



# China Sourcing Update

November 20, 2017

## Raw Material Prices: Hard Goods

### 1. Price index of ABS resin goes down in October

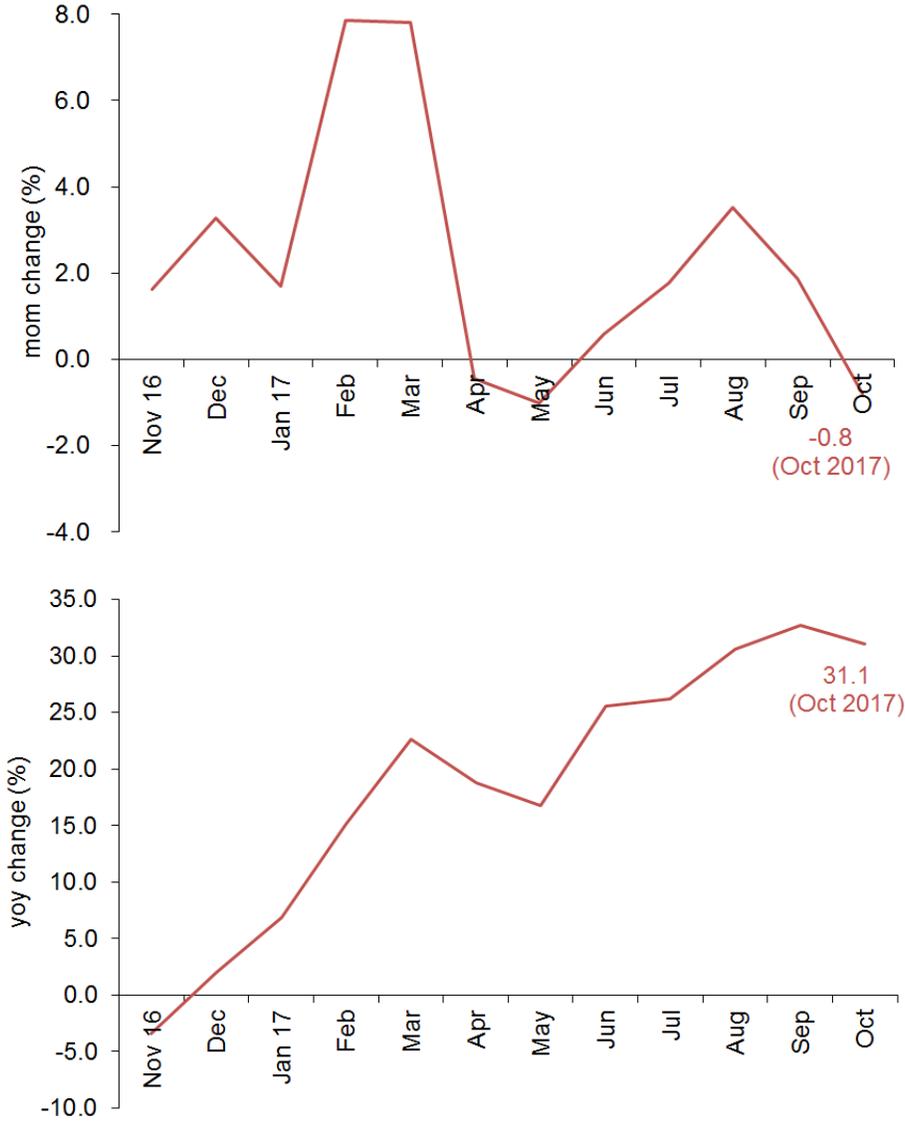
The price index of ABS resin<sup>1</sup> dropped by 0.8% mom in October, after rising by 1.9% mom in September (see exhibit 1).

The fall in the prices of ABS resin in October was due largely to a plunge in upstream costs and an excess supply of ABS resin. The prices of butadiene and styrene, two of the major raw materials of ABS resin, tumbled in the month. Meanwhile, an abundant supply of ABS resin coupled with a weak downstream demand in the domestic market also put downward pressure on the prices of the resin.

Looking ahead, we believe that the prices of ABS resin are unlikely to rise in the near future as the downstream demand for the resin is expected to remain soft.

