

Asia Flash

Asia

Investors were braced for a rough day after the weekend's release of disappointing May trade and industrial production data in China (see [China Flash](#) and below). Nevertheless, markets advanced following the positive lead from Friday's US jobs report and a better-than-expected final Q1 GDP outturn in Japan. Markets in China and Australia were closed for holidays, but the AUD felt the impact of the weak data, depreciating by 0.7% to 0.94 against the USD, and other commodity-sensitive markets were down such as Indonesia (-1.8%). Monetary policy meetings will be in focus for the rest of the week in Japan (the BoJ concludes its two-day meeting tomorrow), and in Korea, Indonesia and the Philippines on June 13. While we expect all of these central banks to stay on hold, the BoJ's assessment of the economic outlook and policies to stabilize bond prices will be of special interest.

Disappointing May activity indicators point to slowing growth

Ahead of a 3-day national holiday that began today in China, a broad set of indicators released over the weekend suggest that growth momentum has continued to slow in Q2 (see [China Flash](#)). The data come after a series of mixed indicators in recent months, and taken together imply that our Q2 and full-year GDP growth projections of 7.9% y/y and 8.0%, respectively, may be ¼-½ ppts lower than previously expected. Industrial production decelerated to a weaker-than-expected 9.2% y/y (BBVA: 9.5%; consensus: 9.4%; previous 9.3%), and export and import growth fell sharply to 1.0% y/y and minus 0.3% y/y (consensus: 7.4% and 6.6%, respectively). Part of the decline in export growth may be due to once-off statistical factors (efforts to crack down on over-invoicing), and that growth of retail sales (12.9% y/y vs. consensus: 12.8% y/y) and investment (20.4% ytd y/y vs. consensus: 20.5%) held up relatively well. Credit aggregates and CPI inflation (2.1% y/y) both came in weaker than expected, providing some room for further monetary easing if necessary.

Japan's final Q1 GDP revised up, raising optimism for Abenomics

First quarter GDP was revised up to 4.1% saar from a preliminary reading of 3.5%, on better-than-expected capital spending. The strong outturn has given another boost to confidence that the aggressive monetary and fiscal easing campaign of recent months may be working. That said, there is a long road ahead, as manufacturing investment remains weak, and markets, which were disappointed last week, are awaiting further details on structural reforms, the third "arrow" of the government's growth strategy, the broad elements of which are expected to be adopted by the Cabinet on June 14. The yen has resumed depreciating after last week's retracement, and now stands at 98.7 against the USD (1.2% on the day).

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Unemployment Rate	13 Jun	May	5.50%	5.60%	--
China	Date	Period	Prior	Cons.	Actual
Exports YoY%	08 Jun	May	14.70%	7.40%	1.00%
Imports YoY%	08 Jun	May	16.80%	6.60%	-0.30%
Trade Balance (USD)	08 Jun	May	\$18.16B	\$20.00B	\$20.43B
Consumer Price Index (YoY)	09 Jun	May	2.40%	2.50%	2.10%
Industrial Production (YoY)	09 Jun	May	9.30%	9.40%	9.20%
Fixed Assets Inv Excl. Rural YTD YoY	09 Jun	May	20.60%	20.50%	20.40%
Retail Sales (YoY)	09 Jun	May	12.80%	12.90%	12.90%
Money Supply - M2 (YoY)	09 Jun	May	16.10%	15.90%	15.80%
New Yuan Loans	09 Jun	May	792.9B	815.0B	667.4B
Aggregate Financing	09 Jun	May	1747.0B	1600.0B	1190.0B
Actual FDI (YoY)	14-18 JUN	May	0.40%	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Industrial Production (YoY)	14 Jun	1Q	1.30%	--	--
Composite Interest Rate	14-18 JUN	May	0.25%	--	--
India	Date	Period	Prior	Cons.	Actual
Industrial Production YoY	12 Jun	Apr	2.50%	2.40%	--
Monthly Wholesale Prices YoY%	14 Jun	May	4.89%	4.89%	--
Exports YoY%	10-17 JUN	May	1.70%	--	--
Japan	Date	Period	Prior	Cons.	Actual
Current Account Balance YOY%	10 Jun	Apr	-4.30%	5.70%	100.80%
Gross Domestic Product (QoQ)	10 Jun	1Q F	0.90%	0.90%	1.00%
GDP Annualized	10 Jun	1Q F	3.50%	3.50%	4.10%
BOJ 2014 Monetary Base Target	11 Jun	11-Jun	¥270T	--	--
Malaysia	Date	Period	Prior	Cons.	Actual
Industrial Production YoY	11 Jun	Apr	-0.20%	1.60%	--
Philippines	Date	Period	Prior	Cons.	Actual
Unemployment Rate	11 Jun	Apr	7.10%	--	--
Total Exports (YoY)	11 Jun	Apr	0.10%	-5.30%	--
Singapore	Date	Period	Prior	Cons.	Actual
Retail Sales (YoY)	14 Jun	Apr	-7.40%	-3.00%	--
Unemployment Rate (sa)	14 Jun	1Q F	1.90%	--	--
Korea	Date	Period	Prior	Cons.	Actual
Unemployment Rate (SA)	12 Jun	May	3.10%	3.10%	--

Calendar Events

Japan – BoJ Target Rate, Jun 11	Current	Cons.	New
We expect the benchmark rate to remain unchanged	0.10%	--	--
Indonesia – Bank Indonesia Target Rate, Jun 13	Current	Cons.	New
We expect the benchmark rate to remain unchanged	5.75%	5.75%	--
Philippines – Overnight Borrowing Rate, Jun 13	Current	Cons.	New
We expect the benchmark rate to remain unchanged	3.50%	3.50%	--
South Korea – 7-day Repo Rate, Jun 13	Current	Cons.	New
We expect the benchmark rate to remain unchanged	2.50%	2.50%	--

