

Trading China



This issue:

Headlines and News from June P.1

Market Dashboard: Economics, China Markets, Commodities P.2

Trading: Gauging the true economic performance of China? The Li Keqiang Index P.3

The Month Ahead: July P.4

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 June's edition of "Trading China". Another hectic month in the Far East is anticipated! Trading China for the June edition covers the usual bases: headlines and news, goings on in the markets a brief look at what is likely to happen in July and this month's focus point being gauging the true economic performance of China looking at an alternative indicator.

Headlines:

UK rolls out red carpet for Chinas Premier Li.

British and Chinese companies signed trade and investment deals worth some \$24 billion. Li Keqiang's visit was used to bolster business ties between the two nations.

For the full story:

<http://online.wsj.com/articles/u-k-rolls-out-red-carpet-for-chinas-premier-li1403008817?tesla=y&mg=reno64wsj&url=http://online.wsj.com/article/SB10001424052702304292904579629963867252566.html>

China Construction Bank buys London office for \$187m

For the full story:
<http://www.businessweek.com/news/2014-06-26/china-construction-bank-buys-london-office-for-187-million>

Food replacing oil as China M&A commodity of choice:

For the full story:
<http://www.bloomberg.com/news/2014-05-30/food-replacing-oil-as-china-m-a-commodity-of-choice-commodities.html>

China port probe into metal financing rattles banks, trade houses

For the full story:
<http://in.reuters.com/article/2014/06/05/china-qingdao-idINL6N0OL4MP20140605>

KKR moves from milk to meat in China

For the full story:
<http://blogs.wsj.com/moneybeat/2014/06/09/kkr-moves-from-milk-to-meat-in-china/>

Iron Ore magnate Andrew Forrest eyes growing Chinese meat market

For the full story:
<http://www.scmp.com/business/china-business/article/1521407/iron-ore-magnate-andrew-forrest-eyes-growing-chinese-meat>

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 swaps gusto for rigor in Africa as it learns from mistakes

For the full story:
<http://www.businessweek.com/news/2014-06-02/china-swaps-gusto-for-rigor-in-africa-as-it-learns-from-mistakes>

China needs credit growth to reverse slowdown

For the full story:
<http://www.bloomberg.com/news/2014-06-03/china-needs-credit-growth-to-reverse-slowdown-chart-of-the-day.html>

Other headlines:

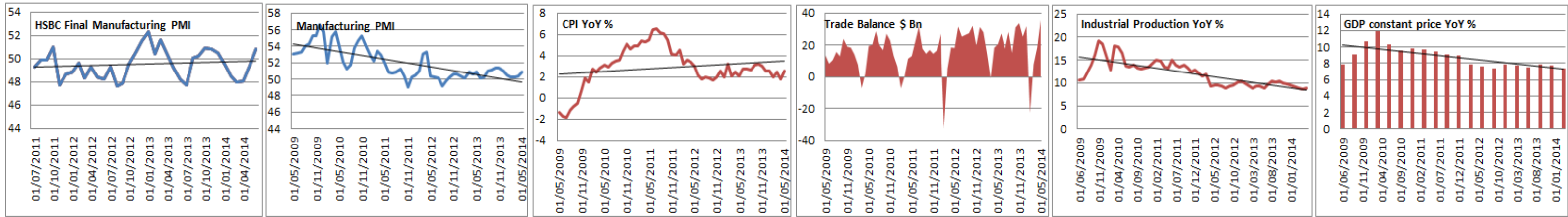
China finds \$15bn of loans backed by false gold trades

China Fuel imports fall to lowest since 2003

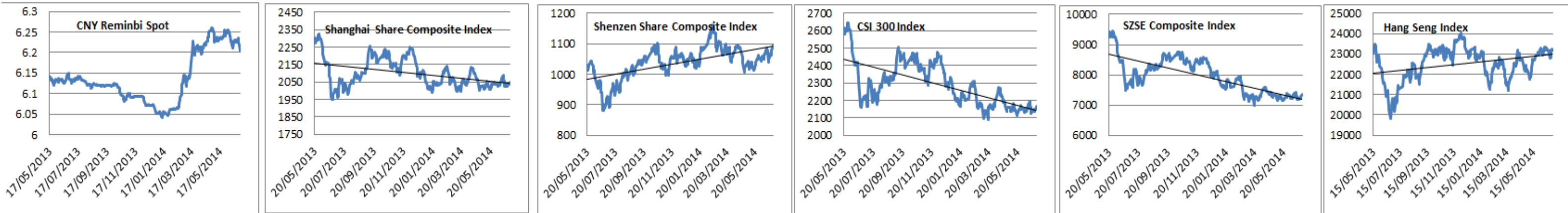
China inflation quickens to fastest pace since January on food costs.

Chinas HSBC manufacturing Index rises to four month high.

