

This publication
will resume
August 30th

Global Weekly Flash

Madrid, 2 August 2013
Economic Analysis

Financial Scenarios

Cristina Varela Donoso
cvarela@bbva.com
+34 91 537 7825

María Martínez Álvarez
maria.martinez.alvarez@bbva.com
+34 91 537 66 83

Alejandro Neut
robertoalejandro.neut@bbva.com

Jaime Costero
jaime.costero@bbva.com
+34 91 537 76 80

US

Shushanik Papanyan
shushanik.papanyan@bbva.com
+ 00 1 832 291 7463

Indicators collaboration:

Europe
Agustín García Serrador
agustin.garcia@grupobbva.com
+34 91 374 79 38

US
Alejandro Vargas
alejandro.vargas@bbvacompass.com
+1 713 831 7348

Asia
Fielding Chen
fielding.chen@bbva.com.hk
+852 2582 3297

Markets rise on encouraging economic data and central banks' supportive actions

• Central banks stress dovish stance, as expected

- In the US, QE3 timeline remains unchanged: tapering will probably be announced in 3Q13. The FOMC did not announce any changes in the pace or composition of asset purchases. The forward guidance of LSAP has also remained unchanged. Many language changes of the statement did not matter much, as dovish remarks were counterbalanced by the optimistic economic outlook. Looking forward to the minutes, we expect to learn more on the stance of the Committee members regarding the timing of the scaling down of QE3. Presently, we maintain our baseline scenario of the Fed announcing tapering later in September. In addition, our expectation for the pace of scaling down remains unchanged.

• In the eurozone, the ECB leaves the key policy rate and non-standard liquidity initiatives unchanged

- According to the ECB statement, activity seems to have stabilized. Moreover, Mr. Draghi insisted that risks are on the downside. As for last month's forward-guidance strategy, the statement repeats that the Council "expects the key ECB interest rates to remain at present or lower levels for an extended period of time." Moreover, the communique adds that the views on future policy continue to be based on "an unchanged overall subdued outlook for inflation extending into the medium term, given the broad-based weakness in the economy and subdued monetary dynamics." The BoE also left the monetary policy and non-standard measures unchanged. All eyes are on BoE's inflation report (to be published on Wednesday 7th), which may provide some clues on BoE's potential adoption of thresholds and forward guidance.

• Encouraging economic data in the eurozone, the periphery included

- In the eurozone, economic confidence continues to improve. Both the Economic Sentiment Index (ESI) and Business Climate Indicator (BCI) increased again in July. The former signals advances across all sectors (but construction) and geographies (including Italy and Spain). The latter shows a rise in its leading indicators, suggesting further advances in its production components. Additionally, the final outturn for July's broad PMI was revised upwards (with increases across all components). The unemployment rate remained unchanged in July (though it improved slightly in Spain and Italy). And in the case of Germany, despite a stable unemployment rate of 6.8%, the labor market continued to improve that month, lending support to the GfK consumer sentiment index, which has increased to 7 (above its historical average). However risks remain, as proven by June's sharp and unexpected drop in retail sales. Lastly, the eurozone's inflation rate remained stable in July (1.6%, BBVA: 1.6, consensus 1.7%).
- Spain's GDP contracted in 2Q13 (-0.1% QoQ, -1.7% YoY). Although still negative, the outturn signals improvement and confirms that the Spanish economy is reaching a turning point (as anticipated in our Spain Economic Outlook of July). The positive contribution of net exports offset once again the negative contribution of internal demand.

