



CHICAGO

ADM Investor Services
141 W. Jackson Blvd.
Suite 2100A
Chicago IL 60604
www.admis.com

LONDON

ADM Investor Services
International
4th Floor
Millennium Bridge House
2 Lamberth Hill
London EC4 V3TT
www.admisi.com

HONG KONG

ADMIS Hong Kong
Suite 908-10
9/F Lincoln House
Taikoo Place
979 Kings Road
Hong Kong
www.admis.com.hk

MARKET OUTLOOK FOR CHINA AND ASIA REGION

By Alex Poon, ADMIS Hong Kong &
Kevin Yang, ADMIS Shanghai Representative Office

The following is an overview of the Chinese and Asian economic, political and crop situations as of 16th May 2017. This report is intended to be informative and does not guarantee price direction.

The key Chinese and Asian event over the last 30 days has been Chinese economic data is disappointing, while PPI dropped MOM for the first time since last July with the correction of commodity price. Geopolitical tension in Korean Peninsula is still high with North Korea test fire a missile which might reach Guam.

CHINA

- In April, China's factory activities slowed down, as CAIXIN China manufacturing PMI fell from last month's 51.2 to 50.3, which is the slowest growth rate over the past seven months. Both production and new orders rose at the slowest pace since last September and on a monthly basis, the two sub-indexes showed slight improvement. As speculations on commodities like iron ore, steel rebar and coal cooled down, downward pressure on manufacturing industry gradually emerged. The official manufacturing PMI echoed the trend by falling to 51.2 from last month's 51.8, indicating that the economy might moderate after a robust start to this year.
- As prices for the mining industry, smelting industry, chemical material and chemical products kept falling, China's producer price index declined on a monthly basis for the first time since last July. Year-on-year, the PPI increased 6.4%. Looking ahead, producer price inflation is expected to further wane in May given that falling prices for



commodities deepened. On the consumer side, inflation rate remained moderate. The CPI increased 1.2% from last year, which gives the central bank more room to gradually adjust its monetary policies.

- In line with the soft PMI and PPI readings, China's exports in dollar dominated terms grew at slower than expected pace of 8% year-on-year in April, compared with a 16.4% increase in March. In the meantime, as inbound shipments of industrial commodities, such as iron ore weakened, imports only increased 11.9% in April, significantly lower than last month's 20.3%. April's trade data left China with a trade surplus of \$38.05 billion compared with \$23.93 billion in March. Given a relatively bright outlook for the global economy, China's exports might hold up in the rest months of the year. But for imports, policy tightening will show an impact on domestic demand in coming months.
- Thanks to strong demand from the soymeal industry, China's soybean imports in April rose 13.4% from a year earlier to 8.02 million tons, a record for the month. On a monthly basis, the imports were up by 26.7% from 6.33 million tons in March. In the coming months, as soybean crushing continued to expand to accommodate demand from the animal feed industry and edible oil, China's soybean imports are expected to further climb to over 8 million tons per month. In the first 4 months, China's soybeans imports have grown 18% compared to last year to 27.54 million tons.

OTHER ASIAN COUNTRIES

- India has refused to participate in China's Belt and Road Initiative, with the main concern over the China-Pakistan Economic Corridor. The IMF expects the Indian economy to grow at 7.2% in 2017-18, and 7.7% in 2018-19 in a recent report. India is also expected to be the third largest economy according to the IMF. The industrial data have improved, with manufacturing output and industrial output growing at 1.2% and 2.7% respectively in March.
- The new anti-Chinese remarks presented by Muslim leaders recently may be hurting the political stability in Indonesia. The Q1 GDP of Indonesia has grown 5.01% yearly, slightly increased from 4.94% in 2016 Q4. The exports and imports of Indonesia were growing strongly at 23.55% and 18.19% respectively in March.
- The PSI for April in New Zealand was 52.8, which was 6 points lower than in March, and marked the lowest level of expansion in the service sector since December 2012. New Zealand's CPI increased by 2.2% year-on-year in the first quarter of 2017, up from an increase of 1.3% in the previous period and above market expectations of 2%. The bounce was mainly driven by housing and transports, which rose 3.3% and 3.5% respectively, it also marked the highest inflation rate since Q3 of 2011. New Zealand's Q1 employment



report was strong, showing a 1.2%/qtr lift in jobs, which is higher than expected. The participation rate is at a record high at 70.6%, while the unemployment rate has declined from 5.2% to 4.9%.

- Australia's CPI was recorded a 2.1% year-on-year in Q1 2017, up from an increase of 1.5% in Q4 2016, but missing market expectations of 2.2%. Although with some figures missing expectations, the annualized CPI figures reached the highest rate since Q3 2014. As expected, the Reserve Bank of Australia has decided to hold its cash rate unchanged at 1.5% for a ninth consecutive month during its May board meeting. Australia's March retail sales fell by 0.1%, with the market expecting a .3% increase after a .2% decline in February, which is the third decline in the past four months. In Q1 2017, adjusted for inflation, retail sales rose .1%, a dramatic decline from the .7% rise in Q4 2016.
- Japan's April PPI rose 2.1% year-on-year, which is up from 1.4% in March and above the estimate of 1.8%. It marked the fastest rate since November 2014. Japan's current account surplus in fiscal 2016 has topped 20.2 trillion YEN, a 13.1% increase from the previous fiscal year and the highest since fiscal 2007, which also marked the third largest figure on record, mainly due to a large decline in fuel costs. The unemployment rate of Japan remained steady at 2.8% in March 2017, matching the lowest rate since June 1994. The job offers-to-applicant ratio also shows that there is a shortage of labour supply in Japan, which the ratio rose marginally to 1.45 in March 2017. This marked the high level of this ratio since November 1990.
- The Korean Peninsula was in a massive tension mode last month, with North Korea performing a military drill at its 85th anniversary of the foundation of its Korean People's Army. Tensions escalated with the installment of the THAAD system and the deployment of the USS Carl Vinson strike group. Moon Jae-in, the new elected 19th president of the Republic of South Korea has taken office on 10th May and made his official presidential address, it was after 10 years that the liberals are once again in power. The CPI in South Korea has slightly eased from a multi-year high hit in March, with the CPI increasing by 1.9% year-on-year in April, down from 2.2% in March and below the estimate of 2%.