<sup>1</sup> 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 2016 to October 2017**



Source: China Logistics Information Center

**2. Price index of PP falls in October**

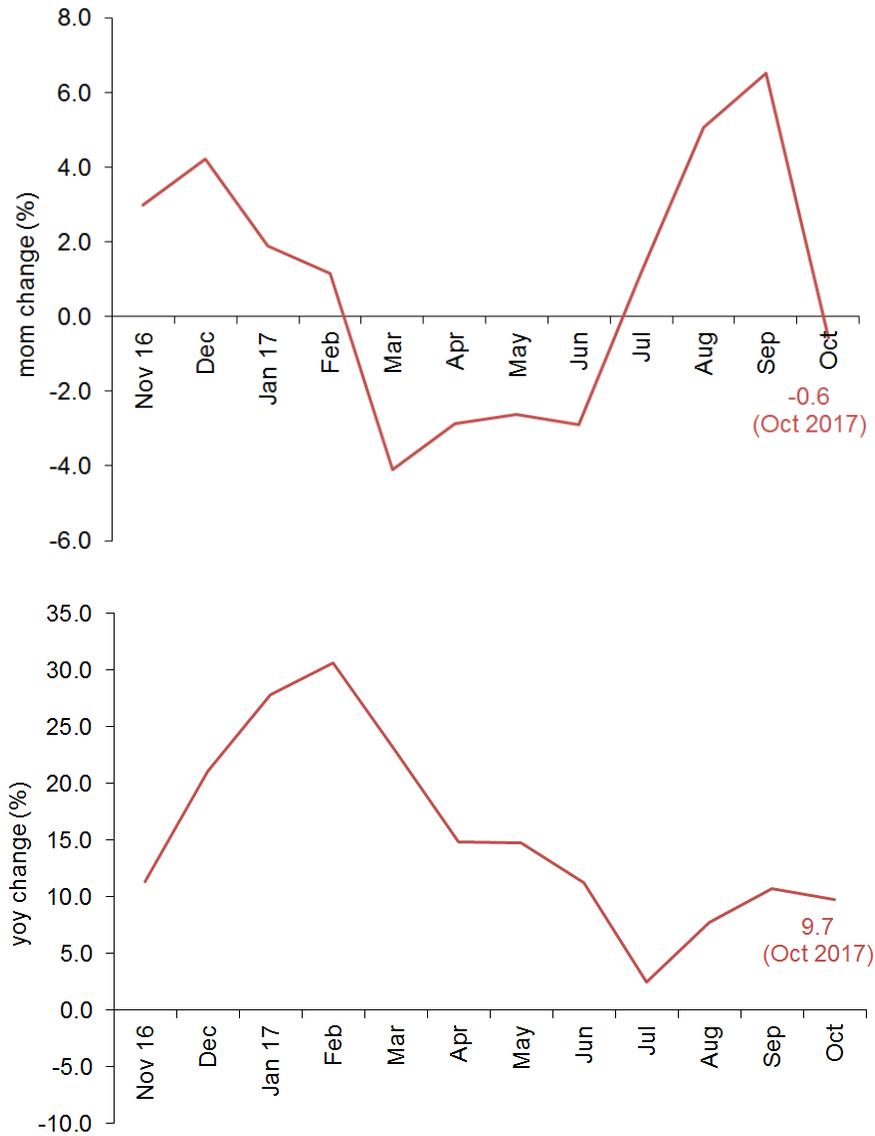
The price index of polypropylene (PP)<sup>2</sup> went down by 0.6% mom in October, after jumping by 6.5% mom in September (see exhibit 2).

<sup>2</sup> The index is compiled by the China Logistics Information Center (CLIC).

The main reasons for the decline in the spot prices of PP in the month were price cuts made by a number of PP producers amid a drop in the prices of PP futures in China.

Looking ahead, we expect PP prices to pick up in the near term as the prices of PP futures rebounded in early November.