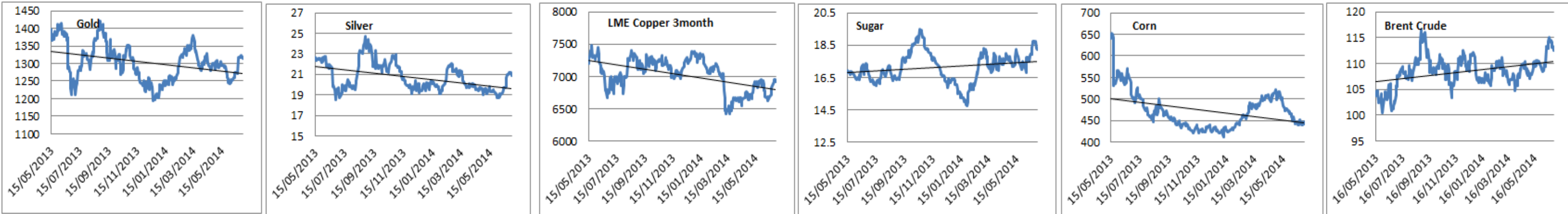
Economics:



CCY's & Stock Markets:



Commodities:



CCY's and stock markets: Stock Indices – Shanghai Composite generally negative but moving into a tighter range. Shenzhen is more positive and the Hang Seng spent June going sideways. The Hang Seng in July is normally bullish. China's Yuan came off of historical low levels.

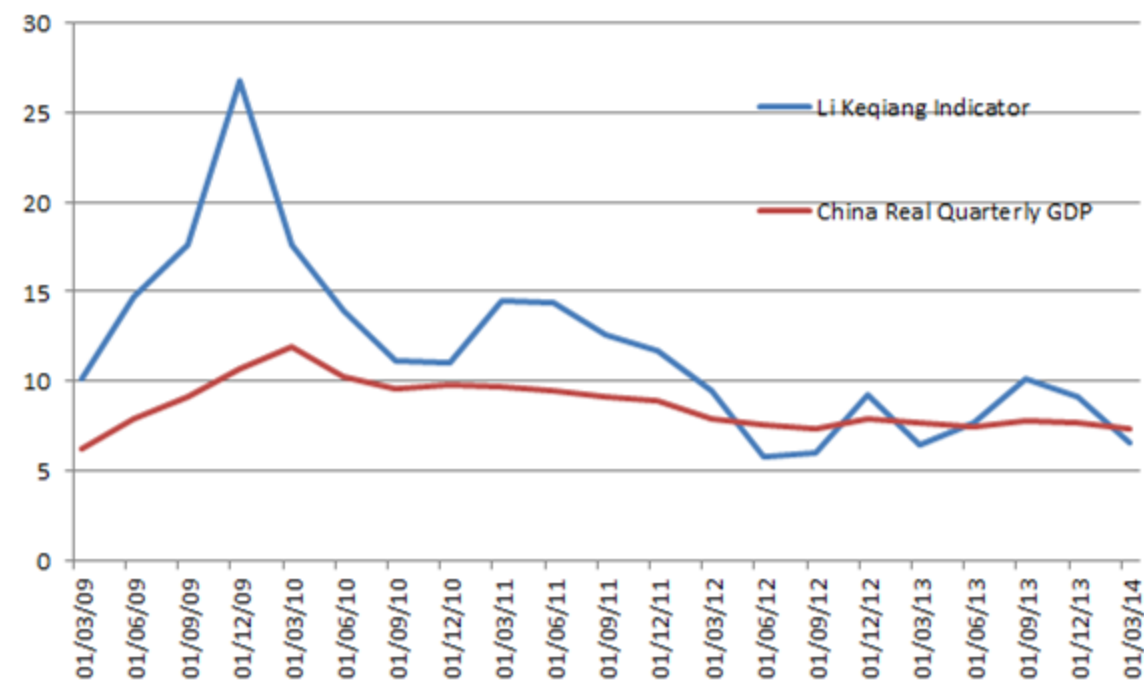
Economics: Economic results recently have still been trending down to historical lows or showing flat. The HSBC PMI and PMI has been showing more signs of a positive recovery. Forecasts remain optimistic. GDP and Industrial production still continue to decline although the Trade Balance figures shows positive.

Commodities: Gold and Silver continue their recent pull back from lows. 3 month Copper again showing signs of recovery with more price volatility entering the metal. Brent stays range-bound between \$110 and \$105 coming off highs. Corn price continues decline and Sugar briefly burst out its tighter range possibly with still the possibility of some price breakout action above 18.5 or below 17.

Trading: Gauging the true economic performance of China? The Li Keqiang Index.....

