



China Sourcing Update

November 25, 2016

Raw Material Prices: Hard Goods

1. Price index of ABS resin rebounds in October

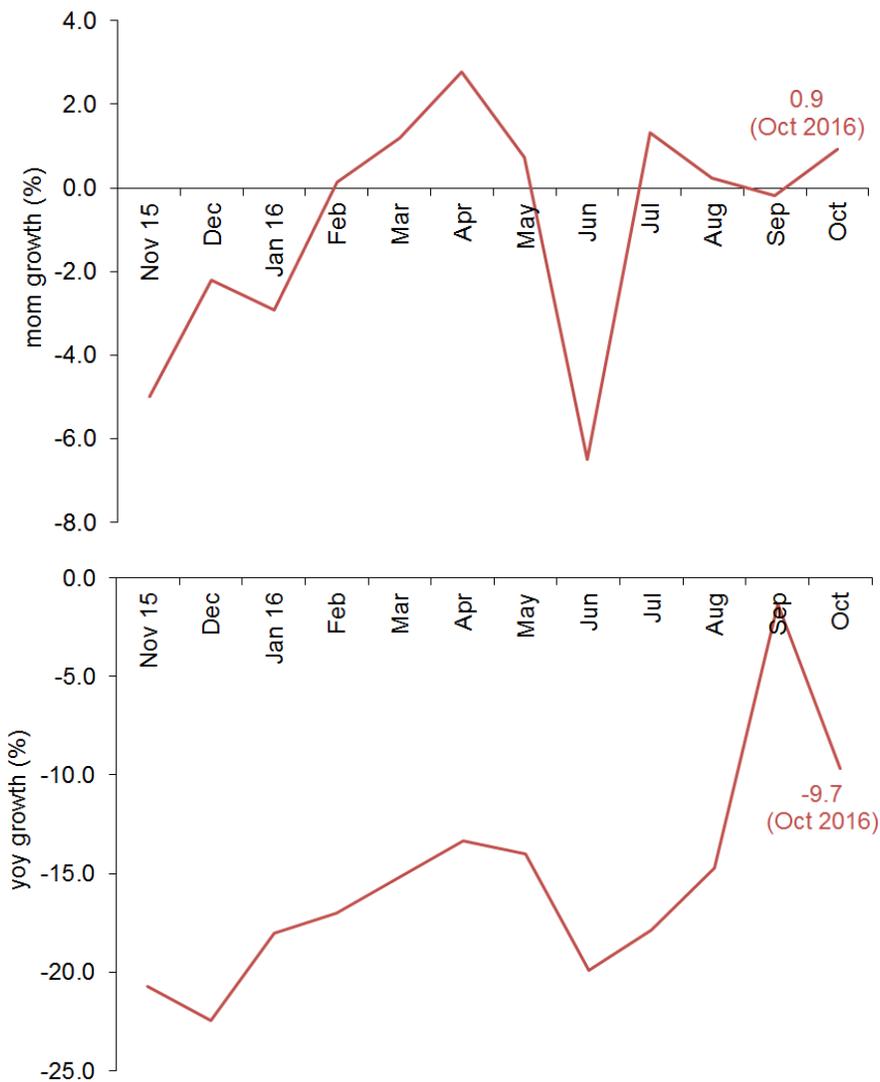
After dropping by 0.2% mom in September, the price index of ABS resin¹ went up by 0.9% mom in October (see *exhibit 1*).

In our view, the rise in the prices of ABS resin in October was due largely to the surge in upstream prices. Prices of butadiene and styrene, the major raw materials of ABS resin, soared in the month. Meanwhile, the restocking demand from some downstream manufacturers also improved.