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.	2210.9		-3.9	-2.6	-3.1
Hong Kong – Hang Seng	21615.1		0.2	-3.0	-4.6	16.8
Taiwan – Weighted	8160.6		0.8	-0.5	6.0	16.6
Japan – Nikkei 225	13514.2		4.9	1.9	30.0	59.8
Korea – Kospi	1932.7		0.5	-3.4	-3.2	5.3
India – Sensex 30	19441.1		0.1	-0.9	0.1	16.3
Australia – SPX/ASX 200	4737.7			-3.8	1.9	16.6
Singapore – Strait Times	3200.5		0.5	-2.8	1.1	16.9
Indonesia – Jakarta Comp	4777.4		-1.8	-5.7	10.7	24.9
Thailand – SET	1528.6		0.8	-0.7	9.8	35.6
Malaysia – KLCI	1787.8		0.7	1.2	5.9	13.8
Philippines – Manila Comp.	6875.6		2.6	1.7	18.3	37.7

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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)	6.13			0.02	6.20
Hong Kong (HKD/USD)	7.76		-0.01	-0.02	7.76	7.75
Taiwan (TWD/USD)	29.9		-0.35	0.30	29.85	29.68
Japan (JPY/USD)	98.72		-1.18	0.82	98.67	98.37
Korea (KRW/USD)	1127		-0.95	0.06	1136	1145
India (INR/USD)	57.9		-1.52	-2.04	58.94	61.38
Australia (USD/AUD)	0.94		-0.71	-3.49	1.07	1.09
Singapore (SGD/USD)	1.26		-0.75	-0.48	1.26	1.26
Indonesia (IDR/USD)	10087		-1.99	-2.77	10467	10912
Thailand (THB/USD)	30.8		-0.55	-1.43	31.00	31.35
Malaysia (MYR/USD)	3.13		-1.07	-0.93	3.15	3.20
Philippines (PHP/USD)	42.9		-1.31	-1.84	43.19	43.42

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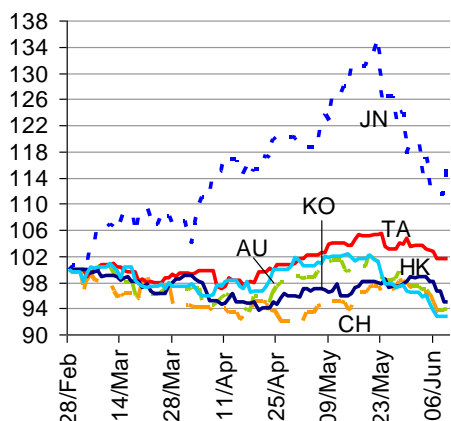
INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	7.00			2.28
Hong Kong (HIBOR/1W)	0.09		0.00	0.00	0.00
Taiwan (TAIBOR/1W)	0.53		0.00	0.00	-0.01
Japan (TIBOR/1Y)	0.76		0.00	0.01	0.01
Korea (KORIBOR/1M)	2.58		0.00	0.00	-0.18
India (MIBOR/7D)	7.00		-2.00	1.57	3.39
Singapore (SIBOR/1W)	0.25		0.00	0.00	0.00
Indonesia (JIBOR/1W)	4.27		0.00	0.00	0.00
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

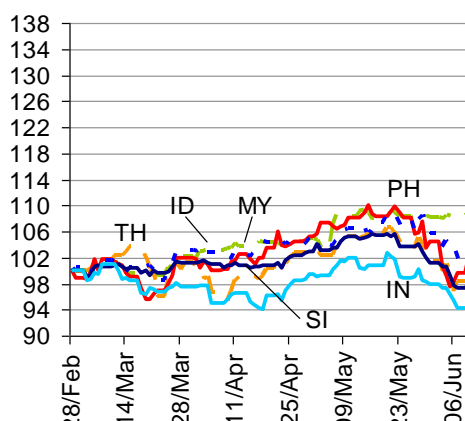
Stock Markets



Source: BBVA Research and Bloomberg

Chart 2

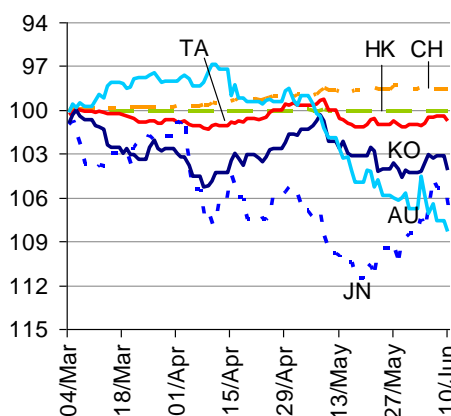
Stock Markets



Source: BBVA Research and Bloomberg

Chart 3

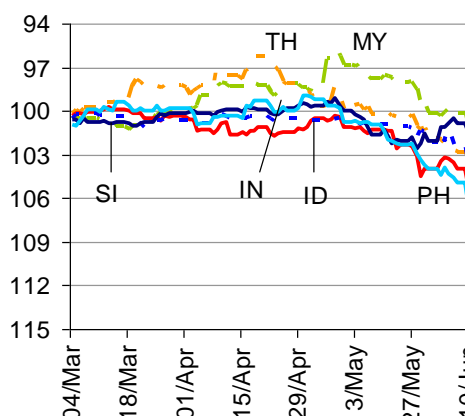
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4

Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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