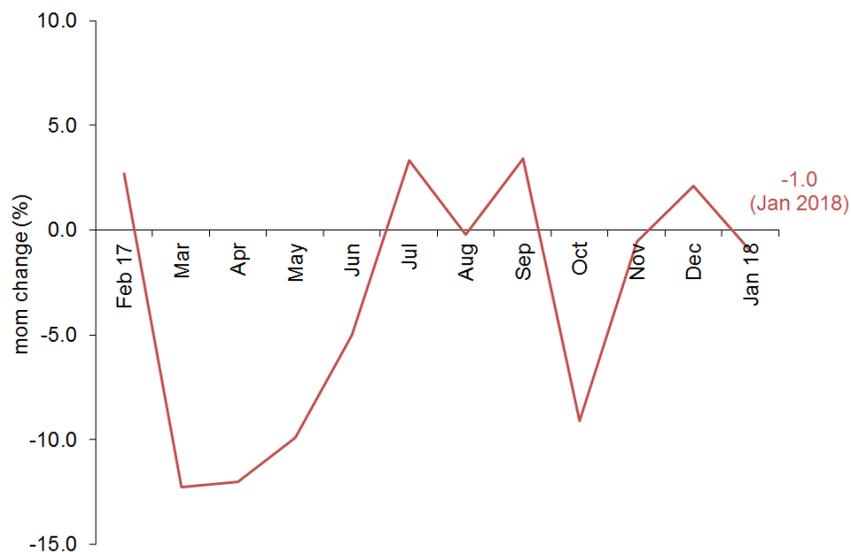
3. Price index of natural rubber falls in January

After rising by 2.1% mom in December 2017, the price index of natural rubber³ dropped by 1.0% mom in January 2018 (see exhibit 3).

The main reason for the decline in rubber prices was an abundant supply of natural rubber in the domestic market, as indicated by rising levels of rubber inventories.

Looking ahead, the supply of natural rubber is likely to remain abundant in the near future, despite the rubber export cut carried out by major rubber producing countries. Thus, we expect rubber prices to go down further in the coming couple of months.

Exhibit 3: Price index of natural rubber, February 2017 to January 2018



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



Source: China Logistics Information Center

4. Price indices of non-ferrous metals rebound in January

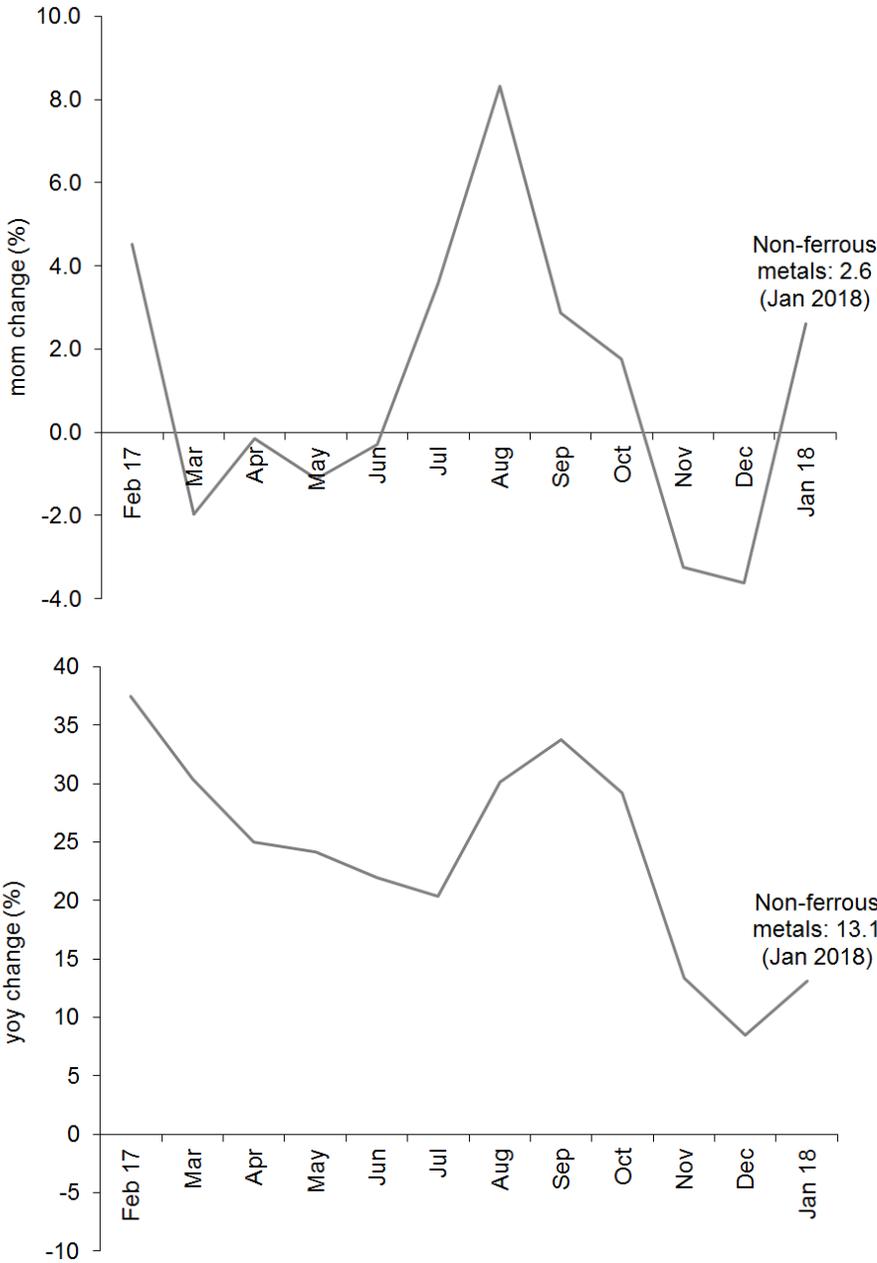
The price index of non-ferrous metals picked up by 2.6% mom in January, after falling by 3.6% mom in December (see exhibits 4 & 5).⁴