**Exhibit 2: Price index of PP, November 2016 to October 2017**



Source: China Logistics Information Center

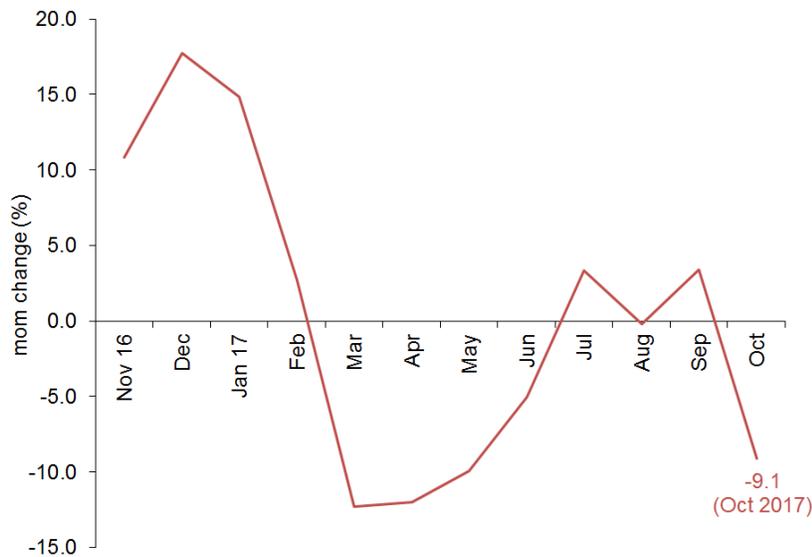
### 3. Price index of natural rubber slumps in October

The price index of natural rubber<sup>3</sup> plummeted by 9.1% mom in October, after rising by 3.4% mom in September (see exhibit 3).

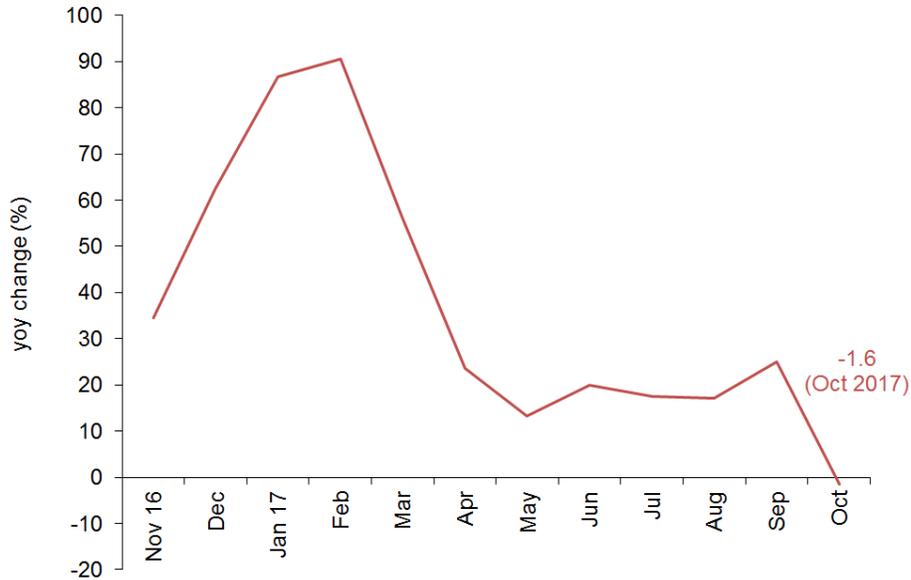
In our view, the plunge in the prices of natural rubber in the month was caused by an abundant supply of natural rubber in the domestic market, as indicated by a continuous rise in the domestic stock level of rubber; and a sluggish downstream demand for rubber from tyre manufacturers.

As the rubber tapping season is underway, the supply of natural rubber is expected to remain abundant in the coming couple of months. Meanwhile, the downstream demand for natural rubber shows no signs of recovery. Therefore, we expect that rubber prices will stay low in the near future.

**Exhibit 3: Price index of natural rubber, November 2016 to October 2017**



<sup>3</sup> The index is compiled by the China Logistics Information Center (CLIC).



