



China Sourcing Update

June 20, 2017

Raw Material Prices: Hard Goods

1. Price index of ABS resin falls slightly in May

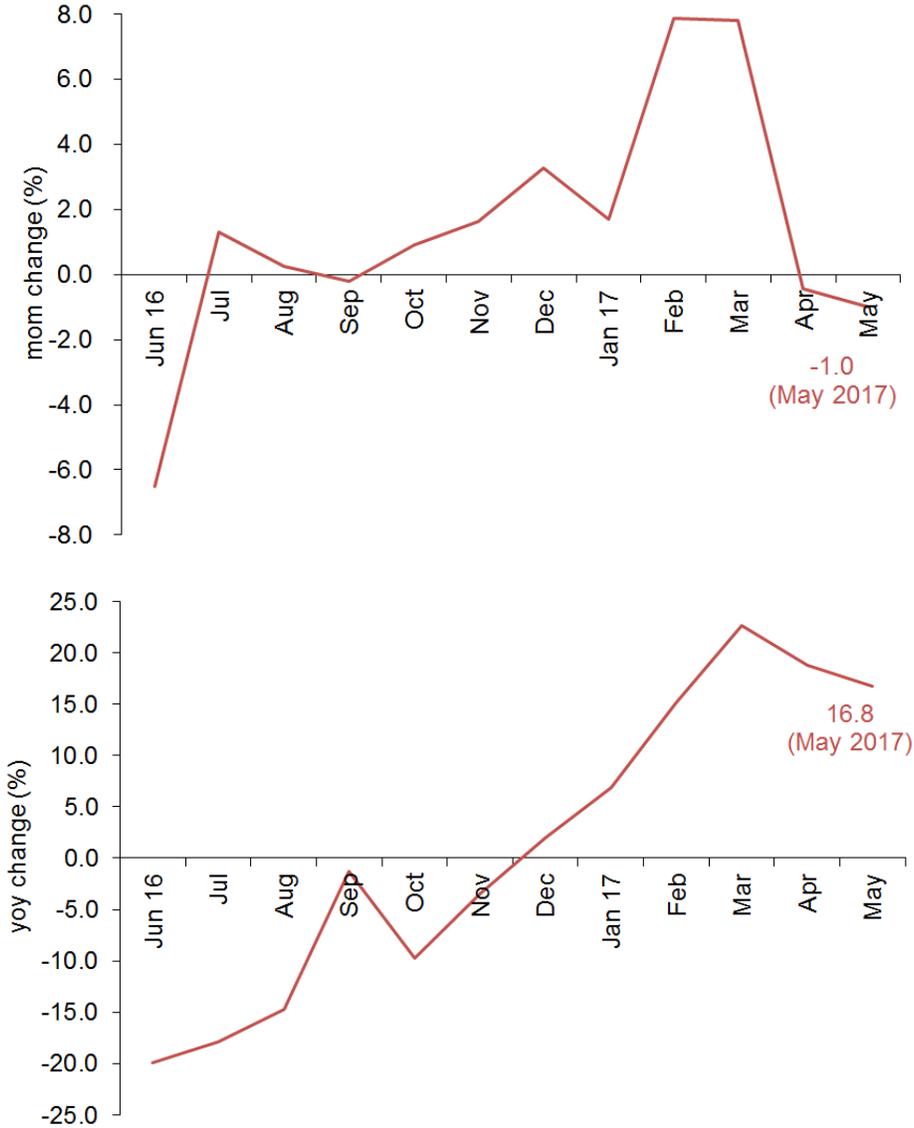
The price index of ABS resin¹ went down by 1.0% mom in May, posting month-on-month drop for two consecutive months (*see exhibit 1*).

The main reason for the decline in the prices of ABS resin in the month was that some major ABS resin producers undertook price cuts in early May amid a fall in the prices of styrene, a major raw material of ABS resin.

Looking ahead, the upstream prices of ABS resin are likely to remain weak. Thus, we expect the prices of ABS resin to stay low 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, June 2016 to May 2017



