



China Sourcing Update

November 29, 2018

Raw Material Prices: Hard Goods

1. Price index of ABS resin goes down in October

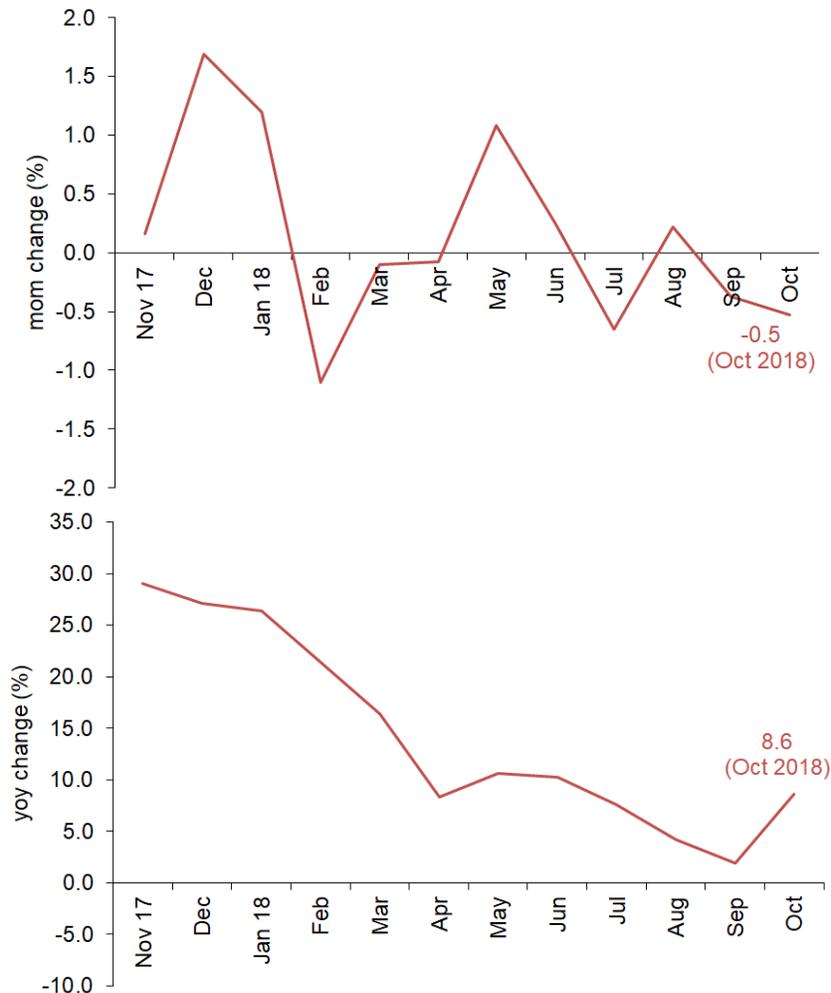
The price index of ABS resin¹ fell further by 0.5% mom in October, after dropping by 0.4% mom in September (see exhibit 1).

The main reasons for the drop in the prices of ABS resin in October included a weak downstream demand and a drop in upstream costs for the resin. The prices of acrylonitrile, butadiene and styrene, raw materials of ABS resin, trended downward in the month.

Looking ahead, we expect that the prices of ABS resin will continue to drop in the near term, as the upstream costs for the resin fell further in early to mid-November and the downstream demand for the resin is likely to remain sluggish in the coming months.