Source: China Logistics Information Center

#### 4. Price indices of non-ferrous metals rise further in October

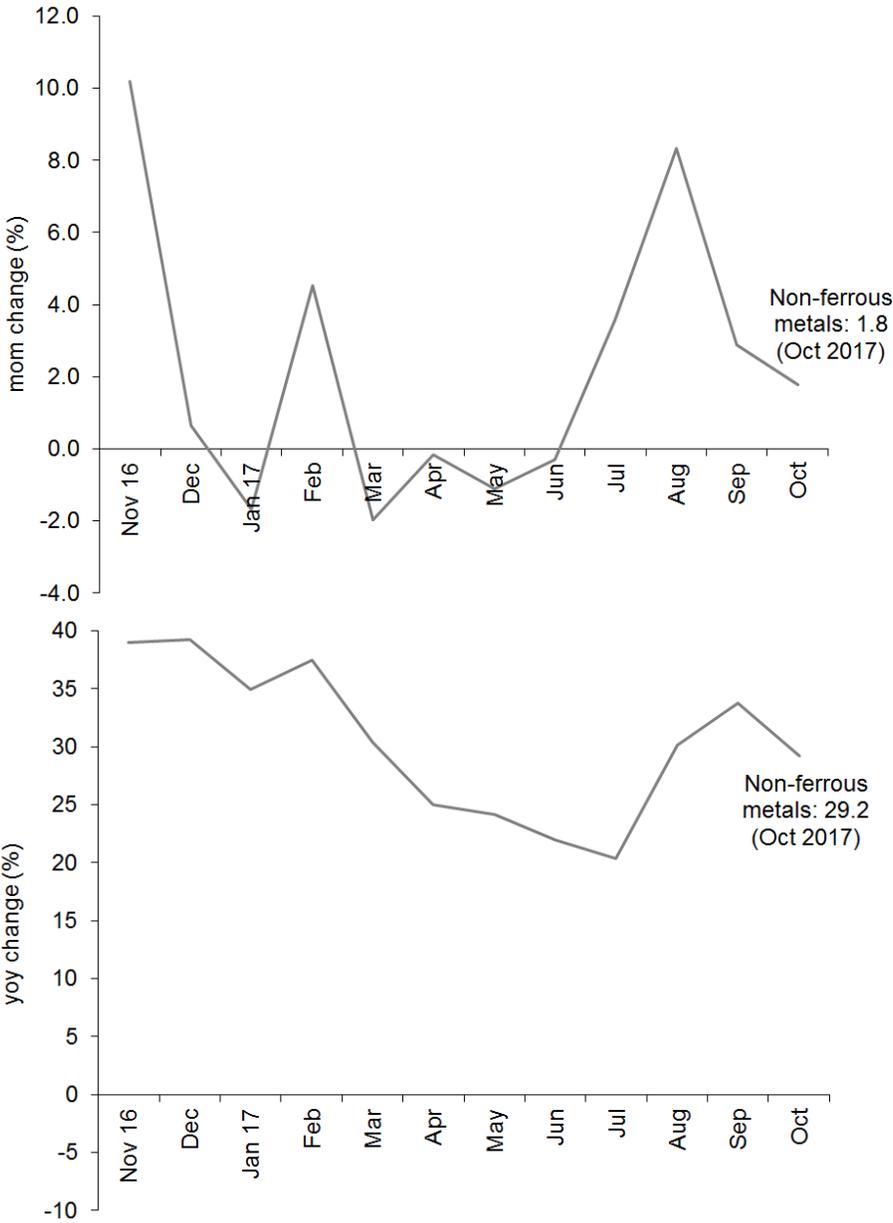
The price index of non-ferrous metals went up by 1.8% mom in October, posting month-on-month gain for four consecutive months (see exhibits 4 & 5).<sup>4</sup>

In our view, the main reasons for the rise in non-ferrous metal prices in China in the month were an increase in the demand for copper; and a surge in global oil prices, which helped improve investors' sentiments on non-ferrous metals.

Going forward, the domestic supply of non-ferrous metals is expected to tighten in the coming months, as manufacturers in the non-ferrous metal industry in northern China were ordered to curb output over the November-March period in a bid to combat air pollution in the region. Meanwhile, the domestic demand for non-ferrous metals is likely to fall amid a slowdown in construction activities. All in all, we believe that non-ferrous metal prices will drop slightly in the foreseeable future.