Source: China Logistics Information Center

2. Price index of PP goes down in May

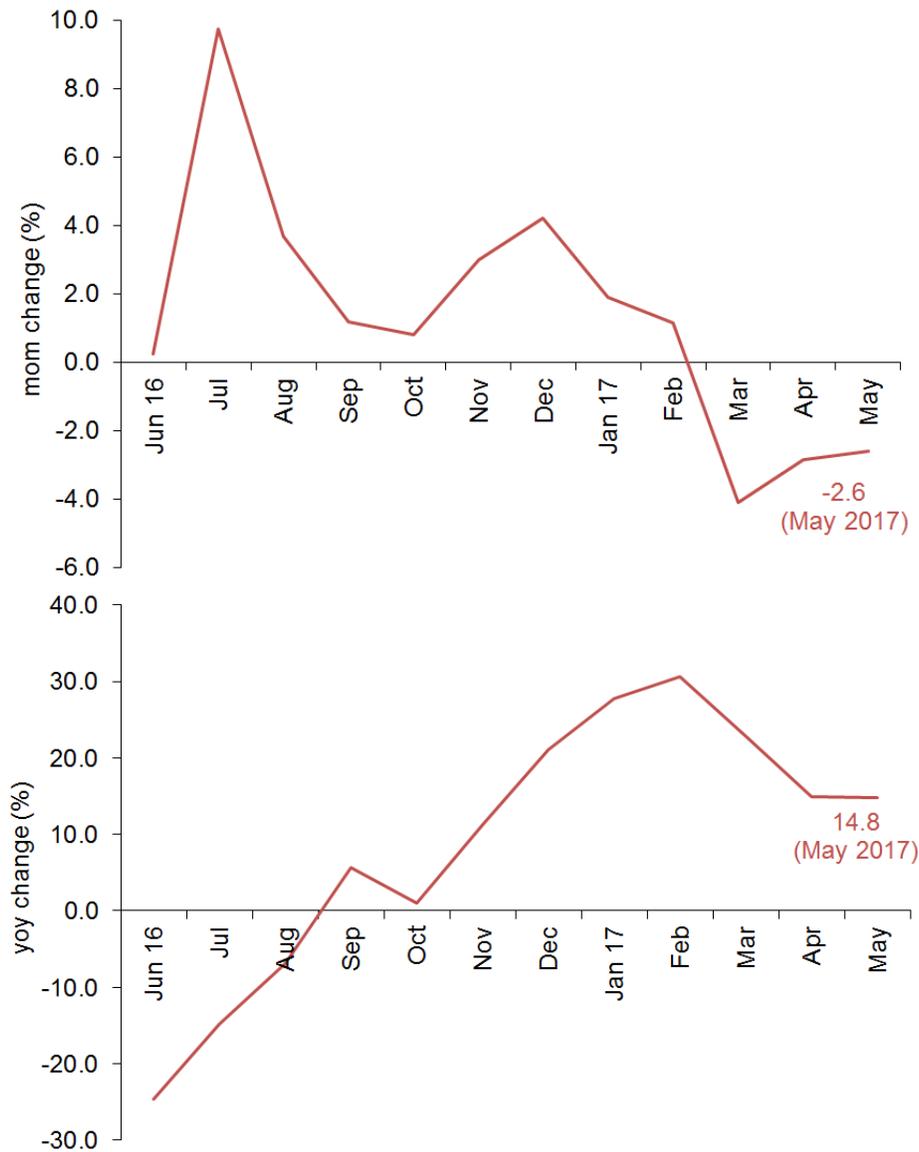
The price index of polypropylene (PP)² dropped by 2.6% mom in May, posting month-on-month decline for three consecutive months (see exhibit 2).

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

The main reasons for the fall in the price index of PP in the month were that a number of PP producers lowered the prices of their products and that the prices of PP futures in China dropped in early May.

According to the latest media reports, the prices of PP futures in China have declined and then fluctuated around low levels since late May. Thus, we expect the price index of PP to stay low in the near term.

Exhibit 2: Price index of PP, June 2016 to May 2017



Source: China Logistics Information Center

3. Price index of natural rubber continues to tumble in May

The price index of natural rubber³ slumped by 9.9% mom in May, after falling by 12.0% mom in April (see exhibit 3).

