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China Pulse:

Markets:

Shanghai Comp Index |
Shenzen Comp Index o
Hang Seng Index o

Economics:

PMI o
Trade Balance o
GDP o
Industrial Production |

Commodities:

Copper o
Gold o
Crude o

Key:

Bullish +
Neutral/Bullish o
Neutral o
Neutral/Bearish o
Bearish |

Welcome to the second edition of “Trading China”. Again as is always is the case these days, another hectic month in the Far East. Trading China for the May edition covers the usual bases: headlines and news, goings on in the markets a brief look at what is likely to happen in June and this month’s focus point being the “red metal” Copper.

Headlines:

Russia signs Gas-Supply deal with China after a decade of talks:

One of the biggest deals of its type signed after 10 years of negotiation amidst political tensions in Ukraine.

For the full story:

<http://www.bbc.co.uk/news/business-27503017>

China scoops up most US cotton in two years

For the full story:
Reuters

When China sneezes, Latin America gets the flu

For the full story:
<http://www.ipsnews.net/2014/05/china-sneezes-latin-america-gets-flu/>

Why China is stockpiling huge amounts of oil at a record pace:

For the full story:
http://business.financialpost.com/2014/05/21/why-china-is-stockpiling-huge-amounts-of-oil-at-a-record-pace/?__lsa=1ee3-a288

China’s imports adjust to reflect Indonesian ore ban

For the full story:
<http://www.reuters.com/article/2014/05/22/home-indonesian-ban-idUSL6N0083ZO20140522>

Stalin-Mao roles reverse as cold-shouldered Putin courts Chinese

For the full story:

<http://www.bloomberg.com/news/2014-05-19/stalin-mao-roles-reverse-as-cold-shouldered-putin-courts-chinese.html>

Chinas deflating property market seen raising debt dangers

For the full story:
<http://www.businessweek.com/news/2014-05-06/china-s-deflating-property-market-seen-raising-local-debt-risk>

China’s trade gains signal improvement in global demand

For the full story:
<http://www.chicagotribune.com/sns-wp-blm-news-bc-china-trade08-20140508,0,6353486.story>

Putin said to seek Chinese money with limits on Platinum and Gold

For the full story:

<http://www.mineweb.com/mineweb/content/en/mine-web-political-economy?oid=240518&sn=Detail>

Other headlines:

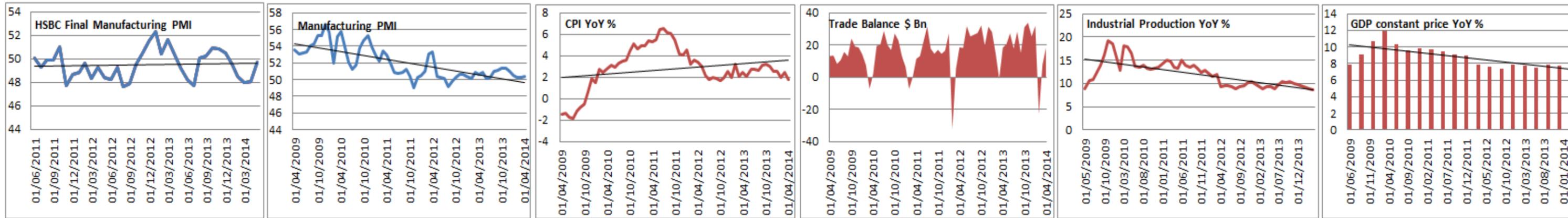
China’s JD.com to debut on Nasdaq and raises \$1.8bn - BBC

Chinese traders head to Singapore Iron Ore hub - FT

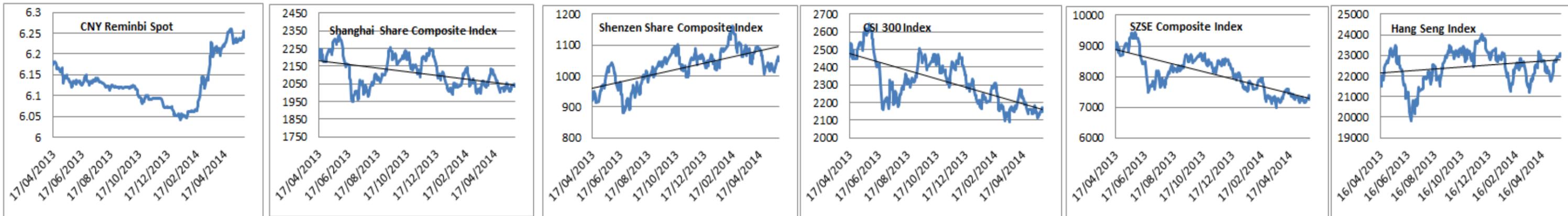
China to launch first onshore dry bulk commodity freight derivative

