



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 20th February 2018. 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 RMB giving up some gains that were accumulated from the strong run starting from the end of last year before CNY holiday. There is some worry that a stronger RMB will be harmful to exports. Economic data released in the region are mostly positive, while RBA and RBNZ kept interest rates unchanged.

CHINA

- The CAIXIN China manufacturing PMI came in at 51.5 in January 2018, which is unchanged from last month. New orders continued growing for the 19th consecutive month, but at a relatively slower pace compared to last month, which led to a drop in inventories. The output index reached a 13 month high. Also, the pace of job shedding slowed to the lowest level since February 2015. Meanwhile, the official manufacturing PMI stood at 51.3, slightly lower than last month's 51.4, although it has been in expansion area for six months in a row.
- Due to a high comparative base caused by a dislocation of the Spring Festival, China's CPI increased 1.5% year on year in January, the slowest level over the past six months. The inflation rate is generally expected to rebound to around 2.5% in February and stay between 2% and 2.5% throughout the year. In January, the PPI gained 4.3% year to year, which is the slowest level over the past year. Since 2017, as the Chinese government applied production restriction measures to address



environment issues and the overseas demand kept improving because the world economy was on the rise. The PPI rose more robustly than expected and laid a higher base for 2018. Because of a high base and weaker industrial products prices, the PPI increase is expected to narrow in 2018.

- A combination of multiple factors including holiday demand, a low comparative base and the yuan's appreciation pushed China's imports in dollar dominated terms to increase 36.9% year on year in January. Volumes of imported iron ore, crude oil and soybeans increased significantly. Exports in dollar dominated terms gained 11.1% compared to last year, beating expectations. The trade surplus for January fell 59.2% from last month's \$54.69bn to \$20.34bn. Trade data is expected to fluctuate in months to come, because there are lots of uncertainties ahead other than holiday factors in February.
- To accommodate the strong soymeal demand by hog breeding industry, China's soybean imports in January increased 11% year on year to 8.48 million tons, but lower than 95.47 million tons in last December. China's soybean demand is expected to stay strong in 2018. Some institutions estimated China's soybean imports in 2018 will exceed 100 million tons. Looking ahead, due to the escalation of recent Sino-U.S. trade tensions for which China has tightened soybean imports standards, plus seasonally weak demand after Chinese New Year, soybean imports are expected to drop to around 5 million tons in February and March.

OTHER ASIAN COUNTRIES

- The IMF forecasts India's growth at 7.4% in 2018, which is the fastest rate of growth in various economies in the world. The financial ministry also forecasts the growth rate in 2018 will be at 7% - 7.5%. The negative effect by the demonetization in 2017 is believed to have faded after two years and India's economy has stabilized.
- Indonesia's economy has grown by 5.1% in 2017, and it slightly beat the market expectation. Although GDP growth is good, consumption level is still low and affects the Indonesian economy in long run. The IMF forecasts Indonesia's growth to be at 5.6% in 2018.
- The RBA has decided to keep the benchmark rate unchanged on 6th Feb. The RBA maintained its optimism on economic growth in Australia. The economic data is showing a strong base, including a better than expected reading in retail sales, at a growth rate of .9% in fourth quarter of 2017. The unemployment rate remained at 5.5% in January.
- The Reserve Bank of New Zealand kept its interest rate unchanged at 1.75%. It also lifted its inflation expectation from 2% to 2.1%. The Q4 unemployment rate dropped to 4.5%, which is 0.1% lower than the previous quarter.
- South Korea January exports grew at 22.2% year to year due to robust sales of



ADM Investor Services, Inc.

semiconductor, computer chips and other electronics. Trade protectionism in U.S. may pose a threat to its exports as the U.S. has started approving tariffs on imported electronics, which harmed the U.S. domestic manufacturing industry. The inflation rate has dropped to 1% year to year, which is the lowest level since 2017 and below the BOK's target level of 2% year to year. Japan's January exports grew at 12.2% annually due to improving sales of cars and electronics. The growth is higher than the previous month of 9.3% annually and higher than the market expectation of 10.3%. Q4 GDP growth was at 0.5% year to year due to growing consumer spending and capital expenditure.