- **A batch of US economic indicators surprise to the upside**
 - GDP grew more than expected in 2Q13: personal consumption and net exports declined on partially weaker consumer activity, while government contribution strengthened on state & local consumption. the sequestration continues to have a negative impact on GDP, but the effect is weaker than in 4Q12 and 1Q13 (totalling only 0.4% of GDP). In 2Q13, government spending dropped mainly because of lower federal consumption, as state and local consumption actually rose 0.3% (first positive clip since 2Q12). These figures do not change our baseline forecasts: slow growth in 1H13, getting stronger in 2H13 and attaining a 1.8% annual growth in 2013. Recent reports have confirmed that labor markets have continued to improve. Despite the surge in July's private payrolls and better-than-expected jobless claims, July's non-farm payroll report has failed to achieve investors' expectations (including downward revisions for May and June). However the unemployment rate fell to 7.4% from 7.6% during that month. Last but not least, ISM manufacturing in July has surpassed expectations: production and new orders increased strongly, signaling further improvement in the months to come.
- **In China, July's better-than-expected PMI eases concerns about economic growth**
 - China's official NBS PMI increased in July, maintaining a +50 reading for a 10th consecutive month. The increase was broad-based, reflecting improvements in both domestic and external demand. However, the private HSBC (Markit) PMI fell in line with its previous flash estimate (47.7, previous: 48.2), recording a sub-50 reading for a third month in a row. The positive outturns in the official PMI signal a mild slowdown (2Q13 GDP grew 7.5% YoY), which, together with recently announced policy initiatives, adds confidence to the official 7.5% target for 2013. Nonetheless, uncertainty lingers with regard to 2014.
 - In financial markets, the People's Bank of China (PBoC) has injected liquidity in the interbank markets to ease concerns about capital outflows and the lingering effects of June's liquidity squeeze. However, new uncertainties emerged on Monday, as authorities announced a new audit of local government debts (to be published in October-November). Two years ago, the last audit reported a total local government debt of RMB 10.7 trillion (27% of GDP). Based on figures from the PBoC and the China Banking Regulatory Commission (CBRC), we expect that local government debt has since then increased to RMB 16.5 trillion (as of end-2012).
 - In Mexico, manufacturing activity still signals contraction, after improving less than expected in July (48.5, below the +50 threshold). Services grew less than expected but remained above the 50 threshold. In Brazil, industrial production increased more than expected in June. That same month, labor markets continued to support private consumption in Chile but to a lesser extent in Colombia. The minutes of the latest monetary policy meeting in Chile revealed discussions about an upcoming monetary easing cycle, which we expect to start in September.
- **Financial markets have reacted very positively, especially risky assets, to this week's economic data and monetary policy decisions**
 - Equity indexes have increased across the board, with the S&P500 reaching a record high (led by cyclical sectors). Yet, this trend slightly faded at the end week, after lower-than-expected payroll figures. The 2Y US Treasury yield has remained steady, anchored by expectations of a late start in the Fed's exit strategy, while the 10Y yield has risen by more than 11bps, increasing the slope between the 10 and 2 year yields to a two-year record high (240 bps). Outflows from the 10Y German bond have not been as strong, leading to a new high between the US and German yields (105 bps). Peripheral

sovereign debts have slightly improved, suggesting a mute impact from both Italy's confirmation of Berlusconi's conviction and from IMF's suggestion that Greece may be needing additional aid. The US dollar has accumulated some gains against other major currencies, especially against the Australian dollar (which has fallen more than 4% against the USD). Currencies in emerging markets have also fallen against the USD: the Brazilian real by more than 2% and the Mexican peso by 1.4%.

Weekly Indicators

Week July, 29 - August, 2

CC	Indicator	Period	Cons. E	Prior		Obs. *
United States	Consumer Confidence	Jul	81	81.4	↓	80.3
	ADP Employment ('000)	Jul	180	188	↑	200
	GDP	2Q13	1.00%	1.80%	↑	1.70%
	Initial Jobless Claims ('000)	27-Jul	345	343	↑	326
	Continued Claims ('000)	20-Jul	3000	2997	↑	2951
	Construction Spending	Jun	0.4%	0.5%	↓	0.26%
	ISM Manufacturing	Jul	52	50.9	↑	55.4
	Nonfarm Payrolls ('000)	Jul	185	195	↑	162
	Unemployment rate	Jul	7.5%	7.6%	↓	7.40%
Euro zone	Euro-Zone Consumer Confidence	Jul F	-17.4	-18.8	→	-17.4
	PMI Manufacturing	Jul F	50.1	48.8	↑	50.3
	Unemployment Rate	Jun	12.1%	12.1%	→	12.1%
Germany	Consumer Price Index (MoM)	Jul P	0.30%	0.10%	↑	0.50%
	CPI - EU Harmonised (MoM)	Jul P	0.30%	0.10%	↑	0.40%
	Unemployment Rate	Jul	6.80%	6.80%	→	6.80%
	Retail Sales (MoM)	Jun	0.40%	0.70%	↓	-1.50%
	PMI Manufacturing	Jul F	50.3	48.6	↑	50.7
Italy	Business Confidence	Jul	91	90.5	↑	91.7
	CPI - EU Harmonized (MoM)	Jul P	-1.60%	0.30%	↓	-1.80%
	PMI Manufacturing	Jul	49.6	49.1	↑	50.4
	Unemployment Rate	Jun P	12.10%	12.20%	→	12.10%
Spain	GDP QoQ	2Q P	-0.10%	-0.50%		-0.10%
France	Consumer Spending (MoM)	Jun	0.00%	0.70%	↓	-0.80%
	PMI Manufacturing	Jul F	48.8	49.8	↑	49.7
UK	PMI Manufacturing	Jul	52.8	52.5	↑	54.6
Japan	Jobless Rate	Jun	4.0%	4.1%	↑	3.9%
	Industrial Production MoM	Jun	-1.5%	1.9%	↓	-3.3%
China	Manufacturing PMI	Jul	49.8	50.1	↑	50.3
	HSBC/Markit Manufacturing PMI	Jul	47.7	48.2	→	47.7
	Urban Unemployment Rate	Jun	10.90%	10.40%	↓	11.20%
Chile	Unemployment Rate	Jun	6.50%	6.40%	↑	6.20%
Mexico	Budget Balance YTD (Billion)	Jun	--	56	--	-75.6
	IMEF Manufacturing index	Jul	48.7	47.5	↓	48.5
	Remittances Total	Jun	--	2033,9M		1945,3M
Brazil	FGV Inflation IGPM YoY	Jul	--	6.31%		5.18%
	Industrial Production MoM	Jun	0.8%	-2.0%	↑	1.90%
	PMI Manufacturing	Jul	--	50.4		48.5
	Trade Balance Monthly (USD Million)	Jul	600	2394	↓	-1897