In our view, the rise in non-ferrous metal prices in China in January was triggered mainly by the depreciation of the US dollar, which boosted the prices of commodities including non-ferrous metals in US dollar terms.

Going forward, the downstream demand for non-ferrous metals is expected to be soft in February, as most factories would suspend operations during and around the Chinese New Year holidays. Therefore, we believe that the price index of non-ferrous metals will drop in the foreseeable future.

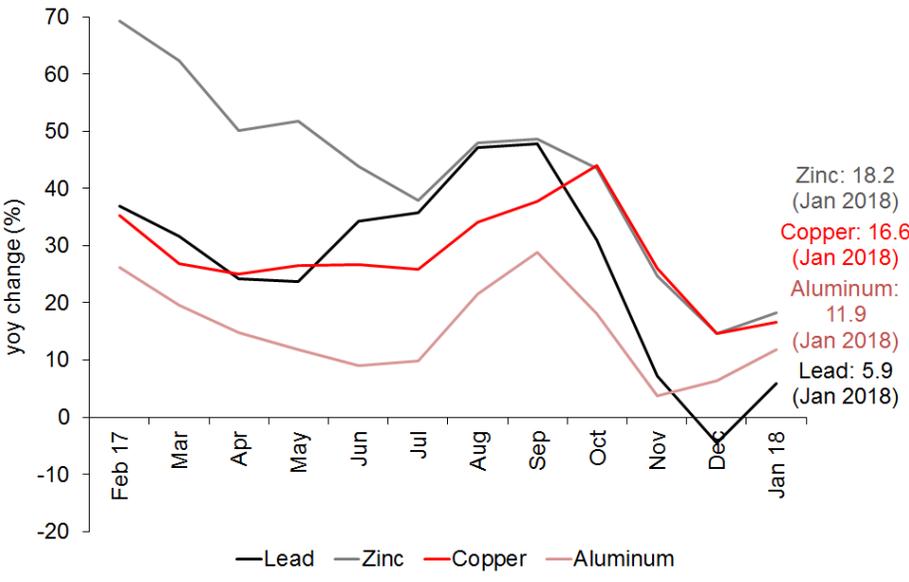
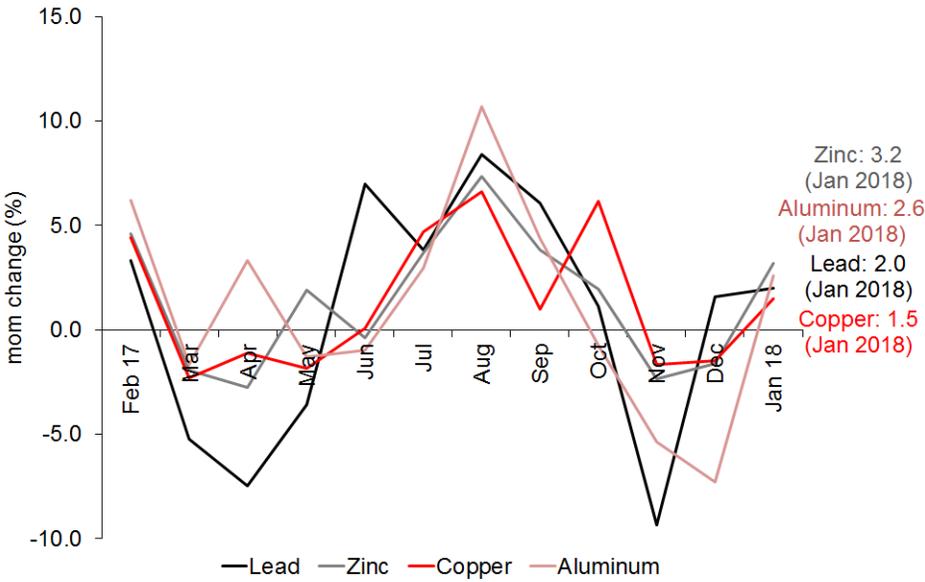
⁴ The indices are compiled by the China Logistics Information Center (CLIC).

**Exhibit 4: Price index of non-ferrous metals,
February 2017 to January 2018**



Source: China Logistics Information Center

**Exhibit 5: Price index of copper, aluminum, lead and zinc,
February 2017 to January 2018**



Source: China Logistics Information Center

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CONTACT

Helen Chin
Vice President
helenchin@fung1937.com
(852) 2300 2471

William Kong
Research Manager
williamkong@fung1937.com
(852) 2300 2404

Global Sourcing
Fung Business Intelligence
10/F LiFung Tower
888 Cheung Sha Wan Road
Kowloon, Hong Kong

T: (852) 2300 2470
F: (852) 2635 1598
E: fbicgroup@fung1937.com
W: <http://www.fbicgroup.com>



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