According to the latest media reports, some major ABS resin producers raised the prices of their products in early November. Thus, we expect the overall prices of ABS resin to rise further 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, November 2015 to October 2016



Source: China Logistics Information Center

2. Price index of PP rises further

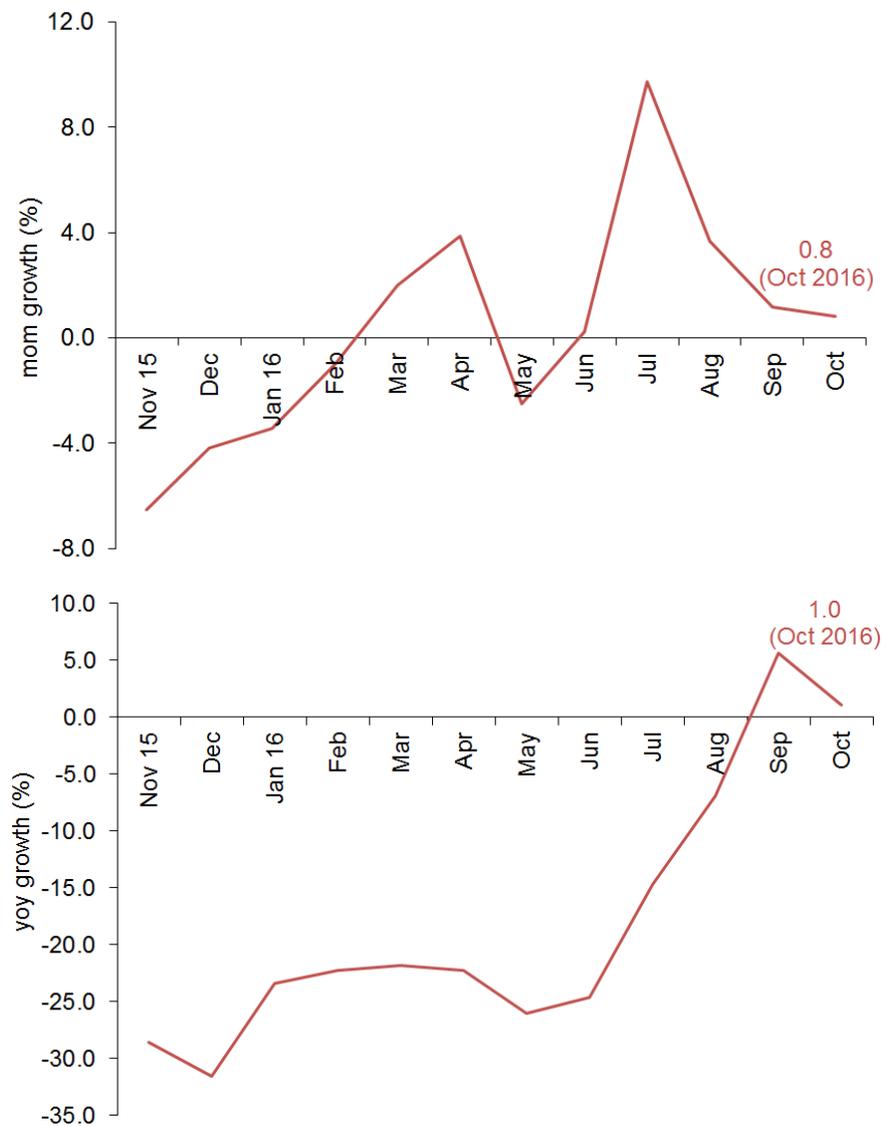
The price index of polypropylene (PP)² went up by 0.8% mom in October, posting month-on-month gain for five consecutive months (see exhibit 2).

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

A number of PP producers raised the prices of their products in mid-October amid a lower-than-expected increase in their stock levels. The rise in the prices of PP futures in China in late October also pushed up the spot prices of PP. Meanwhile, the downstream manufacturers were cautious about placing orders in the month.

According to the latest media reports, some PP producers raised the prices of their products again in early November. Therefore, we believe that the overall prices of PP will continue to rise in the near term.