China cuts reserve requirement ratio for some qualified Banks- Bloomberg News

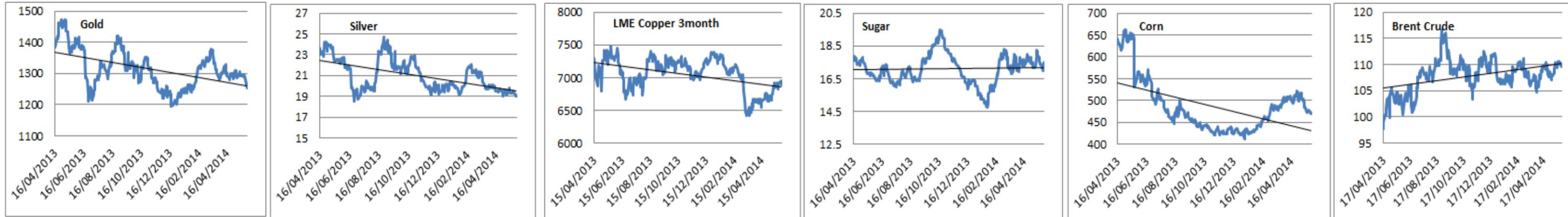
Economics:



CCY's & Stock Markets:



Commodities:



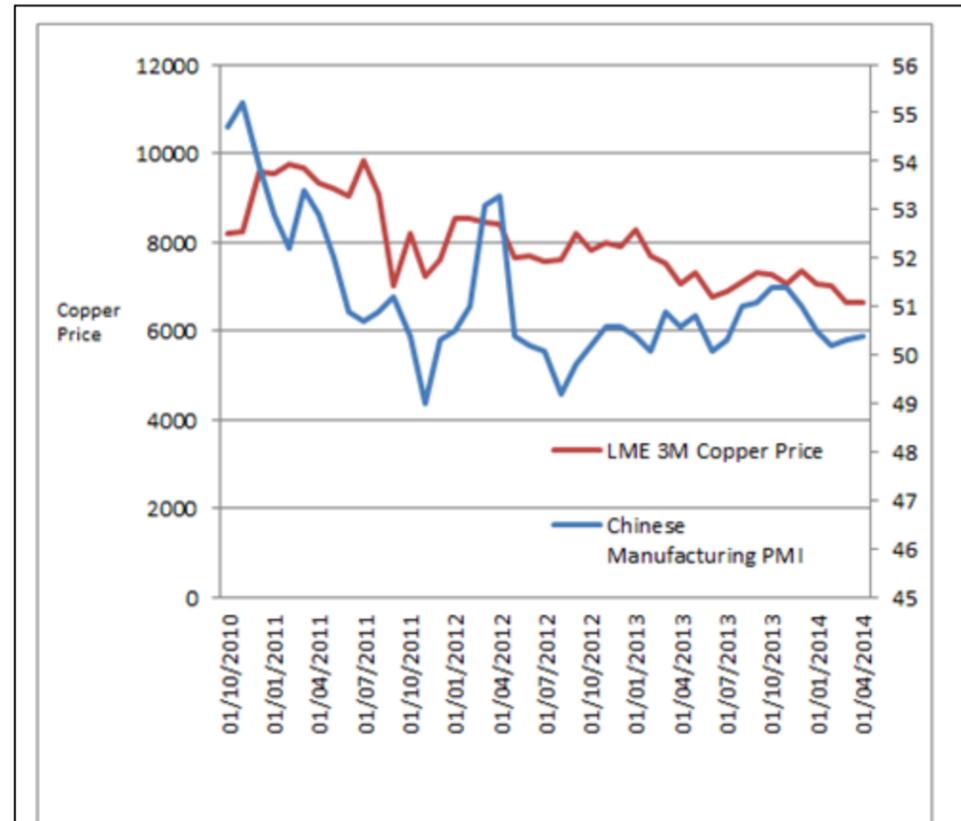
CCY's and stock markets: Stock Indices – Hang Seng bounced back over April but remains in a 3 month range.. The other mainland indices had a more positive month but still remain in a downtrend. China's Yuan remained at historically low levels.