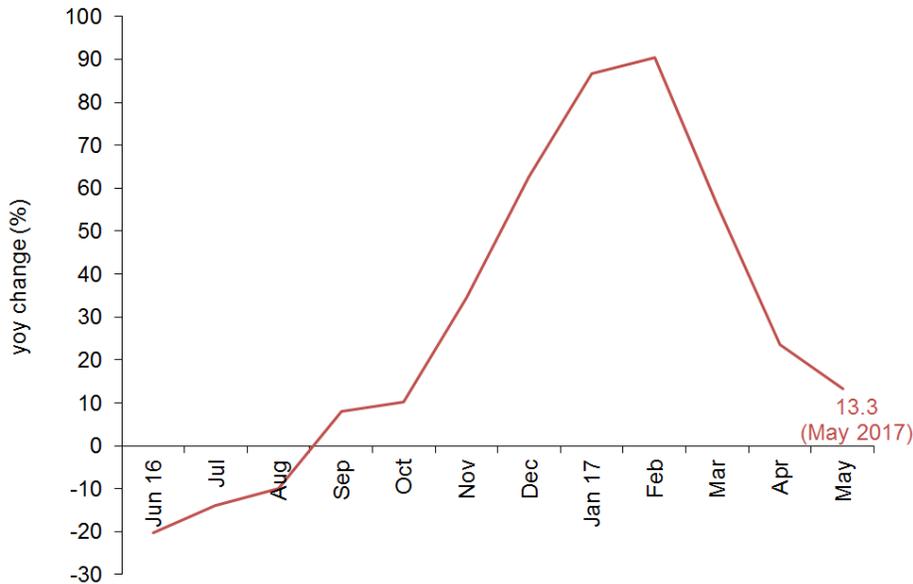
The plunge in the spot prices of natural rubber in May was due largely to a drop in the prices of natural rubber futures in China, an over-supply of natural rubber in the domestic market, and a sluggish downstream demand for natural rubber from tyre manufacturers.

Looking ahead, the downstream demand for natural rubber is likely to stay soft, and the over-supply of natural rubber is expected to persist in the near term. Thus, we believe that the price index of natural rubber will fall further in the foreseeable future.

Exhibit 3: Price index of natural rubber, June 2016 to May 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 down in May

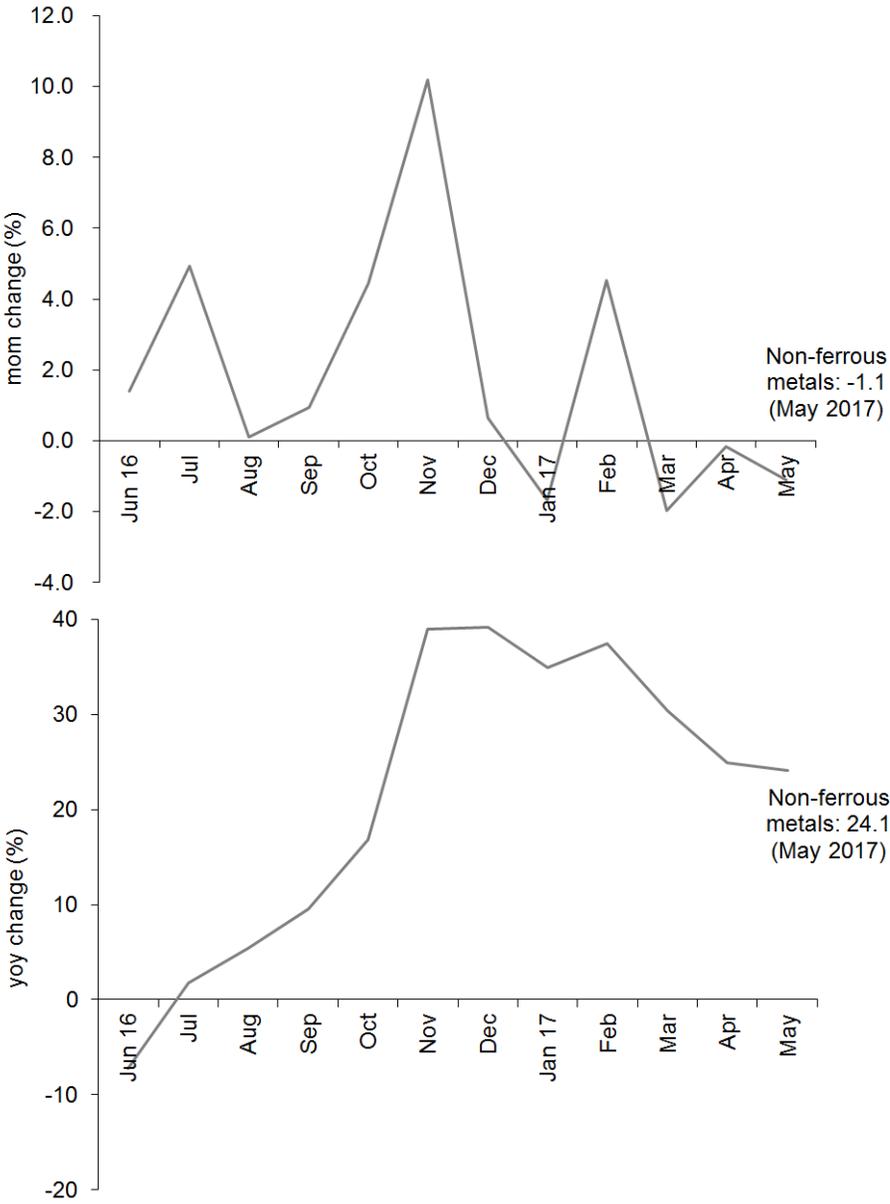
The price index of non-ferrous metals fell by 1.1% mom in May, posting month-on-month drop for three consecutive months (see exhibits 4 & 5).⁴