Exhibit 2: Price index of PP, November 2015 to October 2016



Source: China Logistics Information Center

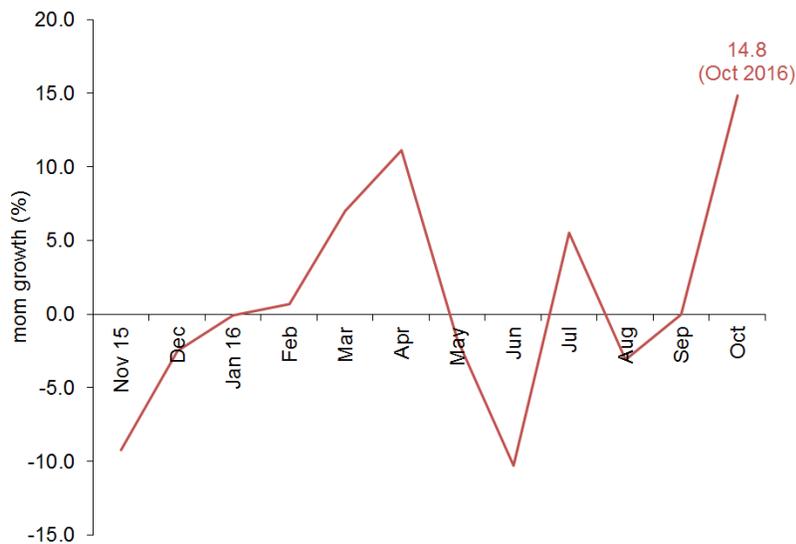
3. Price index of natural rubber surges

The price index of natural rubber³ soared by 14.8% mom in October, after staying flat in September (see exhibit 3).

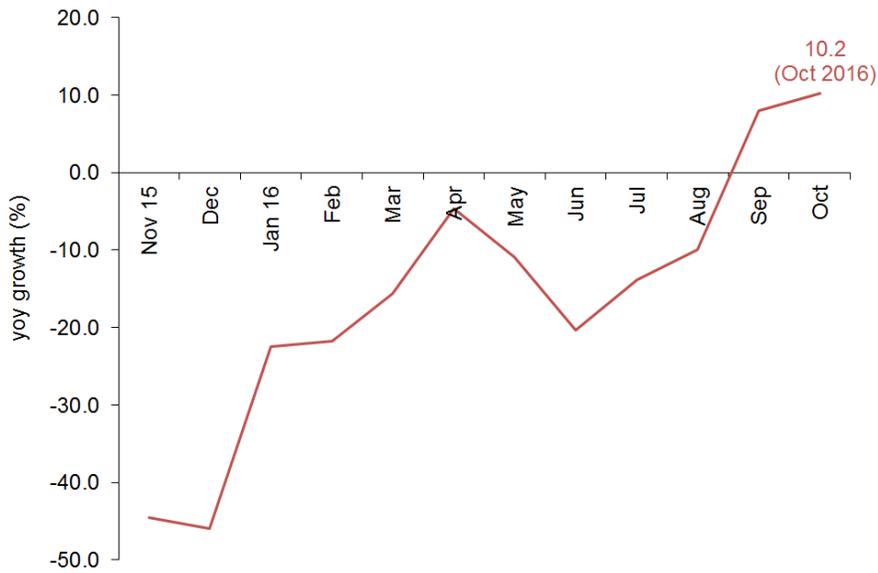
According to the local media, the main reasons for the surge in spot prices of natural rubber in the month were the hike in the prices of natural rubber futures in China; a tight supply of natural rubber in the country due to a slow increase in rubber supply from major rubber producing countries; and an improvement in the downstream demand for natural rubber from tyre manufacturers.

Looking ahead, the supply of natural rubber is likely to remain tight in the coming months; meanwhile, the downstream demand for natural rubber is expected to stay strong. Thus, we expect the price index of natural rubber to rise further in the near future.