Economics: Economic results recently have been trending down to historical lows. The HSBC PMI and PMI look s to be showing good signs of a positive recovery. Forecasts are still optimistic. GDP and Industrial production still continue to decline although the Trade Balance figures showed positive in April.

Commodities: Gold and Silver continue their downtrend. 3 month Copper still showing signs of recovery from March lows.. Brent still remain s range-bound between \$110 and \$105. Corn price came off recent highs and Sugar is getting squeezed into a tighter and tighter range possibly and still anticipating some price breakout action above 18.5 or below 17.

Trading: Copper - the life blood of Chinese industrialisation

Copper, the red metal. Often thought of as the lifeblood of the Chinese industrialization process, but why? Firstly, you will find Copper in everything; conducting electricity, heating, wiring, automotive parts, telecommunications, transporting water / as, industrial machinery and equipment, coins, roofing, crop/feed protection / supplements etc. Approximately 42% is electrical / electronic usage, 28% construction, 12% transportation. Chinas industrial expansion has and is very copper intensive.



Over one third of the Worlds copper production comes from Chile. Other big producers include Peru, USA, Indonesia as well as a growing Chinese market. Due to mining costs, lack of investment, infrastructure, facilities there is expected to be a supply shortage in the near future – a significant supply side development to watch out for.

So how much Copper does China consume? Greater than 40% of the world's production. Add this together with stable demand from the USA and increased demand from developing countries like Brazil and India then you can paint a pretty good picture into which way the metal's price is going to go based on simple supply and demand fundamentals.

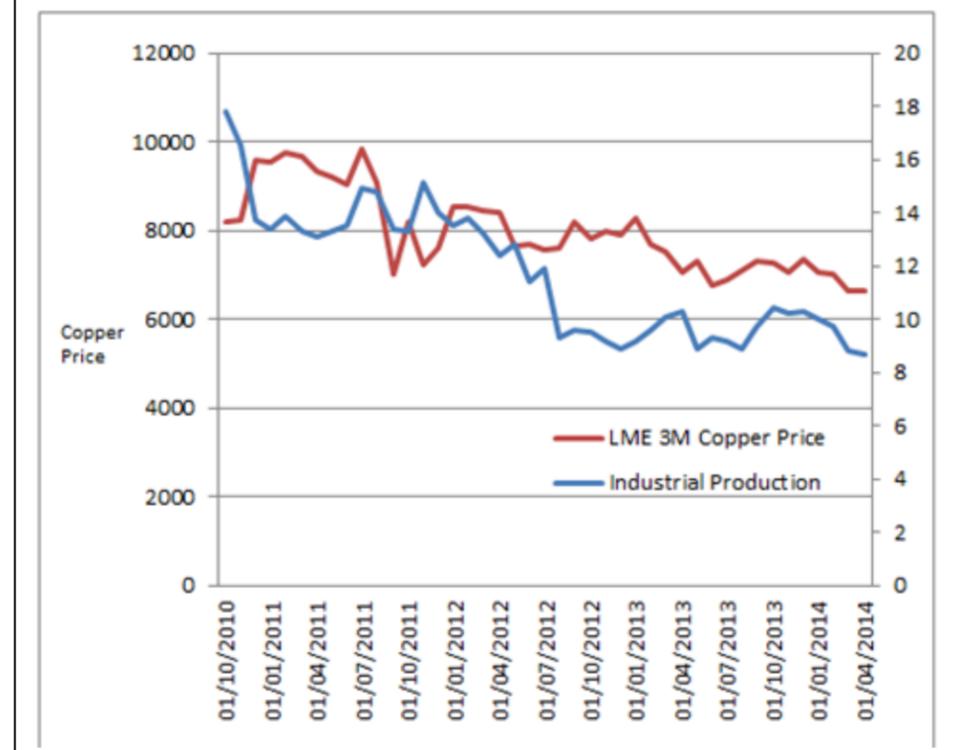
Take a look at the charts. Notice how Copper prices fluctuate / correlates with the success of the Chinese economy. You could easily devise such indicators to get you involved in the price action or at the very least give you a strong view point as to where the metal is headed.

