

# Asia Flash

## Asia

Volatility in Japanese financial markets resumed today, as the Nikkei fell by 3.2% (for a cumulative decline of 10.2% since Thursday), and the Yen appreciated to 100.9 against the USD, for a gain of 2.6% since last Thursday. The volatility spilled over to a few other equity markets, including the Philippines (-2.4%) and Indonesia (-1.4%), while other markets were either flat or on the rise (+1.7% in India). As investors assess the ability of the Abe government and Bank of Japan to implement the growth strategy effectively, markets are awaiting the release of April activity indicators due out this week, including retail sales on Wednesday, followed by industrial production and inflation on Friday.

### China industrial profits rise in April, offering hope for growth momentum

Profit growth of large industrial firms (annual revenues above RMB 20 million) accelerated in April to 9.3% y/y from 5.3% in March. The outturn brings profit growth for the first four months of the year to 11.4% y/y, led by resilient growth momentum in the electricity & thermal power output (92.6% ytd y/y) and electronic equipment manufacturing (44.8% ytd y/y) sectors. However, China's manufacturing sector remains weak, given the moderation of investment in the underlying sector, and more worrisome, the unexpected contraction of the HSBC flash PMI reading for May (49.6). Against this backdrop, markets will be watching for the official PMI to be released on June 1.

### India data preview: Q1 GDP to rise slightly, but still at subpar levels

Q1 GDP, to be released on May 31, will be closely watched after growth fell to a decade-low of 5.1% y/y in 2012. We expect only a slight upturn to 4.7% y/y (consensus: 4.8%) from 4.5% y/y in 4Q12, as a favorable base effect and a modest pick up in manufacturing offsets sluggish services sector growth. While weak final demand and limited fiscal spending will likely weigh on services, we expect higher export growth and industrial output thanks boosted by recent investment reforms (see our [Economic Watch](#)) and interest rate cuts. With inflation moderating (WPI inflation in April fell to 4.9% y/y from 6.0% in March), the Reserve Bank of India has cut rates at its last three consecutive policy meetings, for a cumulative 75 bps since January; we expect at least one more 25bp cut this year. Full year GDP growth in 2013 is expected to improve to 5.7% y/y, led by an investment pickup in 2H13 amid looser monetary policy, a step-up in reform momentum, and higher capital spending ahead of the national elections in 2014.

### New Zealand seeks direct RMB trading

New Zealand is reportedly seeking to establish the NZD as the fourth currency eligible for direct trading with the RMB, following the USD, the JPY and the AUD. China recently overtook Australia as New Zealand's (based on data from February-April this year).

### Briefly noted:

**Hong Kong trade disappoints in April** as exports and imports registered weaker-than-expected year-on-year growth of 9.0% (consensus 9.6% vs March 11.2% y/y) and 7.7% (Consensus 8.6% y/y vs March 11.3% y/y) respectively. Intra-regional trade continued to support Hong Kong exports in April, thanks to resilient demand from China (15.7% y/y). On the other hand, growth momentum of shipments to the developed markets, including the UK (-13.7% y/y) and Japan (-6.2% y/y) remain sluggish. In previous weeks Korea and Taiwan also reported disappointing April trade figures, suggesting that external demand remains sluggish.

Stephen Schwartz  
Chief Economist for Asia  
stephen.schwartz@bbva.com.hk  
+852 2582 3218

