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## MARKET OUTLOOK FOR CHINA AND ASIA REGION

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*The following is an overview of the Chinese and Asian economic, political and crop situations as of **22nd May 2018**. This report is intended to be informative and does not guarantee price direction.*

In April, the CAIXIN China manufacturing PMI continued its slight growing trend in the past 11 months, coming in at 51.1, a little higher than last month's 51.0. New orders kept expanding, but at the slowest pace in seven months. New export orders posted its first negative growth since November 2016, while new orders kept growing, suggesting that the dependence on domestic demand is increasing. Factories employment continued shrinking. Some job positions weren't filled after workers left voluntarily, which caused backlog of works climbing. In the meantime, official manufacturing PMI slightly fell 0.1% to 51.4.

China's consumer inflation eased in April. CPI increased 1.8% year-on-year in April, compared to a 2.1% increase in March. The decline in food prices, especially pork, which fell 16.1% from last year, was the biggest drag. On the industrial side, PPI growth ended its downward circle for five months, increasing 3.4% year-on-year. But on a monthly basis, it still slipped .2%. Looking forward, as prices of commodities especially crude oil keep climbing, the PPI is expected to climb in months to come, but will stay at a modest pace.

As holiday factors that twisted trade data faded, China's exports restored growth in April. Exports in dollar-dominated terms increased 12.9% year-on-year, while imports went up 21.5%, compared to last year, leaving the



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country with a monthly trade surplus at \$28.78 billion. In the context of a possible trade war between China and the U.S., the trade surplus from the United States surged 43.8% from last month to \$22.19 billion. In the first four months of 2018, China collected an \$80.4 billion trade surplus from America. Imports side, significant increases in crude oil, refined oil and iron ore are the top three contributors to the robust gain.

Concerns about the possible tariff on U.S. soybeans, China's soybean imports in April experienced a decline, down by 13.7% compared to last year to 6.92mmt, significantly lower than expectations. Soybean imports have been going down for three months in a row on a yearly basis. Soybeans imports amounted to 26.49mmt in the first 4 months of this year, 3.8% less than last year. In the meantime, as the crushing margin remains lucrative, Chinese buyers proactively purchased Brazil soybeans. China National Grain & Oils Information Center estimated that the arrival of soybean shipments will reach 9.5mmt and 9.0mmt in May and June respectively.