* e. Forecast/ * Magenta- Below consensus forecast. Green-Above consensus forecast. Yellow- In line consensus forecast.
 Source: Bloomberg and BBVA Research

Calendar: Indicators

Eurozone: Retail sales (June, August 5th)

Forecast: -0.6% m/m	Consensus: -0.5% m/m	Previous: 1.0% m/m
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We expect retail sales to have declined in June, after the sharp increase observed in the previous month and data released in some countries, especially in Germany. All in all, these figures mean that retail sales in 2Q13 as whole should have remained flat, after increasing by 0.3% q/q in QT13 and far away from the sharp drop registered by the end of 2012. Therefore, this is consistent with our macroeconomic scenario that envisages a virtually flat private consumption in the second quarter and a slight growth over the rest of the year, supported by recent gains in consumers' confidence combined with the slowdown in inflation.

Germany: Industrial production (June, August 7th)

Forecast: 0.7% m/m	Consensus: 0.4% m/m	Previous: -1.0% m/m
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We expect industrial production to have increased in June, offsetting the fall observed in the previous month and thus averaging a significant quarterly growth of around 2.5% q/q over 1Q13, when output remained flat after slumping by the end of 2012. This is also in line with confidence surveys that showed a revival in new orders, especially domestic ones, but also those from abroad, suggesting that the recovery of the manufacturing sector should consolidate in coming months. These figures combined with the expected rebound in construction output, after fading the adverse impact of hard winter, should have pulled investment. Overall, we continue to expect a significant quarterly GDP growth in 2Q13, around 0.5% q/q.

US: ISM Non-Manufacturing Index (July, Monday 10:00 ET)

Forecast: 52.8	Consensus: 53.0	Previous: 52.2
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We expect the non-manufacturing ISM index to continue to expand and at a slightly better clip in July. According to the index, June was a difficult month for business activity in the services sector, which still expanded but at a slower pace than in prior months as the index declined to its lowest mark since November 2009. However, June's weak growth may have something to do with the timing of factory and product retooling that occurs in the summer time throughout many sectors, including a key driver in sales and transportation. Some consumer based surveys that should help predict the non-manufacturing situation in July show growth in the sector while another is less optimistic. The Philadelphia Fed Survey's business index fell slightly in July, remaining below 50 to indicate that business activity was slower. Still, we do expect July to be a stronger month as consumers shift into mid-year spending patterns and other services such as construction and mining continue to improve.