Weiwei Liu  
Economist  
carrie.liu@bbva.com.hk  
+852 2582 3243

With contributions from the BBVA Research Asia Team

## Calendar Indicators

<b>China</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Industrial Profits YTD YoY	27 May	Apr	12.10%	--	11.40%
<b>Hong Kong</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Exports YoY%	27 May	Apr	11.20%	9.60%	9.00%
Retail Sales - Value (YoY)	30 May	Apr	9.80%	14.50%	--
<b>India</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Qtrly GDP YoY%	31 May	1Q	4.50%	4.80%	--
<b>Japan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Retail Trade YoY	29 May	Apr	-0.30%	-0.50%	--
Jobless Rate	31 May	Apr	4.10%	4.10%	--
Markit/JMMA Manufacturing PMI	31 May	May	51.1	--	--
Natl CPI YoY	31 May	Apr	-0.90%	-0.70%	--
Tokyo CPI YoY	31 May	May	-0.70%	-0.40%	--
Industrial Production (MoM)	31 May	Apr P	0.90%	0.60%	--
<b>Philippines</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
GDP YoY	30 May	1Q	6.80%	6.00%	--
<b>Korea</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Current Account in US\$ Million	29 May	Apr	\$4978.5M	--	--
Industrial Production (YoY)	30 May	Apr	-3.00%	-0.30%	--
<b>Vietnam</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Industrial Production Index YoY	27 May	May	5.80%	--	6.70%
Retail Sales YTD (YoY)	27 May	May	11.80%	--	11.90%

## Calendar Events

### **Thailand - Benchmark Interest Rate, May 29**

We expect the benchmark rate to remain unchanged

**Current**

2.75%

**Cons.**

2.50%

**New**

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## Markets Data

STOCK MARKETS	INDEX	Last price	% change over a day	% change over a week	Year to date	% change over 1 Y
	China - Shanghai Comp.	2293.1	0.2	-0.3	1.1	-1.7
Hong Kong - Hang Seng	22686.1	0.3	-3.4	0.1	21.2	
Taiwan - Weighted	8280.1	0.9	-1.2	7.5	17.1	
Japan - Nikkei 225	14142.7	-3.2	-7.9	36.1	64.8	
Korea - Kospi	1980.0	0.3	-0.1	-0.9	8.5	
India - Sensex 30	20030.8	1.7	-1.0	3.1	23.5	
Australia - SPX/ASX 200	4959.9	-0.5	-4.8	6.7	23.1	
Singapore - Strait Times	3391.3	-0.1	-1.7	7.1	22.0	
Indonesia - Jakarta Comp	5085.1	-1.4	-2.5	17.8	30.3	
Thailand - SET	1593.1	-0.9	-2.1	14.5	41.5	
Malaysia - KLCI	1767.1	-0.3	-0.1	4.6	14.1	
Philippines - Manila Comp.	7097.5	-2.4	-2.4	22.1	44.1	

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FOREIGN EXCHANGE MARKETS	CURRENCY	Spot	% change over a day	% change over a week	Forward 3-month	Forward 12-month
	China (CNY/USD)	6.12	0.19	0.30	6.18	6.22
Hong Kong (HKD/USD)	7.76	0.00	-0.01	7.76	7.75	
Taiwan (TWD/USD)	29.9	0.19	0.25	29.83	29.64	
Japan (JPY/USD)	100.85	0.46	1.41	100.80	100.52	
Korea (KRW/USD)	1122	0.41	-0.52	1126	1134	
India (INR/USD)	55.5	0.21	-0.75	56.42	58.82	
Australia (USD/AUD)	0.97	0.03	-1.56	1.04	1.06	
Singapore (SGD/USD)	1.26	0.46	-0.35	1.26	1.26	
Indonesia (IDR/USD)	9793	-0.19	-0.36	9922	10309	
Thailand (THB/USD)	29.9	0.40	-0.13	30.02	30.40	
Malaysia (MYR/USD)	3.03	0.12	-0.47	3.04	3.09	
Philippines (PHP/USD)	41.6	-0.10	-1.10	41.82	41.84	

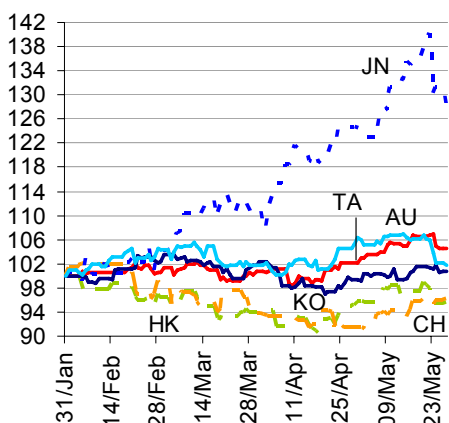
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	4.08	-0.12	0.12	0.56
Hong Kong (HIBOR/1W)	0.09	0.00	0.00	0.00	
Taiwan (TAIBOR/1W)	0.53	0.00	0.00	-0.01	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.58	0.00	0.01	-0.18	
India (MIBOR/7D)	4.18	0.03	-0.02	0.65	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	4.27	0.00	0.00	-0.01	
Thailand (BIBOR/1W)	2.77	0.00	0.00	0.00	
Malaysia (KLIBOR/1W)	2.90	0.00	0.00	0.00	
Philippines (PHIBOR/1W)	1.25	0.00	-0.31	0.31	

