

Trading China



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China Pulse:

Markets:

- Shanghai Comp Index —
- Shenzen Comp Index —
- Hang Seng Index —

Economics:

- PMI ○
- Trade Balance ○
- GDP ○
- Industrial Production —

Commodities:

- Copper ○
- Gold ○
- Crude ○

Key:

- Bullish +
- Neutral/Bullish ○
- Neutral ○
- Neutral/Bearish ○
- Bearish —

Welcome to the first edition of Trading China. In such a fast moving economy where tracking what is actually going on is very difficult due to media / regulatory restrictions, cultural, language barriers and where information is just simply hard to access, Trading China looks to analyse the last months business, economic, trading activity in China and let you know what is coming up for the month ahead as well as providing ideas and thoughts for trading in China.

Headlines:

China biggest economy in world by year end:

China to overtake the US by end of 2014 in terms of GDP (PPP).

For the full story:

http://www.economywatch.com/world_economy/china/

US tells China it must allow its currency to strengthen

For the full story:

<http://www.bbc.co.uk/news/business-27045500>

China's economy grows 7.4% in 2014 Q1, better than forecast

For the full story:

<http://www.bbc.co.uk/news/business-27045527>

China gold demand rising 25% by 2017 – Bloomberg

For the full story:

<http://www.bloomberg.com/news/2014-04-15/china-s-gold-demand-rising-25-by-2017-as-buyers-get-wealthier.html> Bearish

China may help finance Mechel coal project

For the full story:

<http://www.chinacoalintl.com/news-805#.U2NssS4U-Uk>

Yuan declines to 16 month low on subdued trading before holidays

For the full story:

<http://business.bisnis.com/market-and-corporate/read/20140429/111/27540/china-yuan-near-16-month-low-on-subdued-trading-before-holidays>

China to Surpass Japan as Top Corn Buyer: Chart of Day

For the full story:

<http://www.bloomberg.com/news/2014-04-28/china-to-surpass-japan-as-top-corn-buyer-chart-of-day.html>

China's Provinces Fail to Meet Lower 2014 Growth Goals

For the full story:

<http://www.bloomberg.com/news/2014-04-29/china-s-provinces-miss-growth-goals-even-after-ambitions-lowered.html>

HKEx eyes China with new metal contracts

South China Morning Post, April 22nd 2014

For the full story:

<http://www.scmp.com/business/commodities/article/1493961/hkex-eyes-china-new-metal-contracts>

Other headlines:

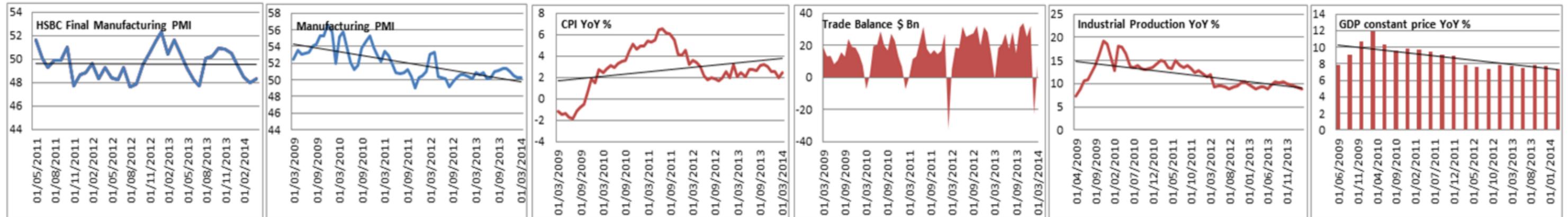
Gunvor opens unit in Shanghai zone to target regional commodities growth