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 2017 to October 2018



Source: China Logistics Information Center

2. Price index of PP rises in October

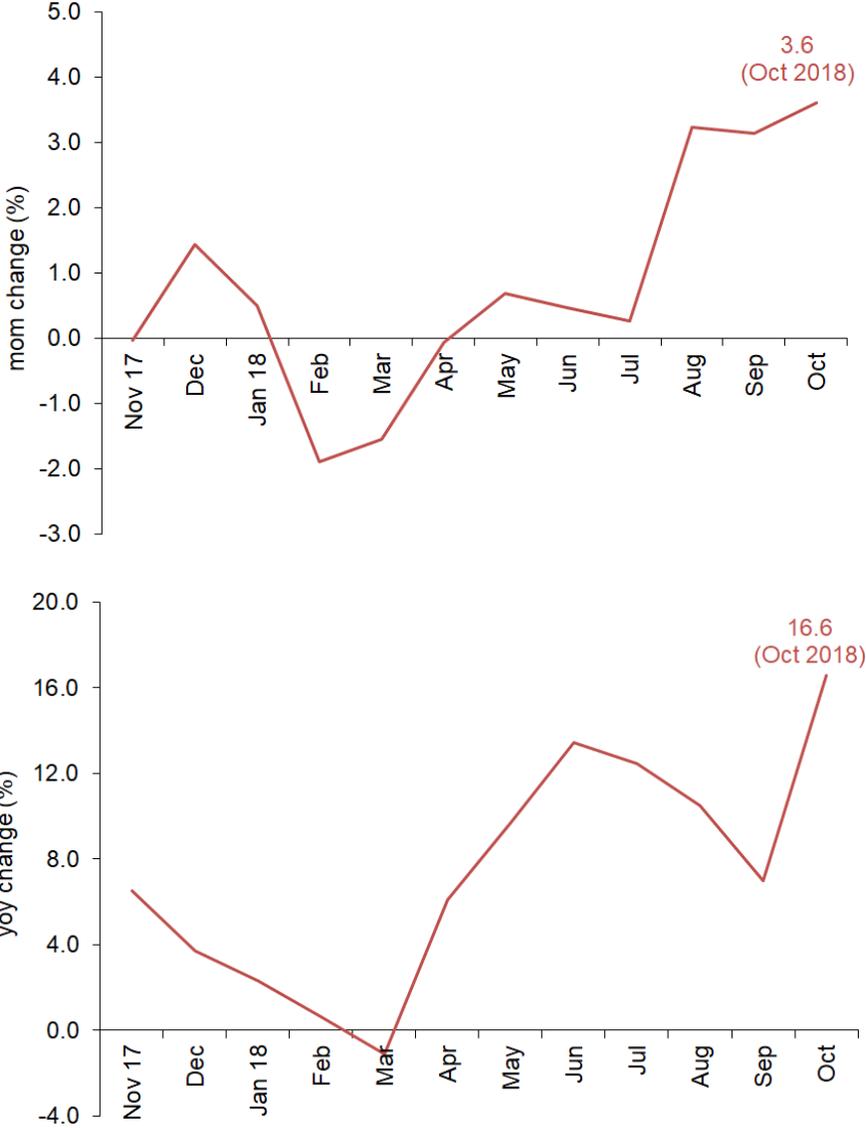
The price index of polypropylene (PP)² rose by 3.6% mom in October, posting month-on-month rise for six consecutive months (see exhibit 2).

Driven mainly by a rise in the prices of PP futures and the prices of propylene, the major raw material for PP, PP prices went up in early October. Nevertheless, PP prices fell in mid- to late October, as the prices of propylene trended downward during the period.

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

Going forward, we expect the prices of PP to go down soon as the upstream costs are likely to fall further. The global crude prices continued to trend downward in early to mid-November, which will, in turn, put downward pressure on the prices of propylene.