Understanding and relying on the “standard suite” of economic figures coming out of China on a regular basis can be very difficult despite a transparency in their reporting. Gauging the “true” economic situation and performance of the country is therefore more often than not critical to many different parties trading with China. So what can you look at to get a different possibly more accurate perspective? Fortunately China’s current Premier Li Keqiang back in 2007 when he was a regional economist / regional party

The Li Keqiang Index indicator since 2009 versus China real quarterly GDP:



Weakening China growth? Growth has been edging down due to a fall in electricity output and a contraction in rail freight.

Chief came up with an Economic indicator he thought better reflected the performance of the Chinese economy. It uses three indicators as a better guide to the official GDP numbers. :

- the railway cargo / freight volume,
- electricity consumption
- loans disbursed by banks.

The Keqiang index thus combines these three preferred indicators.

The indicator is gaining increasing prominence in the market and is being used by banks such as Credit Suisse, JPMorgan, Haitong Securities as an alternative index for Chinese growth.

Why these three sectors for the index?

Electricity: The amount of power used by households and firms is a good gauge of consumption

Railway freight: Instead of factories saying how much they've produced (they often fake figures) railway cargo volume shows how much has been manufactured and is being moved around the country.

Loans: How much households and firms borrow over the medium and long-term reflects the amount of demand in the economy for investment.

All in all, the Li Keqiang index looks to be a good alternative to the mainstream indicators and possibly one for you to include in your arsenal.

Trade Shows /
Business events for
May:

China-Russia Fair
30 Jun-04 Jul 2014
Harbin, China

Manchuria
04-06 Jul 2014
Manzhouli, China

Smart Investment &
International Property
Expo
04-06 Jul 2014
Beijing, China

Beijing International
Import Food Expo
04-06 Jul 2014
Beijing, China

Luxury China
04-06 Jul 2014
Beijing, China

Aluminum China
09-11 Jul 2014
Shanghai, China

Copper China
09-11 Jul 2014
Shanghai, China

China Electronics Fair
West Show
10-12 Jul 2014
Chengdu, China

The Month Ahead

Economic Releases June:

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

All times GMT:

- Tue Jul 1st 0200am: Manufacturing PMI
- Tue Jul 1st 0245am: HSBC Final Manufacturing PMI
- Thu Jul 3rd 0200am: Non-manufacturing PMI
- Wed Jul 9th 0230am: CPI YoY
- Thu Jul 10th Tentative: Trade Balance
- Wed Jul 16th 0300am: GDP q/y
- Wed Jul 16th 0300am: Industrial Production YoY
- Thu Jul 24th 0245am: HSBC Flash Manufacturing PMI

July 1st PMI numbers expected to be greater than June's 50.8 level and forecast at 51 – showing signs that the Chinese economy is starting to push in the right direction again.

Political visits and events June:

US – China strategic and economic dialogue to be held in Beijing on the 9th to 10 July 2014:

- 6th Meeting of this group.
- Secretary of State John Kerry and Treasury Secretary Jacob J. Lew, as President Obama's Special Representatives, will be joined for the dialogue by their respective Chinese co-chairs, State Councilor Yang Jiechi and Vice Premier Wang Yang, along with members of the U.S. delegation and their Chinese counterparts.
- The Dialogue will focus on addressing the challenges and opportunities that both countries face on a wide range of bilateral, regional and global areas of immediate and long-term economic and strategic interest.

New Japanese envoy will assume office on July 22nd:

- A former Japanese ambassador to Myanmar has been assigned to head the Taipei office of the Japan Interchange Association, the representative office of Japan in Taiwan in the absence of official diplomatic ties, according to Japanese diplomatic sources.

This section looks forward to the next month in China..... July

Business June:

- July is one of the quieter months for trade shows / events (66 in total), please refer to the wings of this page for a list of some of the more interesting events.
- **Tesla to deliver Model S in two more Chinese cities from July.** The electric vehicle-maker, will deliver preordered cars to customers in the Chinese cities of Hangzhou and Shenzhen in the next two months. It is also setting up service centers in the two cities. China is set to become the largest market for electric vehicles by 2019 BMW's AG's China head Karsten Engel said last month, as the government seeks to have 500,000 alternative-energy vehicles by 2015.
- **New bullet trains will open July 1st.** Chinese railway will apply a new train diagram with 60 more routes being put into service and 53 are bullet trains,:



- **Two China-Europe Free Trade Agreements to come into force on July 1st.** Agreements are between Iceland and China and Switzerland and China.

Public Holidays July:

Mainland China: No holidays

Hong Kong: Friday July 11th: HK SAR Establishment day

Trade Shows /
Business events for
May:

International Solar
Energy
19-21 Jul 2014
Qingdao, China

Control China
22-24 Jul 2014
Shanghai, China

Xinjian International
Coal Industry
Exhibition
22-24 Jul 2014
Urumqi, China

Pulp & Paper China
30 Jul-01 Aug 2014
Guangzhou, China

Shenzhen
International Rail
Transit Expo
30 Jul-01 Aug 2014
Shenzhen, China