Exhibit 3: Price index of natural rubber, November 2015 to October 2016



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



Source: China Logistics Information Center

4. Price indices of non-ferrous metals go up further

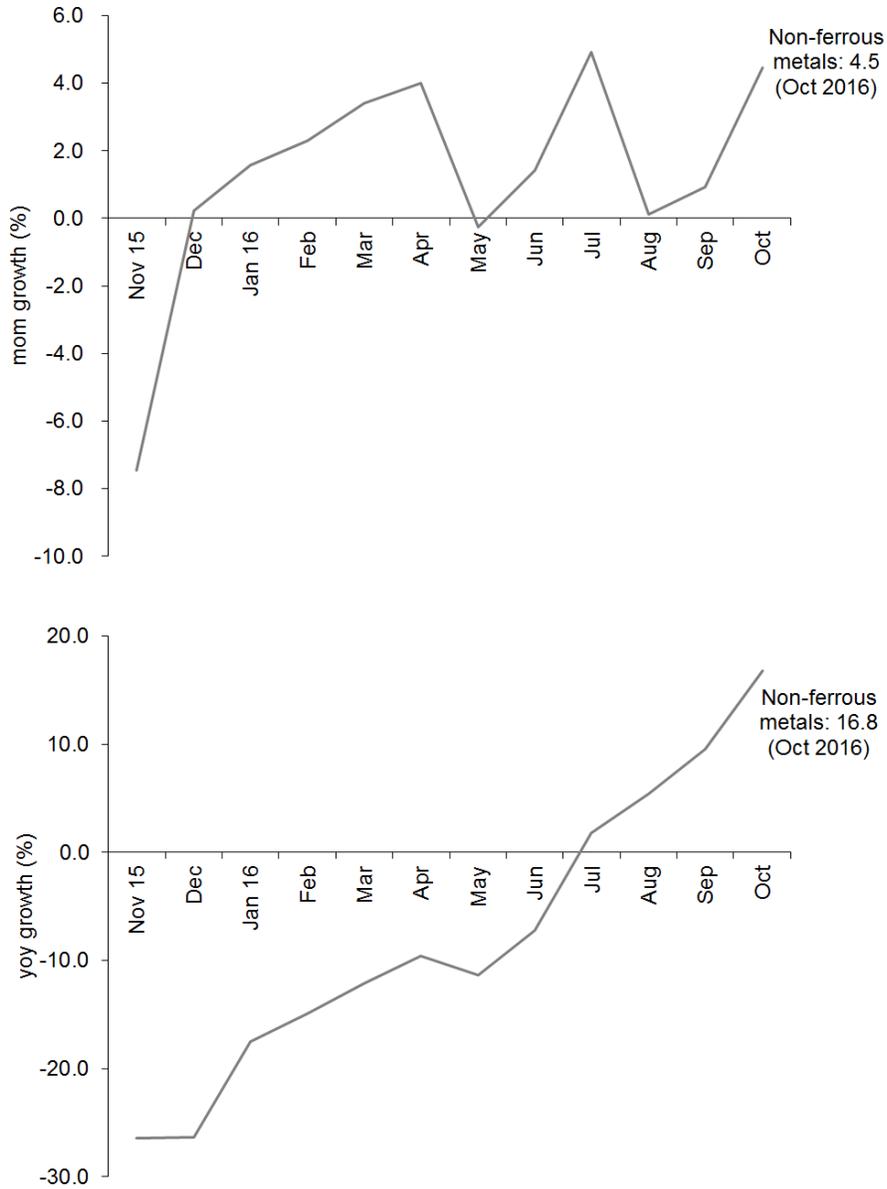
The price index of non-ferrous metals rose by 0.9% mom in October, posting month-on-month gain for five consecutive months (see exhibits 4 & 5).⁴

According to the local media, the main reasons for the rise in non-ferrous metal prices in the month were a tight domestic supply of some non-ferrous metals such as aluminum and lead, and an influx of speculative capital into the commodity market due mainly to the Chinese government's move to curb speculation in residential properties.

