



## Monthly Global Research Newsletter

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## MARKET OUTLOOK FOR EUROPE, RUSSIA AND INDIA

By **Stephen White and Richard Mayhew,**  
**ADM Investor Services International Limited**

*The following is an overview of the European and Russian economic, political and crop situations as of **August 18, 2011**. This report is intended to be informative and does not guarantee price direction.*

During the last 30 days, a combination of bond market interventions and political meetings has taken place in Europe in an attempt to stabilize Eurozone financial markets. What some think is increasingly clear, however, is that a country, such as Italy, has such a large economy and associated debt that it may be too big to fail, but also too big to save, without a massive change to the entire Eurozone project.

### EUROPE

- The European Central Bank has intervened to buy Spanish and Italian debt, which had a monetary stabilization impact on the credit markets. German and French leaders held a summit to discuss the idea of creating a combined economic government with common taxation, legally mandated deficit limits and the introduction of a financial transaction tax. The proposed EUR440 billion European Financial Stability Fund is to remain unchanged, and currently there are no plans to introduce a common Eurobond. All of these events have taken place against the backdrop of little or no economic expansion throughout Europe.
- Inflation, at 4.4% in July as measured by the CPI, continues to impact the UK economy. It is expected to peak near 5% later this year, according to the Bank of England. Furthermore, market data is pointing to increased unemployment. Recent government figures have shown a decline of 2.2% in real income, which remains the prime reason for continued subdued consumer spending. The main political theme



remains the government's austerity policy, which has been negatively impacting growth.

- Heavy July and August harvest rains have focused attention on the quality of the German wheat crop, with the trade widely expecting the amount of milling quality wheat to be reduced as a result. The German Raiffeisen Union this month lowered its estimate of the German wheat crop by 7.5% from last year to 22 million metric tons (mmt).

## RUSSIA

- Against a backdrop of relatively firm oil, gas and metal prices, domestic Russian demand remains good. Real disposable income rose by 0.7% in the year to June, and real wage growth has risen to 4.2%, the highest figure so far this year. Unemployment continues to fall and was 6.1% in June. Inflation, however, remains above the 7% target and is now above 9%.
- Prime Minister Putin has yet to announce his intention to run for President next year, and political uncertainty continues to underpin the current trend of capital flight out of the country. Parliamentary elections are due to take place later this year.
- The Russian government lifted its grain export ban on July 1. Total July grain exports were nearly 2.6 mmt, an all-time monthly record, of which wheat exports accounted for 2.4 mmt. In contrast, despite the fact that Ukrainian wheat exports are forecast to double from last year, wheat exports were under 500,000 in July due to a less favorable business environment.

## INDIA

**By Suresh Nair, Head of Commodities, ADMISI Commodities Private Ltd.**

*The following is an overview of the Indian economic, political and crop situations as of **August 18, 2011**. This report is intended to be informative and does not guarantee price direction.*

- The 2011-12 Indian soybean crop is estimated at 11.55 mmt, based on final soybean sowings estimated at 10.5-11.0 million hectares and an average yield of 1.1 metric tonnes per hectare.
- Total 2011-12 Indian oilseed plantings through August 19 were estimated at 16.88 million hectares, up 2.63% from the same period a year ago.
- Weather conditions for the Indian soybean crop have been good, with most soybean-growing areas receiving normal to slightly excess monsoon rains so far this season. There are currently no reports of adverse weather impacting the soybean crop.