



Monthly Global Research Newsletter

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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 **August 18, 2011**. This report is intended to be informative and does not guarantee price direction.*

The key Chinese and Asian event over the last 30 days has been that China's July inflation accelerated to 6.5% despite thoughts in some circles that it would be peaking. The Chinese yuan has appreciated to its highest level since the currency was revalued. Risk aversion and a drop in commodity prices have pressured the Australian dollar, while the Japanese yen has hit a record high.

CHINA

- Official statistics published on August 9 showed that China's inflation in July rose 6.5% year-on-year, which was the highest gain in three years. Food prices jumped 14.8%, non-food items rose 2.9%, while the service component gained 3.7%. Pork accounted for 1.4% of the 6.5% CPI increase, or 22% of the change. Pork prices are nearly 60% higher than at this time last year.
- China has allowed the Chinese yuan to appreciate more aggressively since early August in an attempt to dampen inflationary pressures and to control the CPI.
- Soybean imports in July were reported at 5.35 million metric tons (mmt), and an estimated 72 cargoes totaling 4.3 mmt are expected to arrive at ports in August. September imports are estimated at 3.8-4.0 mmt, based on cargo loadings. For the 2010-2011 marketing year, China's soybean imports are estimated at approximately 51.9 mmt.



OTHER ASIAN COUNTRIES

- The markets have been volatile due to risk aversion, resulting from the European debt crisis and the downgrade in the US sovereign credit rating. The Australian dollar dropped below parity against the US greenback before recovering to around the 1.04 level. Meanwhile, Australia's jobless rate rose to an 8-month high.
- The Japanese government has intervened in the currency markets to stem the yen's gain. However, this has failed to prevent it from rising to a record high against the dollar. The outlook for the Japanese economy is brighter than for other developed economies due to reconstruction from the earthquake and nuclear disasters, but the strong yen will likely have an adverse effect on exports.