

**EXTRACT****Content:**

- **Hong Kong to give more support to SME**
- **Yarn Expo at Shanghai very specific and focused**
- **Cotton Posts Worst Month Since 1986 on Slower China Demand**
- **China Manufacturing Contracts as Crisis Trims Exports**
- **Asia Commodities Day Ahead: Raw Materials Drop Most in 52 Years**
- **China's Bonds Post Weekly Gain on Rate Cut; Yuan Little Changed**

---

**Hong Kong to give more support to SME**

DATE: 2008/11/05

---

Loan Guarantee Scheme (LGS), enhancement measures to the small and medium enterprises (SME), will be implemented on Thursday, said the government of Hong Kong Special Administrative Region (HKSAR) on Monday.

Ten participating lending institutions (PLIs) on Monday completed the legal procedures with the government and are ready to take on SGS applications for the enhancement measures.

The Trade and Industry Department of Hong Kong will start to accept applications from the PLIs on Nov. 6.

The enhancement measures aim to provide greater support to SMEs in the middle of the global financial turmoil. For SGS, the sub-ceilings for the Business Installations and Equipment Loans (BIE) and Working Capital Loans (WCL) will be removed, while the overall maximum amount of guarantee for each SME is maintained at 6 million HK dollars (775,000 U.S. dollars).

In addition, the maximum guarantee period for WCL will be extended from two years to five years. Each SME will also be allowed to recycle the guarantee once after it has fully paid up the loan backed up by the guarantee, which means each SME will be able to obtain a maximum amount of guarantee of 12 million HK dollars in its lifetime.

Moreover, the indicative ceiling of guarantee exposure for each PLI will be increased from 1.25 billion HK dollars to 1.5 billion HK dollars in order to provide more quota for the PLIs in granting loans. (7.74 HK dollars = one U.S. dollar)

Source: Xinhua

---

**Yarn Expo at Shanghai very specific and focused**

DATE: 2008/11/04

---

Returning for its second year as an independent show 21 - 23 October 2008, Yarn Expo Autumn attracted nearly 3,000 visitors from 43 countries.

"This show is better than any others we've found because only trade buyers come here," said Mr Serdar Sagiroglu, a board member with Haksa Yarn, from Turkey. „At other exhibitions it may be

Source: China Textile Network Company

busier but not always with actual customers. Here nearly everyone we met was a real potential customer and we met people from all over the world: Italy, Morocco, USA, Canada.“

The show, at the Shanghai International Convention Centre, featured 55 exhibitors in 3,000 sqm of trade space and a mix of products: 46% natural and blended yarns; 39% man-made and blended yarns; and 26% natural fibres. Products are used in home textiles, weaving and knitting.

“The show is very specific and focused. The exhibitors and even visitors are real industry people,” said visitor Mr Mark Bruce, Product Development Manager with Dale of Norway. „I like the idea of a tailor-made show for yarn products instead of a giant show with a small area for yarn products.“

Mr Nick Chiu, Sales Manager for Formosa Nylon, Taiwan, said the show was important to find new customers and to connect with existing ones. „It’s a small show specifically for the industry,” he said. „It’s worth it for us if we find even one good customer.“

He also had time to chat with existing customer Mr Tomasz Marczak, Commercial Director for Tecnoyarn Polska from Poland. „This fair is important,” Mr Marczak said. „You can look for products on the Internet but it’s not the same. At this show you can touch the products and see the company and its staff, their attitudes and professionalism.“

Another trade buyer, Mr Anmol Adhlakha, with P.A. Yarns, India, heard about the show from his colleagues. „The size of this show is good because it’s easy to find what I need quickly and the quality is very good.“

Yarn Expo was separated into an independent show in 2007, breaking away from the apparel textile show Intertextile Shanghai Apparel Fabrics. The two shows ran at the same time and were linked by a free shuttle bus. The next Yarn Expo will be held 30 March - 1 April 2009 in Beijing, concurrent with Intertextile Beijing Apparel Fabrics.

Yarn Expo is organised by Messe Frankfurt (HK) Ltd, the Sub-Council of Textile Industry „CCPIT, China Cotton Textile Association, China Wool Textile Association, China Chemical Fibre Association, China Bast & Leaf Fibres Textiles Association, and China Textile Information Centre. For further information please email [textile@hongkong.messefrankfurt.com](mailto:textile@hongkong.messefrankfurt.com) or visit: [www.yarn-expo.com](http://www.yarn-expo.com).