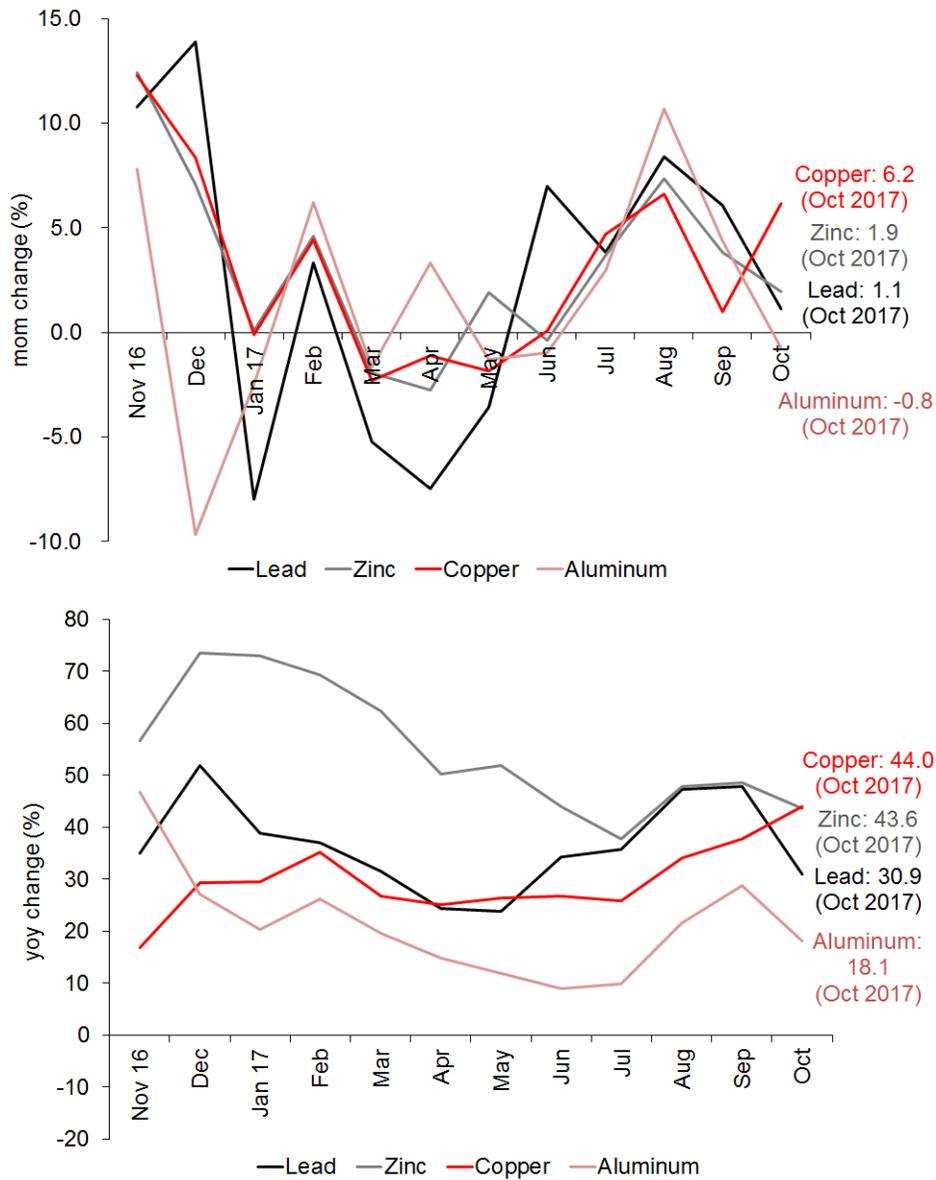
<sup>4</sup> The indices are compiled by the China Logistics Information Center (CLIC).

**Exhibit 4: Price index of non-ferrous metals,  
November 2016 to October 2017**



Source: China Logistics Information Center

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



Source: China Logistics Information Center

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