China to support copper – Bloomberg

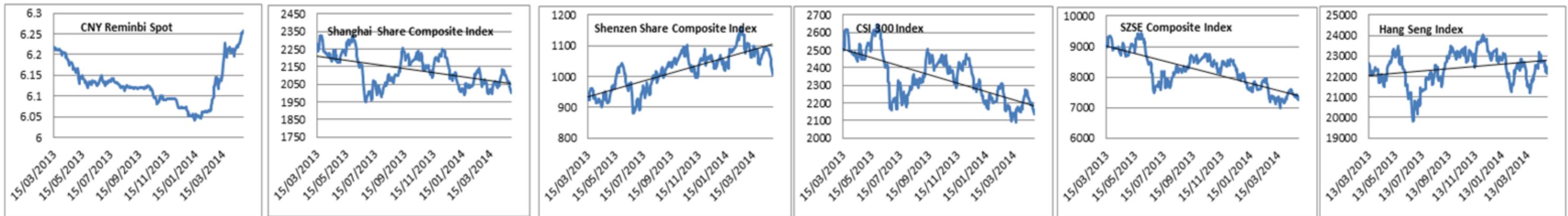
Bank of Beijing poised for \$4bn HK share sale - Bloomberg

Market Dashboard:

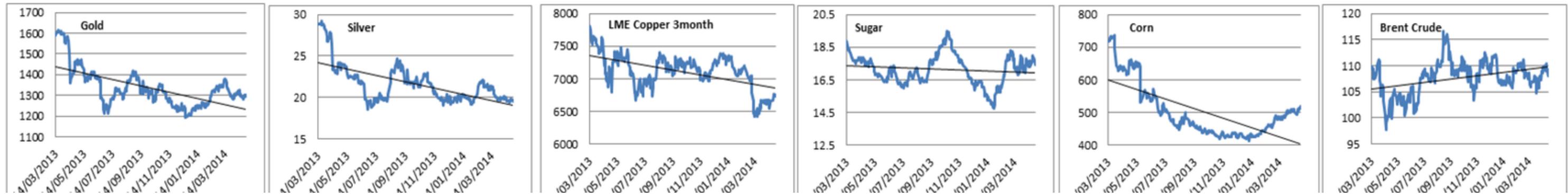
Economics:



CCY's & Stock Markets:



Commodities:



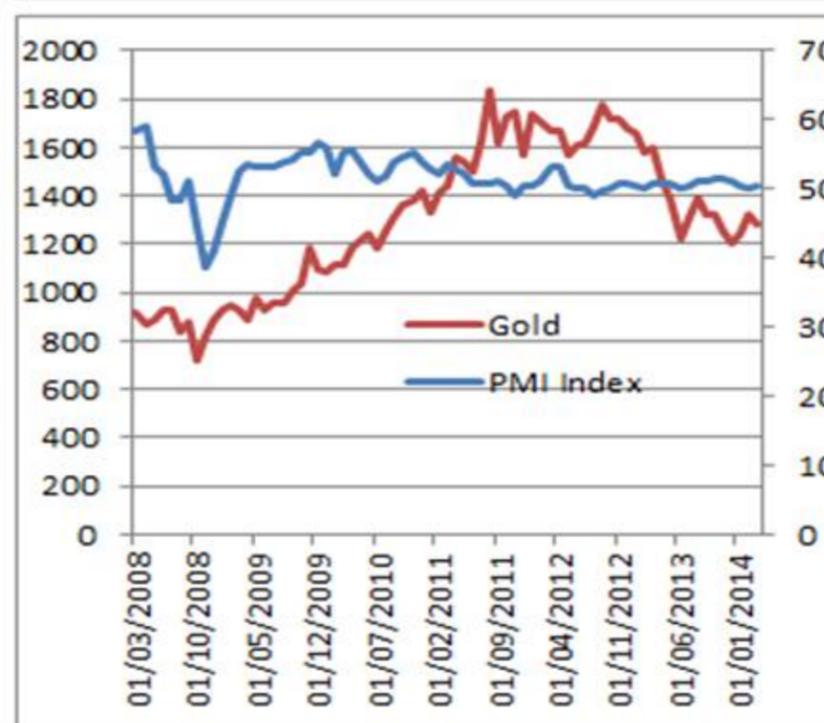
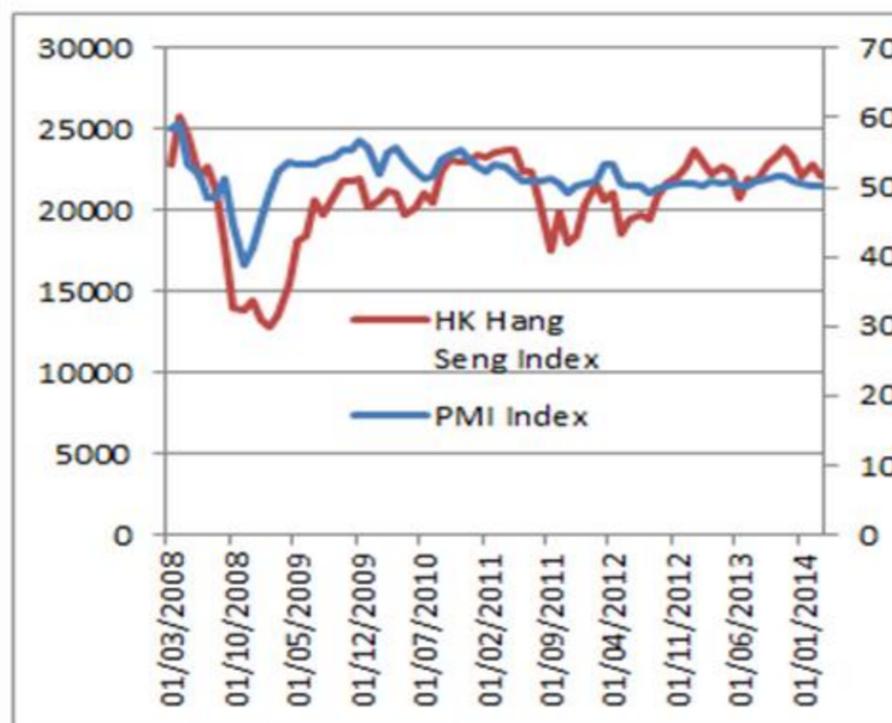
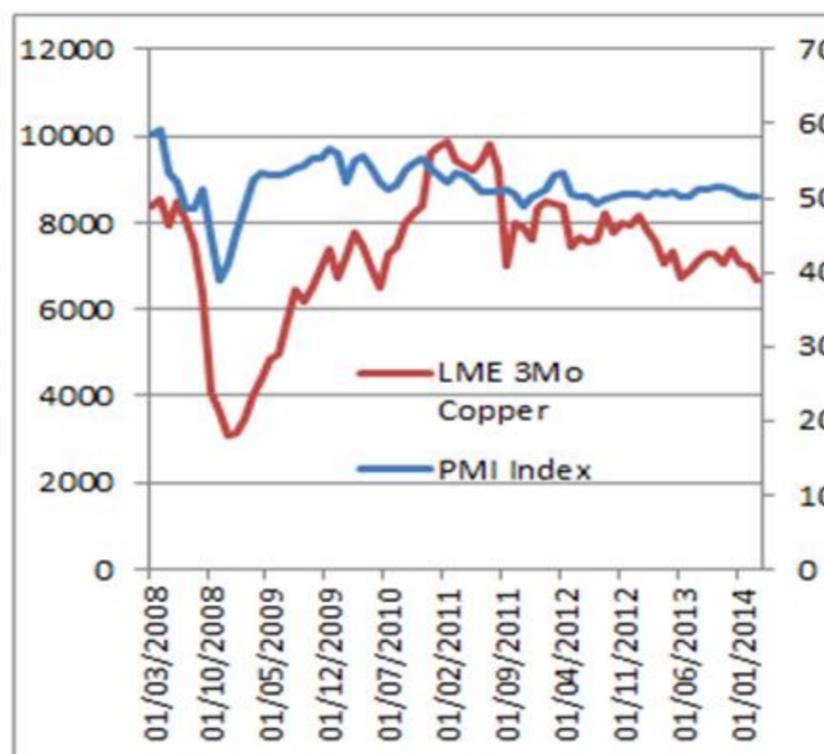
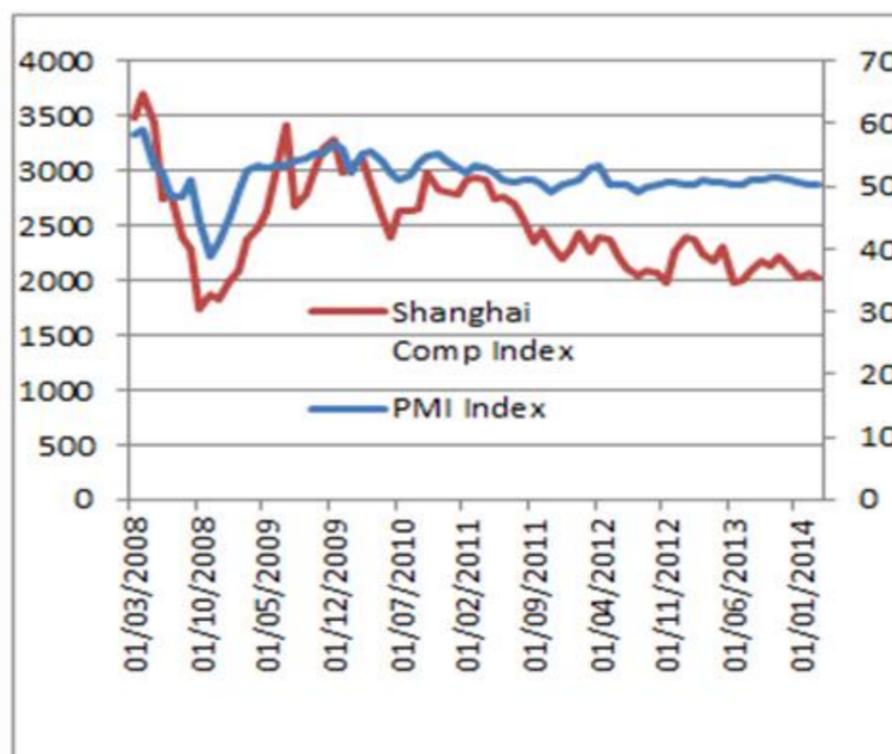
CCY's and stock markets: Chinese mainland and Hong Kong Indices continued their downward trend. The CSI 300 and SZSE Composite are heading towards recent historical lows. China's Yuan fell to a 16 month low ahead of the early May holidays peaking at 6.2591.