US: International Trade (June, Tuesday 8:30 ET)

Forecast: -\$43.2bn	Consensus: -\$43.8bn	Previous: -\$45.0bn
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Weaker headwinds from abroad and strengthening export growth in motor vehicles and durable goods should translate into a shrinking trade deficit for June. China's economic slowdown over 1H13 in manufacturing has trickled into U.S. trade figures through weaker exports, while the continued depressed economic state in Europe does little to bolster short term export growth. Couple that with the growing rise in imports for a multitude of different industries and we can see why the deficit grew dramatically from April to May. However, 2Q13 estimates from the initial GDP report show that the recent declines in exports may be reversed in June as the BEA's numbers show exports rising 5.4%. Still, the other side of that coin is significant import growth which coincides with the widening of the trade deficit exhibited in April and May. It is possible that import growth may decelerate in June since a majority of the rise in imports according to the GDP report was already calculated with April and May's trade data. Exports will likely be a more important component in June's report and bring the trade deficit down slightly without augmented import growth to hamper expansion.

China: IP (July, August 9th)

Forecast: 9.0% y/y	Consensus: 8.9% y/y	Previous: 8.9% y/y
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We expect China's growth deceleration to moderate, as suggested by the better-than-expected official NBS PMI for July (50.3 vs consensus: 49.8; prior 50.1). Domestic demand is gaining support from a series of new, albeit small, stimulus measures, while external demand should benefit from a gradually improving global economy. Hence, we expect industrial production to improve slightly in July. Nonetheless, in view constraints to growth from rising financial risks, manufacturing activity will remain soft and improve only slowly during the course of H2 (note that the HSBC PMI for July was considerably lower, at 47.7). In the coming week, we will also watch closely for additional July activity indicators, including trade (due out Aug 8th), inflation, investment, and retail sales (due out Aug 9th).

Markets Data

			Close	Weekly change	Monthly change	Annual change
Interest rates (changes in bps)	US	3-month Libor rate	0.27	0	-1	-17
		2-yr yield	0.30	-1	-6	6
		10-yr yield	2.63	7	13	107
	EMU	3-month Euribor rate	0.23	0	1	-15
		2-yr yield	0.15	0	-2	17
		10-yr yield	1.65	-1	-1	23
Exchange rates (changes in %)	Europe	Dollar-Euro	1.327	-0.1	2.0	7.1
		Pound-Euro	0.87	0.7	2.0	9.7
		Swiss Franc-Euro	1.23	0.0	0.1	2.6
	America	Argentina (peso-dollar)	5.52	0.7	2.2	20.2
		Brazil (real-dollar)	2.28	1.3	0.7	12.6
		Colombia (peso-dollar)	1891	0.3	-1.2	5.8
		Chile (peso-dollar)	514	1.3	2.2	6.8
		Mexico (peso-dollar)	12.68	0.1	-2.1	-3.5
		Peru (Nuevo sol-dollar)	2.79	0.1	0.1	6.3
	Asia	Japan (Yen-Dollar)	99.02	0.8	-0.9	26.2
		Korea (KRW-Dollar)	1123.79	1.1	-1.7	-1.0
		Australia (AUD-Dollar)	0.891	-3.8	-2.0	-15.7
Comm. (chg %)	Brent oil (\$/b)	108.9	1.6	3.0	0.0	
	Gold (\$/ounce)	1312.2	-1.6	4.7	-18.2	
	Base metals	520.7	0.0	-0.3	4.7	
Stock markets (changes in %)	Euro	Ibex 35	8574	2.6	10.4	26.9
		EuroStoxx 50	2811	2.5	9.3	18.5
	America	USA (S&P 500)	1704	0.7	5.5	22.5
		Argentina (Merval)	3453	0.9	14.2	44.1
		Brazil (Bovespa)	49014	-0.8	8.8	-14.4
		Colombia (IGBC)	13748	2.4	8.5	1.9
		Chile (IGPA)	18848	-0.4	-1.3	-7.1
		Mexico (CPI)	42214	2.8	3.4	3.0
		Peru (General Lima)	15362	0.3	-0.6	-22.1
	Venezuela (IBC)	1267972	-0.4	3.5	413.2	
Asia	Nikkei225	14466	2.4	2.9	69.1	
	HSI	22191	1.0	10.1	12.8	
Credit (changes in bps)	Ind.	Itraxx Main	97	-6	-20	-53
		Itraxx Xover	398	-14	-68	-195
	Sovereign risk	CDS Germany	27	-1	-6	-41
		CDS Portugal	434	-11	-53	-412
		CDS Spain	242	-13	-51	-294
		CDS USA	23	0	-5	---
		CDS Emerging	307	6	-25	60
		CDS Argentina	2565	68	-448	1453
		CDS Brazil	187	4	-15	57
		CDS Colombia	130	2	-18	12
		CDS Chile	92	0	-15	-10
		CDS Mexico	126	2	-14	13
CDS Peru	137	-1	-16	14		

