

February 17, 2014

Market Review

- The SHFE aluminum active futures contract price (AL1404) increased to 13,450 RMB/t.
- Aluminum inventory at the SHFE climbed to 240,889t from 214,590t last week.

Economy

- According to NBS, China's PPI for January fell 1.6% over the same period. Growth has been negative for 23 consecutive months now, indicating a slowdown in the economy.
- According to Customs, trade performance for January was strong. China's exports are said to have increased 10.6% and imports were also up 10%, but verifying the data is accurate is a difficult task.

Technical indicators

- The SHFE active price (AL1404) reached 10 MA, indicating the price rebounded slightly due to optimistic forecasts of demand.

Supply Fundamentals

- According to the IAI, China's aluminum production in 2013 reached 24 million tons, accounting for over 50% of global production.

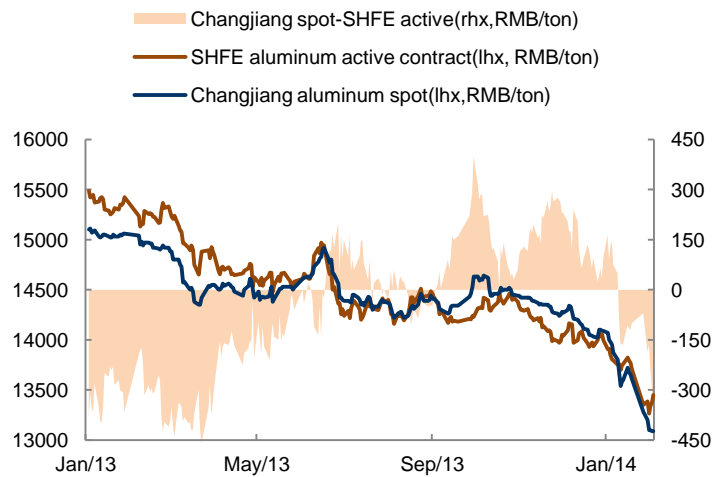
Demand Fundamentals

- CAAM figures showed that China's vehicle sales rose 6% in January compared to the year before, recording its best-ever sales. The recovering demand of the downstream industry will support aluminum prices.

Market Outlook

- Due to the weaker dollar, the prices of the LME's base metals saw a slight rebound. After the Chinese New Year, returning demand will push SHFE aluminum prices back up to a higher price level.

SHFE Aluminum and spread, RMB/t



Source: SHFE, AZ CHINA

Last week's development		Future Pressure on Price
Stock	Inventory rose	Down
Energy	Crude oil down	Down
Macro indicators	Leading indicators down	Down
Supply	Production down	Up
Demand	Weakness in demand	Down
Sentiment	Negative	Down

Weekly Speedometer
 (short-term future sentiment on price)