*Source: Messe Frankfurt*

## **Cotton Posts Worst Month Since 1986 on Slower China Demand**

DATE: 2008/11/03

---

Cotton prices fell, posting their steepest monthly decline in at least 22 years, on concern that China, the world's biggest user, will curb purchases from the U.S. as global demand for textile products slumps.

Overseas buyers canceled orders for 41,300 bales of cotton in the week ended Oct. 23, or almost three-fourths of total sales, according to Peter Egli, the director of risk management in Phoenix for U.K.-based Plexus Cotton Ltd. Most of the cancellations came from China, the largest buyer of U.S. cotton, he said.

China, the world's biggest garment and shoe supplier, will “likely see a sharp drop in mill consumption,” Egli wrote today in a report. Coupled with a crop at least as big as last year's, Chinese imports are going to “slow down considerably from here on,” he said.

Cotton futures for December delivery fell 0.8 cent, or 1.8 percent, to 44.29 cents a pound on ICE Futures U.S. in New York. The price earlier reached 43.64 cents, the lowest for a most-active contract

since February 2005. The fiber has lost 4.2 percent this week and 23 percent this month, the biggest monthly drop since at least April 1986, when Bloomberg began reporting on the commodity.

#### Lower China Imports

China's fiber imports will decline next year as a slowing global economy continues to hurt demand for clothes and bedding, Ma Zhanping, deputy director of trade and economics with the country's National Development and Reform Commission, said earlier this month.

Chinese cotton output, a record 8 million metric tons in 2007, will be "basically the same" this year, as higher yields offset a decline in planted area, according to Ma.

U.S. cotton export sales tumbled 82 percent to 57,967 bales last week, even though prices are below the approximately 70-cent per-pound cost of production. On Oct. 10, the U.S. Department of Agriculture lowered its export forecast for the year through July 2009 to 13 million bales from 14.5 million projected in September. A bale of cotton weighs 480 pounds (218 kilograms).

"In the end it all depends on how bad this economic downturn will get and to what level cotton consumption at the end-user level will sink," Egli said.

The recent strength in the dollar "isn't helping cotton," either, according to Rogers Varner, president of Varner Brothers in Cleveland, Mississippi.

This month, the dollar posted its biggest increase in 16 years against a basket of six major currencies, making U.S. fiber more costly for overseas mills already facing a credit crunch.

"Whatever else one thinks about cotton, he had better be clued in to where the dollar is going, because all else is secondary," Varner wrote today in e-mailed comments.

Cotton has fallen 35 percent this year.

*Source: bloomberg*

## **China Manufacturing Contracts as Crisis Trims Exports**

DATE: 2008/11/03

---

China's manufacturing contracted as the worst financial crisis since the Great Depression eroded export demand.

The Purchasing Managers' Index fell to a seasonally adjusted 44.6 last month from 51.2 in September, the China Federation of Logistics and Purchasing said today in an e-mailed statement. That was the lowest since the gauge was launched in July 2005. A reading below 50 reflects a contraction, above 50 an expansion.

China's cabinet has pledged extra infrastructure spending to stimulate the world's fourth-biggest economy amid the global slowdown. The government has already lowered rates three times in the past two months, increased export rebates and cut property transaction taxes.

"The government needs effective stimulus measures to spur growth," said Wang Qian, a Hong Kong-based economist at JPMorgan Chase & Co. "The external economic outlook is worsening rapidly."

Manufacturing contracted in July for the first time since the survey began in 2005. It also shrank in August. The October index was a record low.

China's economy grew at the slowest pace in five years in the three months through September as export orders shrank and industrial production waned. The expansion cooled for a fifth straight quarter, to a 9 percent gain from a year earlier.

### **Global Slowdown**

Chinalco Luoyang Copper Co., a Chinese processor of the metal, said orders fell 20 percent in the third quarter as domestic and international demand weakened.

The global slowdown is curbing demand for the nation's goods. The International Monetary Fund estimates that advanced economies will expand 0.5 percent next year, the slowest pace since 1982.

Falling property sales and prices in major cities are another drag on China's growth.

The index is based on a survey of more than 700 companies in 20 industries, including energy, metallurgy, textile, automobiles and electronics.

The output index fell to 44.3 in October from 54.6 in September, while the index of new orders dropped to 41.7 percent from 51.3. The index of export orders declined to 41.4 percent from 48.8, the statement said.

The inventory index climbed to 51.4 from 50.5, it said.