Source: Bloomberg and Datastream

Weekly Publications

Country	Date	Description
Global	07/31/2013	➤ Global Economic Watch. Bitcoin: A Chapter in Digital Currency Adoption Decentralization and peer-to-peer model underlie Bitcoin's popularity. Anonymity and lack of transparency will limit its success
	07/31/2013	➤ Observatorio Económico Global. Bitcoin: un capítulo en la adopción de la moneda digital La descentralización y el modelo de intercambio entre individuos son la causa de la popularidad de Bitcoin. Sin embargo, el anonimato y la falta de transparencia limitarán su éxito
	07/26/2013	➤ Financial Scenarios Economic Watch: QandA about QEs
EMU	08/01/2013	➤ ECB Watch: ECB maintains dovish stance As expected, at today's monetary policy meeting the ECB left the key policy rate unchanged at 0.5% and took no additional steps on non-standard liquidity measures
	08/01/2013	➤ Observatorio BCE: El BCE mantiene una postura moderada Según lo previsto, en la reunión de política monetaria el BCE ha mantenido el tipo de interés de referencia sin cambios en el 0,5% y no ha adoptado nuevas medidas de liquidez no convencionales
	07/31/2013	➤ Europe Flash: Eurozone inflation remained stable, as expected Inflation is projected to slow again in next months to hover around 1.3% y/y by year-end
Spain	08/02/2013	➤ Flash España: "Registros laborales en julio: el desempleo cayó pero la afiliación no consolidó su recuperación" El empleo interrumpió su ritmo de mejora en julio. Si bien el paro registrado se redujo ¿principalmente, por causas estacionales? la afiliación a la Seguridad Social decepcionó
	08/01/2013	➤ Flash España: Matriculaciones de turismos de julio: la menor demanda de alquiladoras fue compensada por el crecimiento de empresas y particulares, que seguirán beneficiándose del PIVE-3 Cuando se corrigen los datos brutos de la estacionalidad propia del mes, las estimaciones de BBVA Research indican que el número de turismos matriculados se estabilizó en julio
	07/31/2013	➤ Flash España: Balanza de pagos de mayo 2013 El saldo de la balanza por cuenta corriente acumulado a doce meses registra en mayo su segundo superávit consecutivo en 16 años
	07/31/2013	➤ Flash España: Ejecución presupuestaria del Estado a junio de 2013 El déficit del Estado en el primer semestre de 2013 se ha situado en el 3,8% del PIB, un 8,4% por debajo del observado en el mismo período de 2012, mejorando la caída del mes anterior
	07/31/2013	➤ Flash España: Ventas reales del comercio al por menor de junio: reducción prevista que cierra un trimestre positivo El 2T13 resultó favorable, lo que apunta a una menor caída del consumo de Contabilidad Nacional
	07/30/2013	➤ Flash: Avance de Contabilidad Nacional del 2T13 La economía española habría rozado el punto de inflexión durante el segundo trimestre del año
	07/30/2013	➤ Flash: Avance del IPC de julio La inflación se desaceleró en julio debido al efecto base derivado de los incrementos del precio de los productos energéticos y del copago farmacéutico registrados un año atrás
	07/30/2013	➤ Flash España: Confianza industrial y del consumidor en julio La confianza industrial se mantuvo estable, mientras que la de los consumidores consolidó la tendencia al alza
	07/30/2013	➤ Flash España: Visados de construcción de vivienda de obra nueva mayo 2013: se modera la contracción En mayo se aprobaron 2.642 visados para la construcción de vivienda de obra nueva, el 1,2% menos que en el mes de abril tras corregir la serie de variaciones estacionales y efectos de calendario
	07/29/2013	➤ Evolución del mercado laboral en España La evolución del mercado de trabajo durante la crisis