Economics: Economic results recently have been trending down to historical lows. The HSBC PMI and PMI look to have bottomed and May should reveal if the economy is on the re-bounce again. Forecasts are optimistic. GDP and Industrial production continue to decline and March results showed a negative trade balance.

Commodities: In the table above are some of the key commodities China trades and in some cases they are the biggest players in these markets. Gold and Silver declined over April. 3 month Copper picked up from historical lows. Brent remains range-bound between \$110 and \$105. Corn price is picking up and Sugar is squeezing into a tighter range possibly with some breakout movement due soon.

Trading: A leading indicator for Chinese and Global markets?

The PMI (Purchasing Managers Index) is a survey of 3000 purchasing managers asking them to rate the relative levels of business conditions including: employment, production, new orders, prices, supplier deliveries and inventories. This therefore can give a very accurate reflection and a leading indicator on the strength or weakness of economic conditions in China. (>50 = Expansion, <50 = contraction). In China there is also the HSBC PMI but this is released after the PMI and because of this has less of an impact. The two PMI's are highly correlated.



The question being asked here is “is there a correlation / relationship between the performance of the PMI (the strength / weakness of one of the Worlds biggest economies) and certain underlying markets?” Everyone in trading is looking for an “edge” and this certainly goes some way to help you to better define your trading models.

So is there a relationship? The simple answer is yes (to varying degrees of strength). Take a look at the 4 charts. The PMI has been compared to the Shanghai Composite Index, the HK Hang Seng Index, LME 3 month Copper and Gold. Why these? These are 4 key markets in China – 2 key stock exchanges a key industrial metal and a key economic barometer commodity.