*Source: bloomberg*

## **Asia Commodities Day Ahead: Raw Materials Drop Most in 52 Years**

DATE: 2008/11/03

---

Commodities had the biggest monthly drop since at least 1956 on concern that a slump in global economic growth will sap demand for raw materials. Goldcorp Inc. reported third-quarter earnings that trailed analysts' estimates after labor and energy costs surged. Gold, silver and copper fell. Weyerhaeuser Co., the largest North American lumber producer, said third-quarter profit more than doubled. Soybeans, corn and wheat declined.

### **COMMODITIES INVESTMENT**

#### **Commodities Post Biggest Monthly Drop in 52 Years on Economy**

Commodities had the biggest monthly drop since at least 1956 on concern that a slump in global economic growth will sap demand for raw materials. In October, the Reuters/Jefferies CRB Index of 19 raw materials plunged 22 percent. Crude oil tumbled by a third, the most ever, and gold dropped the most in 26 years.

### **FORESTRY PRODUCTS**

#### **Weyerhaeuser Profit More Than Doubles on Asset Sales**

Weyerhaeuser Co., the largest North American lumber producer, said third-quarter profit more than doubled as it sold assets amid a U.S. homebuilding slump.

### **PRECIOUS METALS, GEMS**

#### **Goldcorp Profit Misses Estimates as Labor, Energy Costs Surge**

Goldcorp Inc., the world's second-largest gold producer by market value, reported third-quarter earnings that trailed analysts' estimates after labor and energy costs surged.

#### **Gold Posts Biggest Monthly Drop in 28 Years as Dollar Climbs**

Source: China Textile Network Company

Gold futures fell, posting the biggest monthly decline in 28 years, as the dollar climbed, reducing the appeal of the precious metal as an alternative investment. Gold dropped \$20.30, or 2.7 percent, to \$718.20 an ounce in New York. Silver declined 5.5 cents, or 0.6 percent, to \$9.73 an ounce.

#### Platinum, Palladium Climb After Falling by Half From Records

Platinum rose for the first week in three, and palladium gained on expectations demand for the metals used in car-exhaust parts and for making jewelry may return after the metals have dropped by almost half this year. Platinum gained \$1, or 0.1 percent, to \$831.60 an ounce in New York. Palladium jumped \$2.85, or 1.4 percent, to \$199.55 an ounce.

### **CHEMICALS**

#### LyondellBasell to Idle Ethylene Plant as Demand Wanes

LyondellBasell Industries' Equistar unit will idle an olefin plant in Texas for several months because a weak economy is reducing demand for chemicals used to make plastics.

### INDUSTRIAL METALS, MINING

#### Copper Falls, Capping Record Monthly Slide, as Demand Slumps

Copper prices fell, capping the biggest monthly drop ever, on speculation that a deepening economic slump will reduce global demand for metals. Copper dropped 6.15 cents, or 3.3 percent, to \$1.829 a pound in New York.

### **AGRICULTURAL COMMODITIES**

#### Corn, Soybeans Decline as Slowing World Economy Cuts Grain Use

Corn and soybeans fell, capping their fourth straight monthly declines, on speculation the deepening economic slump is reducing global demand for food, animal feed and fuel made from the crops. Corn dropped 8 cents, or 2 percent, to \$4.015 a bushel in Chicago. Soybeans dropped 10 cents, or 1.1 percent, to \$9.33 a bushel.

#### Wheat Falls as Economic Slump May Curb Demand for U.S. Supplies

Wheat fell for a second day to its worst monthly loss in 22 years as a worsening economic crisis and a rallying dollar eroded global demand for supplies from the U.S., the world's biggest exporter of the grain. Wheat dropped 1.75 cents, or 0.3 percent, to \$5.3625 a bushel in Chicago.

#### Cattle Prices Rise on Signs of Falling Animal Supply; Hogs Drop

Cattle rose for a fifth day, posting the biggest weekly gain since 2004, on speculation that the supply of fattened animals to U.S. slaughterhouses is shrinking. Cattle advanced 1.25 cents, or 1.4 percent, to 92.7 cents a pound in Chicago. Feeder cattle gained 0.8 cent, or 0.8 percent, to 98.05 cents a pound. Hogs fell 1.2 cents, or 2.1 percent, to 54.8 cents a pound.

### **SOFT COMMODITIES**

#### Orange Juice Falls as Stronger Dollar Crimps Commodity Demand

Orange juice fell amid a slump in commodities after the dollar strengthened, making raw materials priced in the U.S. currency more expensive for overseas buyers. Orange juice dropped 3.4 cents, or 4.1 percent, to 80.3 cents a pound in New York.