Looking ahead, the positive factors mentioned above are expected to persist in the near term. Moreover, Donald Trump's victory in the US presidential election has given a boost to non-ferrous metal prices lately as investors believe that a Trump-led government will boost infrastructure investment, which will in turn lead to an increased demand for non-ferrous metals. Thus, we predict that the prices of non-ferrous metals will rise further in the near future.

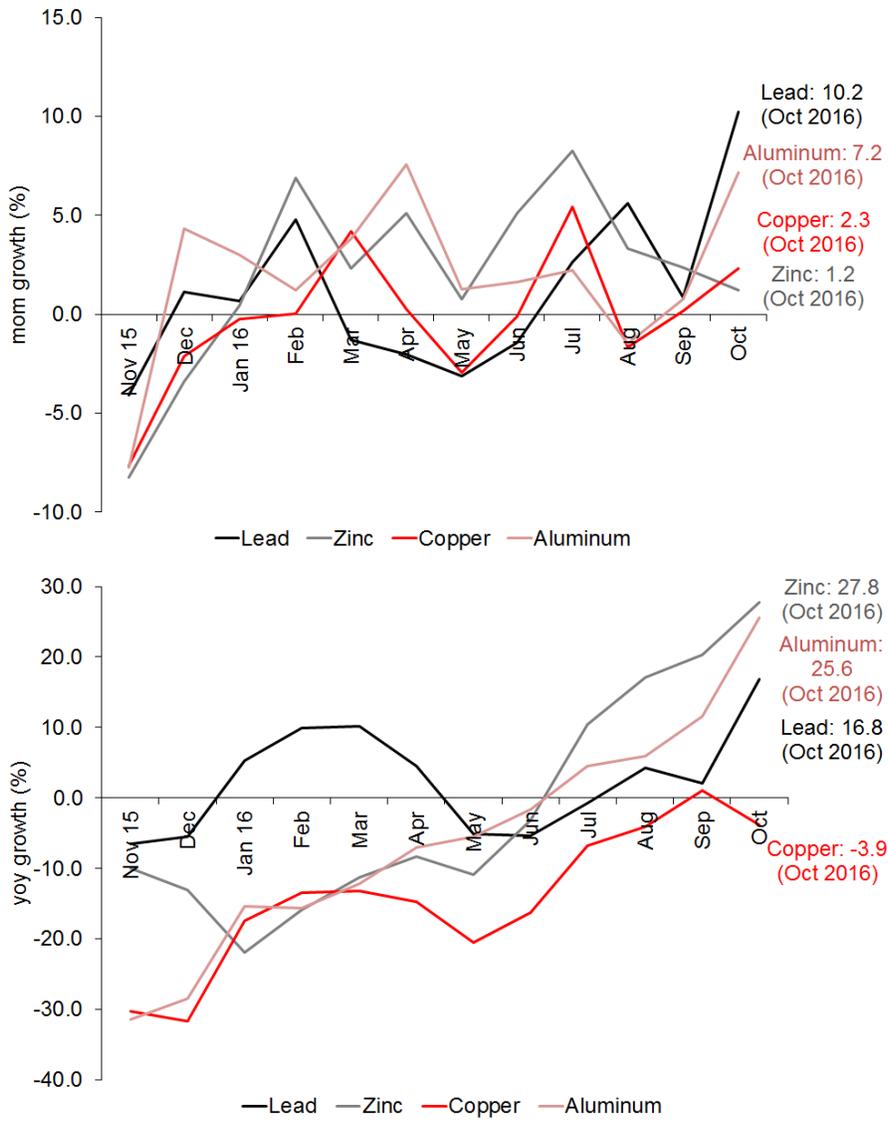
⁴ The indices are compiled by the China Logistics Information Center (CLIC).

**Exhibit 4: Price index of non-ferrous metals,
November 2015 to October 2016**



Source: China Logistics Information Center

**Exhibit 5: Price index of copper, aluminum, lead and zinc,
November 2015 to October 2016**



Source: China Logistics Information Center

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CONTACT

Helen Chin
Vice President
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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