Exhibit 2: Price index of PP, November 2017 to October 2018



Source: China Logistics Information Center

3. Price index of natural rubber rises in October

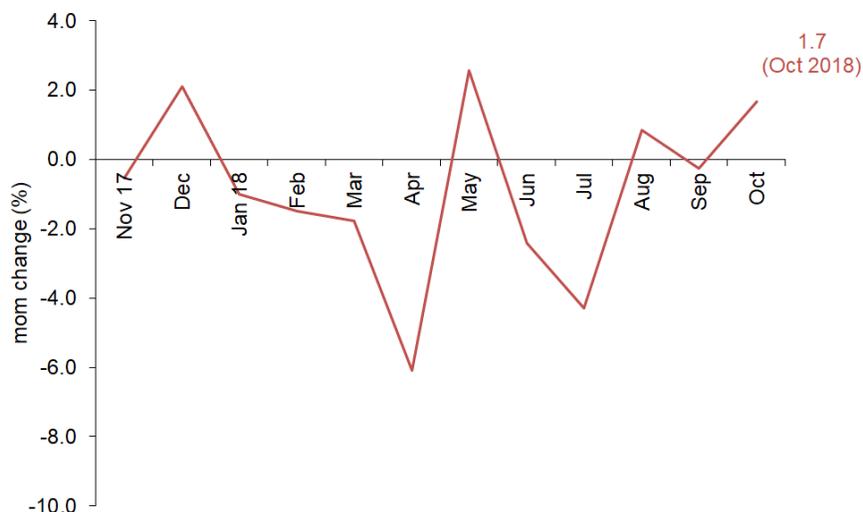
The price index of natural rubber³ gained 1.7% mom in October, after falling by 0.3% mom in September (see exhibit 3).

The prices of natural rubber rose sharply in early October as market sentiments improved on some bullish news. For example, on 7 October, China's central bank announced to reduce the reserve requirement ratios (RRRs) of most financial institutions in China by 100 bps, effective from 15 October. Then, on 8 October, China's State Council announced to increase export value-added-tax (VAT) rebate rates on a number of tariff items, effective from 1 November: Of which, the export VAT rebate rates on tyres of passenger vehicles and motorcycles were adjusted upward from 9% to 13%.

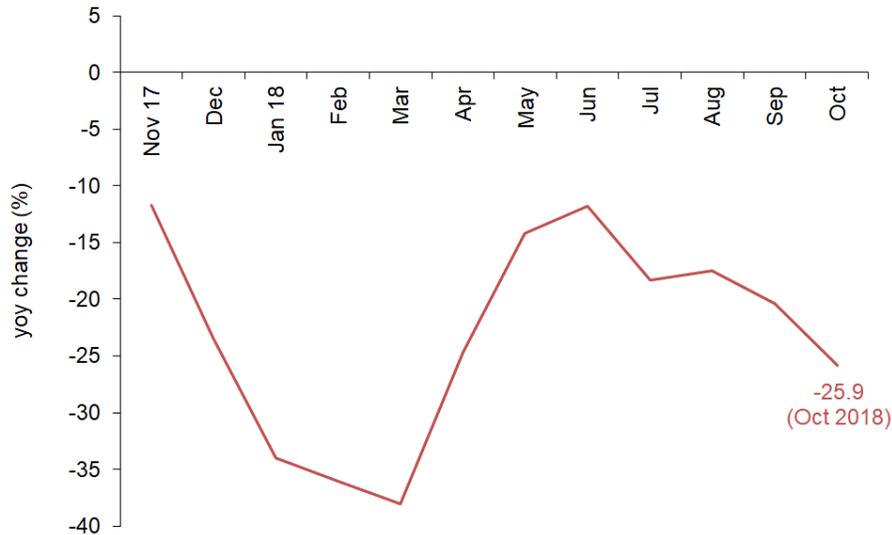
Afterwards, the prices of natural rubber trended downward in mid- to late October, adversely affected by the sluggish downstream demand and the abundant supply of natural rubber.

Looking ahead, we expect rubber prices to stay low in the coming months as the downstream demand for natural rubber is likely to remain sluggish. It is noteworthy that, on 24 September, the US administration imposed 10% additional tariffs on US\$200 billion worth of Chinese goods, including most rubber products from China. Such a move would weaken the demand for Chinese rubber products from the US.