How can you get a piece of the trading action? Well you could trade it from the UK on the LME (the world's biggest metals market), from the USA on COMEX or from China on the SHFE (which is harder to do due to trading restrictions in place).

Some interesting traits, market practices to look out for if you fancy taking on some Copper price action:

- Currently if the price of Copper falls below 7000, Chinese buyers often flood back into the market.
- You must keep an eye on Copper inventories to assess supply and demand. The LME is a good place to monitor this from.
- Warning! Chinese figures can be misleading as domestic businesses operate off of letters of credit backed by Copper i.e. they don't actually need the metal!
- Watch out for the Chinese government's 5 year plan which highlights the need for more Copper usage.
- Again, keep an eye on supply issues.

As you can see, there are countless opportunities to trade the Copper market. The Copper market has good volatility and liquidity and with the impact of Chinese demand on the price then this metal is definitely one to keep on the trading radar.



The Month Ahead

Trade Shows / Business events for May:

Asia luxury travel market
Shanghai
2014/06/02 - 2014/06/05

Biologics World China
Shanghai
2014/06/03 - 2014/06/05

China Auto Parts and
service show
Shanghai
2014/06/05 - 2014/06/07

China Qingdao Import Fair
Qingdao
2014/06/06 - 2014/06/09

China International
Consumer Goods Fair
Ningbo
2014/06/08 - 2014/06/11

Building Solar China
Guangzhou
2014/06/09 - 2014/06/12

China Medical Exhibition
Shanghai
2014/06/11 - 2014/06/13

China Bijing International
Coal Chemical Industry
Exhibition
Beijing
2014/06/12 - 2014/06/14

World dairy expo and
summit
Xi'an
2014/06/13 - 2014/06/15

Chian Copper Industry
Exhibition
Guangzhou
2014/06/16 - 2014/06/18

Spring Industry Exhibition
Guangzhou
2014/06/16 - 2014/06/18

Economic Releases June:

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

All times are GMT:

- Sun Jun 1st 0200am: Manufacturing PMI
- Tue Jun 3rd 0200am: Non-manufacturing PMI
- Tue Jun 3rd 0245am: HSBC Final Manufacturing PMI
- Wed Jun 4th Day 1: G7 meetings
- Thu Jun 5th Day 2: G7 meetings
- Sun Jun 8th Tentative: Trade Balance
- Tue Jun 10th 0230am: CPI YoY
- Fri Jun 13th 0630am: Industrial Production YoY
- Tue Jun 24th 0245am: HSBC Flash Manufacturing PMI

June like May looks another quiet month for economic big impact releases but still some interesting ones to follow.

June 1st PMI numbers will give a further indication to see if the Chinese economy is heading back in the right direction. They are forecast to be greater than the crucial 50 mark at 50.7 showing an expansion over the previous month in manufacturing increasing from 50.4.



South Korean President Park Geun-hye to visit China in June
Photo: EPA

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 June:

- June is also as busy a month as May for trade shows / events (129 in total), please refer to the wings of this page for a list of some of the more interesting events.

Public Holidays June:

Mainland China:

Monday 2nd June: Dragon Boat Day

Hong Kong:

Monday 2nd June: Tuen Ng Festival

Political visits and events June:

Republic of Korea President to make state visit late June.

- Park Geun-hye's visit is aimed at strengthening bi-lateral ties and updates ideas for easing Korean peninsula tensions.

Vietnam president Truong Tan Sang to make state visit Jun 19th to 21st....

- To sign cooperative agreements and enhance political trust and friendly cooperation.

Iranian President Mahmoud Ahmadinejad to participate in the SCO....

- The SCO (Shanghai Cooperation Organisation) summit involves China, Russia and middle eastern states. Iran will sign a "memo of understanding" between it and China whilst the Iranian President is there.

Trade Shows / Business events for May:

Metal and Metallurgy
Exhibition
Guangzhou
2014/06/16 - 2014/06/18

China International Food
Beijing
2014/06/17 - 2014/06/19

Air Cargo China
Shanghai
2014/06/17 - 2014/06/19

Transport logistic China
Shanghai
2014/06/17 - 2014/06/19

Rail and Metro
Shanghai
2014/06/17 - 2014/06/19

Automation Expo
Shenzen
2014/06/18 - 2014/06/20

Beijing International Tea
Expo
Beijing
2014/06/19 - 2014/06/20

International Contract
Sevices Expo
Shanghai
2014/06/26 - 2014/06/28