In our view, the decline in non-ferrous metal prices in China in May was mainly caused by a plunge in global oil prices in the month, which adversely affected investors' sentiments on non-ferrous metals; the Chinese government's crackdown on speculative trading in copper; and a weak downstream demand for non-ferrous metals, particularly aluminum and lead.

Going forward, we expect the prices of non-ferrous metals to stay low in the foreseeable future, as the domestic downstream demand for non-ferrous metals is likely to remain weak.

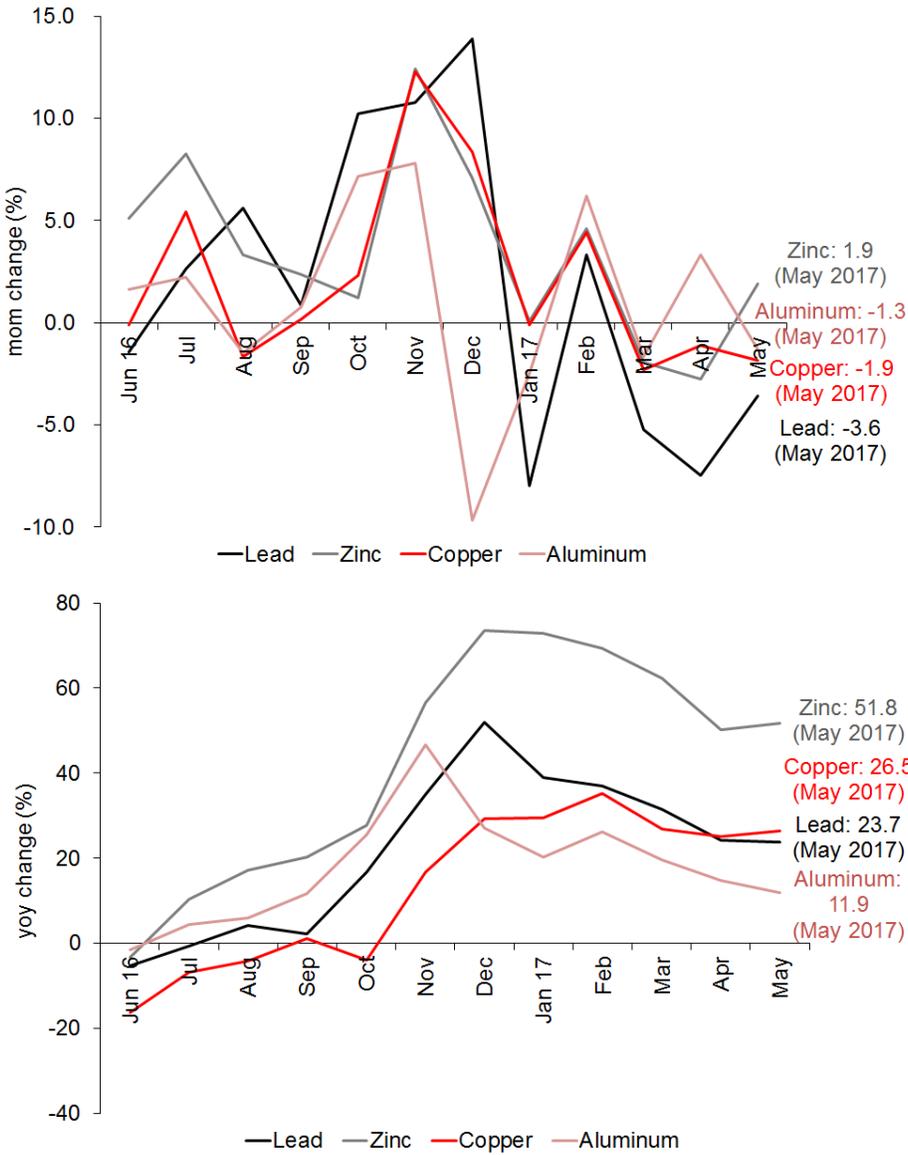
⁴ The indices are compiled by the China Logistics Information Center (CLIC).

**Exhibit 4: Price index of non-ferrous metals,
June 2016 to May 2017**



Source: China Logistics Information Center

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



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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