Exhibit 3: Price index of natural rubber, November 2017 to October 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 rise in October

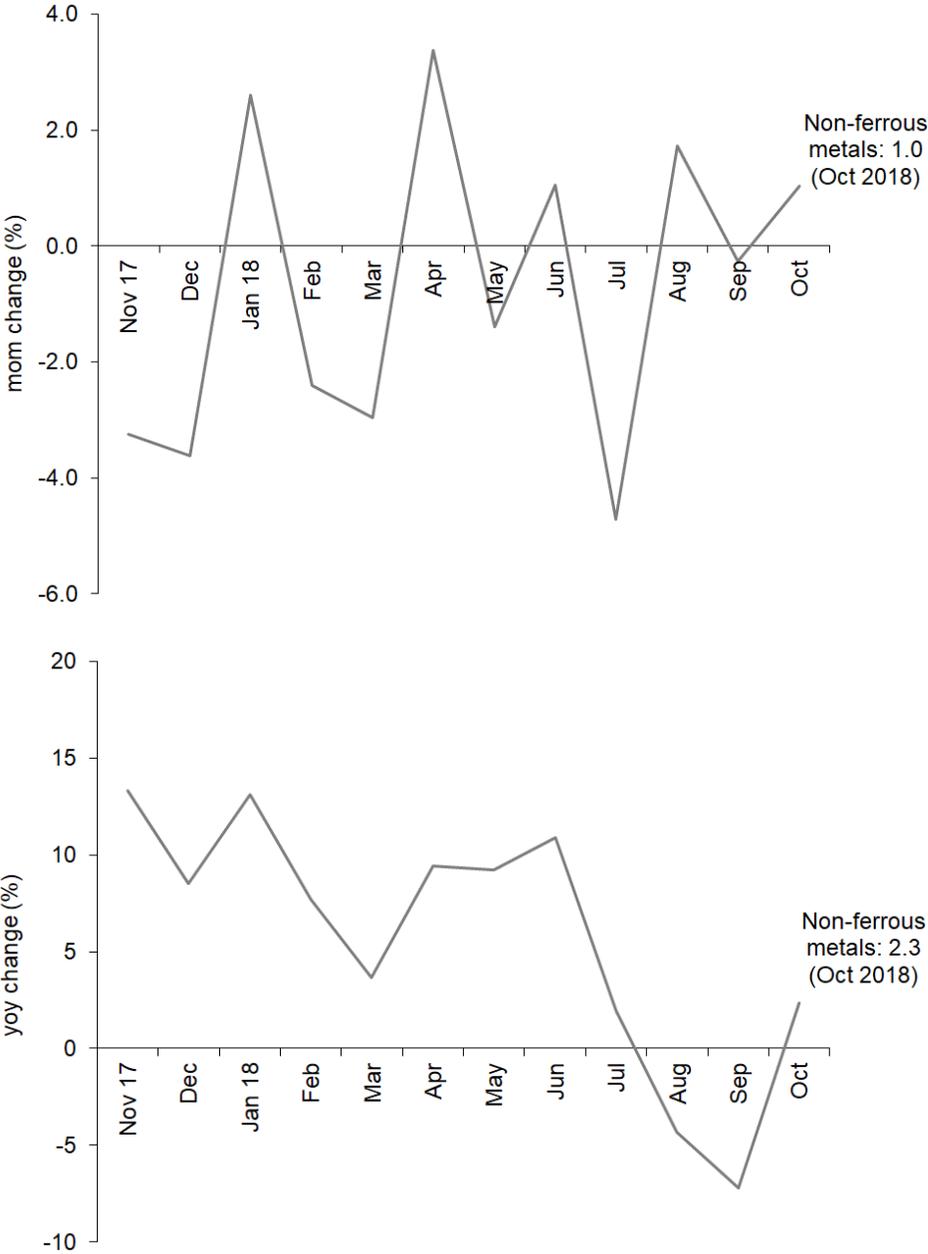
The price index of non-ferrous metals gained 1.0% mom in October, after dropping by 0.3% mom in September (see exhibits 4 & 5).⁴

Prices of non-ferrous metals rose in the first half of October, boosted by bullish news such as the Chinese central bank's move to cut the RRRs of major financial institutions. Afterwards, non-ferrous metal prices fell in the second half of the month, as the high US bond yields and the stalemate in the Brexit negotiations led to the strengthening of the US dollar, which in turn put downward pressure on commodity prices.