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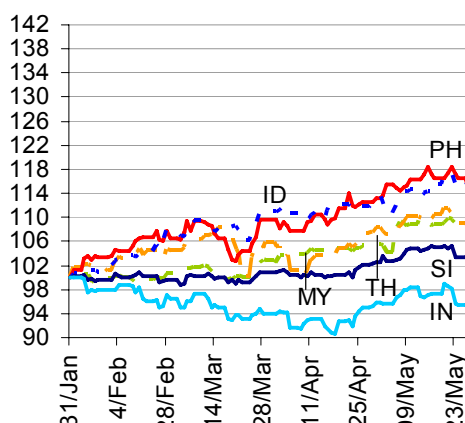
# Charts

Chart 1  
Stock Markets



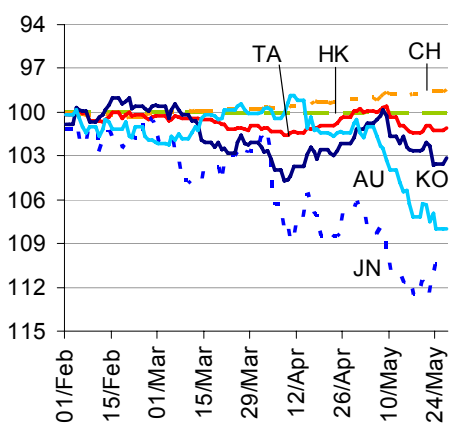
Source: BBVA Research and Bloomberg

Chart 2  
Stock Markets



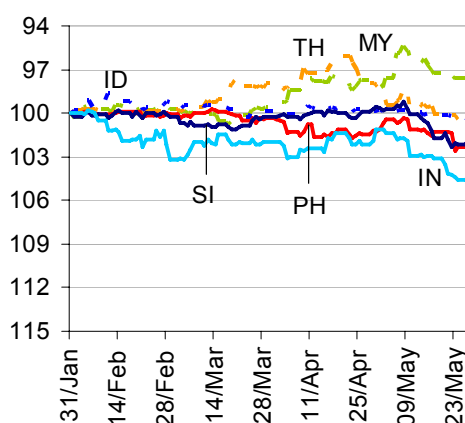
Source: BBVA Research and Bloomberg

Chart 3  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Stephen Schwartz  
Chief Economist for Asia  
[stephen.schwartz@bbva.com.hk](mailto:stephen.schwartz@bbva.com.hk)

Fielding Chen  
Senior Economist  
[fielding.chen@bbva.com.hk](mailto:fielding.chen@bbva.com.hk)

Le Xia  
Senior Economist (China)  
[xia.le@bbva.com.hk](mailto:xia.le@bbva.com.hk)

Sumedh Deorukhkar  
Senior Economist (India, Mumbai)  
[sumedh.deorukhkar@grupobbva.com](mailto:sumedh.deorukhkar@grupobbva.com)

George Xu  
Economist  
[george.xu@bbva.com.hk](mailto:george.xu@bbva.com.hk)

Weiwei Liu  
Economist  
[carrie.liu@bbva.com](mailto:carrie.liu@bbva.com)

Edward Wu  
Economist  
[edward.wu@bbva.com](mailto:edward.wu@bbva.com)

**BBVA** | RESEARCH  | 10/F., Two IFC, 8 Finance Street, Central, Hong Kong | Tel.: +852 2582 3111 | [www.bbva.com.hk](http://www.bbva.com.hk)

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