US

- 08/01/2013 ➤ **U.S. Flash. ISM Manufacturing Surges on Production and New Orders Gains**
The ISM Manufacturing Index jumped to 55.4 from a moderate 50.9 in June. New orders and production both rose to their highest levels since mid-2011
- 07/31/2013 ➤ **Fed Watch. Comunicado del FOMC: 30 de julio ¿ 31 de julio**
El mensaje del FOMC acerca de la QE3 no cambia, con el objeto de aliviar las presiones para su disminución
- 07/31/2013 ➤ **Fed Watch. FOMC Statement: July 30th ¿ July 31st**
FOMC Message on QE3 Left Untouched to Relieve Tapering Pressure
- 07/31/2013 ➤ **U.S. GDP Flash. Private Investment Fuels Surprising Real GDP Growth**
Real GDP growth for 2Q13 was higher than expected, up 1.7% on a QoQ SAAR basis
- 07/29/2013 ➤ **Flash Semanal EEUU. Las ventas de vivienda usada resultan más débiles, mientras que las ventas de vivienda nueva se fortalecen en junio**
Junio presentó un conjunto de resultados heterogéneos con respecto a las ventas del mercado de la vivienda, pero los fundamentos para un crecimiento continuado del sector se mantienen sólidos
- 07/29/2013 ➤ **U.S. Weekly Flash. Existing Home Sales Emerge Weaker While New Sales Strengthen in June**
June presented a mixed bag of results for the housing market in terms of sales but the fundamentals remain strong for continued growth in the sector

Latam

- 08/02/2013 ➤ **Latam Daily Flash: Inflation breached (temporarily) the target ceiling in Peru**
- 08/01/2013 ➤ **Latam Daily Flash: June unemployment surprised to the downside in Chile and to the upside in Colombia**
- 07/31/2013 ➤ **Latam Daily Flash: Central bank paves the way for a cut in interest rates in Chile**
Today markets will focus on labor market data for both Chile and Colombia.
- 07/30/2013 ➤ **Latam Daily Flash: Awaiting the monetary minutes and activity data in Chile**
After a quiet day yesterday, the week continues today with the minutes of the last monetary meeting and activity data in Chile
- 07/29/2013 ➤ **Latam Daily Flash: No change in the monetary policy in Colombia; Banxico's minutes suggest a lower probability of a rate cut in September**

Chile

- 07/30/2013 ➤ **Imacec de junio crecería 3,3% a/a e IPC de julio se ubicaría en 0,2% m/m.**
Industria manufacturera se contrae 2,7% a/a mientras que ventas del comercio y sector minero crecen 7,7% y 5,9% a/a respectivamente. Por su parte, IPC de julio se ubicaría en 0,2% m/m

Colombia

- 07/26/2013 ➤ **Flash Colombia. BanRep mantiene tasa de intervención en 3,25% y reduce previsión de crecimiento de 2013 de 4.3% a 4.0% a/a.**
El tono reservado y la revisión a la baja del pronóstico de crecimiento le resta probabilidad a un incremento de intereses en lo que resta del año, en línea con nuestra previsión

Peru

- 08/01/2013 ➤ **Flash Perú. Inflación se ubicó por encima del rango meta**
Los precios al consumidor aumentaron 0,6% m/m en julio, por encima de lo esperado (BBVA: 0,4%; Consenso: 0,3%)

Emerging Economies

- 07/28/2013 ➤ **Emergentes, reajuste en las carteras**
Los precios de los activos emergentes experimentaron una fuerte corrección durante junio, si bien han comenzado a recuperarse

Asia

- 08/01/2013 ➤ **Asia Flash | 01 Aug 2013: Positive surprise to China's PMI; DBS drops bid to acquire Bank Danamon in Indonesia; Korean exports beat expectations; Taiwan Q2 GDP picks up**
Regional sentiment was lifted today by positive surprises from China's official manufacturing PMI and US Q2 GDP outturn
- 08/01/2013 ➤ **China Flash: A positive surprise to July PMI provides some respite from worries of a hard landing**
The official NBS PMI for July rose to 50.3 (BBVA: 50.0; consensus: 49.8) from 50.1 in June, maintaining a +50 reading for a 10th consecutive month

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- 07/30/2013 [➤ Asia Flash | 30 Jul 2013: Japan reports mixed readings; India keeps rates on hold and cut growth projections](#)
Despite mixed readings in Japan, outlook remains favorable; RBI keeps rates on hold, and cuts growth projections
- 07/29/2013 [➤ Asia Flash | 29 Jul 2013: China orders audit of local government debt; China's industrial profits growth moderates; mixed readings on Japan's economy](#)
Market sentiment in Asia remained weak for a second straight day on a combination of weak earnings results and industrial profits in Japan and China, respectively
- 07/26/2013 [China: ineludible desaceleración sin colapso](#)
Como el péndulo de Hirschmann, los analistas de la economía china han pasado de la euforia a una enorme preocupación sobre su futuro inmediato
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Publications on August 2, 2013 to 12:35, Madrid time

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