Looking ahead, we expect that the prices of non-ferrous metals will drop further in the near term as the latest figures indicate that the Chinese economy has shown more signs of moderation.

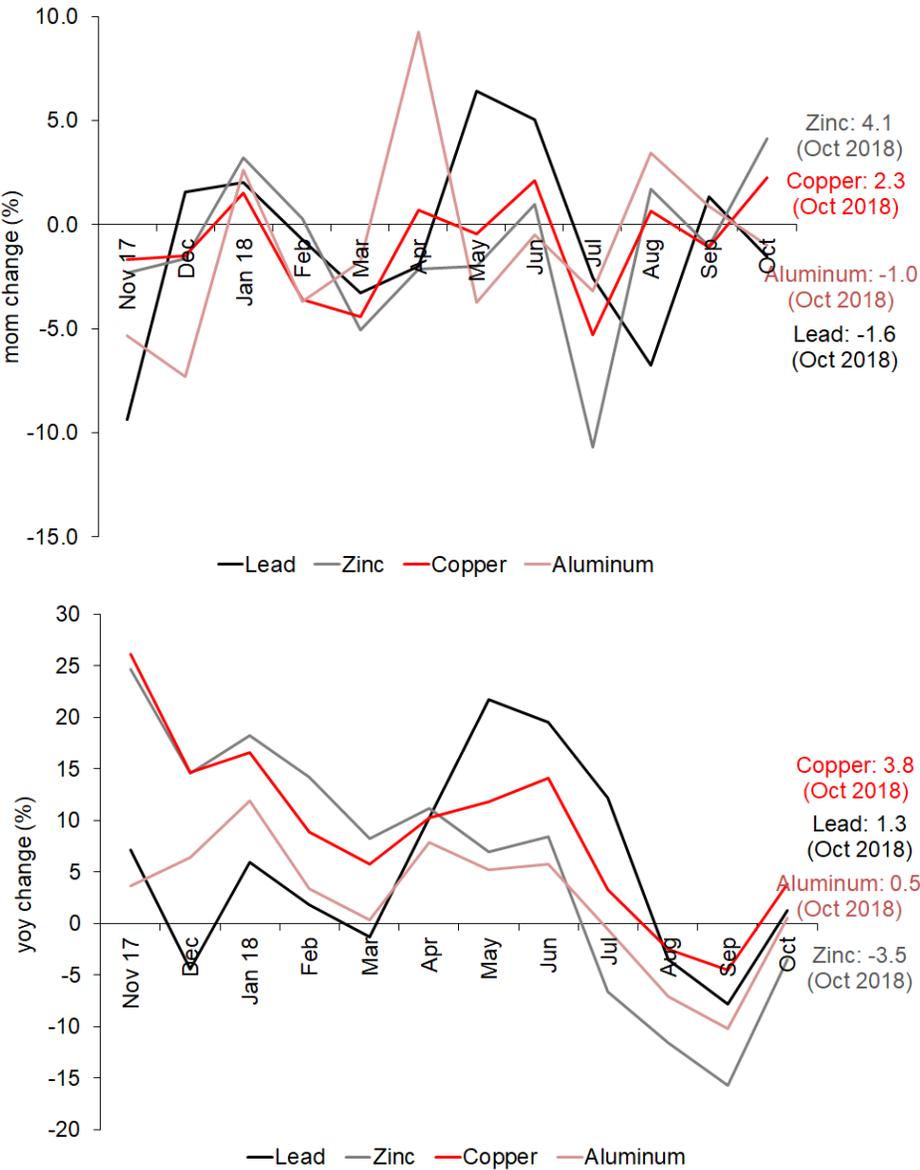
⁴ The indices are compiled by the China Logistics Information Center (CLIC).

**Exhibit 4: Price index of non-ferrous metals,
November 2017 to October 2018**



Source: China Logistics Information Center

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



Source: China Logistics Information Center

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