We can see that all but Gold hold a strong relationship which is to be expected. How to use this? As it is a leading indicator add this into your arsenal of trading tools to give you the confidence in the direction / strength of any of these markets and aid you in your decision making process..

The Month Ahead

Trade Shows / Business events for May:

Bioenergy China 2014 -
The 5th China International
Biomass Energy Industry
Conference and Exhibition
2014/05/07 - 2014/05/09

CIDEX 2014 - The 9th
China International
Defence Electronics
Exhibition
2014/05/08 - 2014/05/10

Mines and Money Beijing
2014
2014/05/19 - 2014/05/21

MMI 2014 -
Metal+Metallurgy China
2014
2014/05/19 - 2014/05/22

CILE 2014 - The 7th China
International Logistics
Expo 2014
2014/05/21 - 2014/05/23

SHLS 2014 - 2014
Shanghai International
Licensing and Sourcing
Expo
2014/05/21 - 2014/05/23

Bio-Forum 2014 - The 16th
Shanghai International
Forum on Biotechnology
and Pharmaceutical
Industry
2014/05/21 - 2014/05/23

Economic Releases May:

These will be the key releases more likely providing the biggest impact in May.....

All times are GMT:

- Thu May 1st 0100am: Manufacturing PMI
- Mon May 5th 0145am: HSBC Final Manufacturing PMI
- Thu May 8th Tentative: Trade Balance
- Fri May 9th 0130am: CPI YoY
- Mon May 12th Tentative: G7 meetings
- Tue May 13th 0530am: Industrial Production YoY
- Thu May 22nd 0145am: HSBC Flash Manufacturing PMI

May looks to be a quieter month than usual for economic big impact releases but still some interesting ones to follow.

May 1st PMI numbers look important. They are forecast to be greater than the crucial 50 mark at 50.5 for April showing an expansion in manufacturing increasing from 50.3 in March.

This section looks forward to the next month in China.

On paper May looks potentially quiet with various public holidays and a low profile month in terms of economic releases and political activities. But, in a country as dynamic as China nothing stays quiet for long!

Business May:

- Australia need to sort out their FTA (Free Trade Agreement) with China after securing other regional FTA's:
Full story: China.Org.Cn, "China, Australia to hasten FTA talks"
April 13, 2014
http://www.china.org.cn/business/2014_04/13/content_32079533.htm
- May is the busiest month in China for trade shows / events (147 in total), please refer to the wings of this page for a list of some of the more interesting events.

Public Holidays May:

Mainland China:

Thursday 1st May: Labour Day
Friday 2nd May: Labour Day Holiday
Saturday 3rd May Labour Day Holiday
Saturday May 31st Dragon Boat Holiday

Hong Kong:

Thursday 1st May: Labour Day
Tuesday 6th May: Buddha's Birthday

Political visits and events May:

Vladimir Putin to visit China in May to bolster ties....



The Chinese President has made Russia the priority of Beijing's foreign policy. Xi and Putin have overseen enormous Sino-Russian joint ventures recently including a massive oil deal with state-run Rosneft in 2013. The visit is geared towards providing further momentum to solidify already strong bilateral ties.

Full story: The Brics Post: Putin to visit China in May to bolster ties
March 29, 2014, 4:58 am

<http://thebricspost.com/putin-to-visit-china-in-may-to-bolster-ties/#.U195YS4U-Uk>

Trade Shows / Business events for May:

Tourism Fair 2014 - The
7th China International
Tourism Commodities
Fair
2014/05/24 - 2014/05/27

WINEXPO 2014 - The
5th China (Guangzhou)
International Wine &
Spirits Exhibition
2014/05/26 - 2014/05/28

Coffeexpo 2014 - China
(Guangzhou) International
Coffee Industry Expo
2014
2014/05/27 - 2014/05/29

Global Pharma Congress
2014
2014/05/28 - 2014/05/29

CAPTS 2014 - China
Aerospace Propulsion
Technology Summit 2014
2014/05/28 - 2014/05/29

IBCTF 2014 - The 19th
International Building &
Construction Trade Fair
2014
2014/05/28 - 2014/05/30