#### Coffee Price Rises in N.Y. on Bets Recession Won't Cut Demand

Coffee prices rose, gaining 4 percent for the week, on speculation slowing global economic growth may not reduce consumption. Arabica coffee climbed 2 cents, or 1.8 percent, to \$1.13 a pound in New York. In London, robusta coffee fell \$7, or 0.4 percent, to \$1,603 a metric ton.

#### Cotton Posts Worst Month Since 1986 on Slower China Demand

Cotton prices fell, posting their steepest monthly decline in at least 22 years, on concern that China, the world's biggest user, will curb purchases from the U.S. as global demand for textile products slumps. Cotton dropped 0.8 cent, or 1.8 percent, to 44.29 cents a pound in New York.

#### Cocoa Has Biggest Monthly Slide in Five Years as Dollar Climbs

Cocoa fell, capping the biggest monthly decline in five years, as the dollar's rally eroded the appeal of U.S. commodities. Cocoa dropped \$31, or 1.5 percent, to \$2,053 a metric ton in New York.

#### Sugar Rises in N.Y., Gaining 12% This Week, on Short Supplies

Sugar futures rose, jumping 12 percent this week, as lower output in Brazil, the biggest producer, contributes to a global deficit. Raw sugar gained 0.17 cent, or 1.4 percent, to 12.02 cents a pound in New York.

Source: Bloomberg

### **China's Bonds Post Weekly Gain on Rate Cut; Yuan Little Changed**

DATE: 2008/11/03

---

China's government bonds advanced this week after the central bank cut interest rates for the third time in two months to spur economic growth.

Local bonds have risen 0.4 percent this week and 2.5 percent for the month, making their performance the third best in Asia this year, according to a local-currency debt index compiled by HSBC Holdings Plc. That compares with a loss of 2 percent last year, the index showed. The notes also gained after the central bank switched to bi-weekly auctions of one-year bills, skipping this week's sale.

The rally this week was "driven both by the rate cut and the news of reduction in supply of the PBOC bills," said Gao Zhanjun, a fixed-income analyst with Citic Securities Co. in Beijing. "The rising track of the debt market won't change in the short term as there's no big change in the macroeconomic conditions."

The yield on the 4.23 percent government note due August 2015 dropped 24 basis points this week to 2.92 percent on the China Interbank Bond Market, according to data compiled by the nation's biggest clearing house. The price of the security climbed to 107.95 per 100 yuan face amount. A basis point is 0.01 percentage point.

The People's Bank of China lowered one-year lending and deposit rates by 0.27 percentage point on Oct. 29 to prevent the global financial crisis from hurting the local economy.

Central bank bills due in a year yielded 2.95 percent, down 21 basis points for the week, the debt clearing house data showed. They still yielded 4 basis points more than three-year PBOC bills, forming a so-called inverted yield curve.

The yield on one-year PBOC bills may drop to 2 percent by the end of the year on further reductions in interest rates, said He Xin, a bond analyst at Shenzhen-based China Jianyin Investment Securities Co.

### **Yuan Little Changed**

China's yuan was little changed against the dollar on speculation the government will aim to keep the currency trading within a narrow range to support exports and combat an economic slowdown.

The yuan's exchange rate is not the cause of the U.S. trade deficit, Chinese Foreign Ministry spokeswoman Jiang Yu said yesterday, after Barack Obama, the Democratic candidate for the U.S. presidency, urged China to change its currency policy. The Chinese currency fell versus the dollar in the last two months, after gaining every month but one since a dollar peg was scrapped in July 2005.

### **Trading in Range**

"The yuan will remain stable as policy makers are focusing on shoring up the economy and aiding exporters," said Wen Li, a Beijing-based dealer at Bank of China Ltd., the country's biggest foreign-exchange trader. "The currency will stay mostly in the range between 6.82 and 6.85 through the rest of this year."

The yuan closed at 6.8395 per dollar as of 5:30 p.m. in Shanghai, from 6.8380 yesterday and 6.8485 at the end of last month, according to the China Foreign Exchange Trade System. It has gained 0.2 percent since the end of June, after strengthening 6.6 percent in the first half.

"I hope the U.S. can expand its exports to China and reduce barriers to trade and investment," Jiang told reporters yesterday at a weekly briefing in Beijing. "We believe this will help the U.S. reduce its trade deficit."

Obama called on China to rely less on exports, linking its trade surplus with "manipulation" of the yuan's value, according to a letter dated Oct. 24 released by a U.S. textile industry group.

China, the world's second-biggest goods exporter, saw its trade surplus drop 3 percent to \$180 billion in the first nine months as shipments to the U.S. and Europe cooled. The nation's economy grew 9 percent in the third quarter, the slowest pace in five years.

*Source: bloomberg*