

# Asia Flash

## Asia

Weaker-than-expected trade data was released in China today, underscoring downside risks to growth momentum ahead of next week's release of Q2 GDP. Surprisingly, the news failed to dent market sentiment, as the Shanghai Composite rallied +2.2% and the Hang Seng rose by +1.1%. The focus for tomorrow will be on monetary policy meetings in Japan, Indonesia, Korea, and Malaysia. While no changes are expected in Japan's monetary easing policies, the BoJ's announcement will be watched for signs of an upgrade to the economic outlook. We expect no rate changes in Malaysia and Korea (though we expect one more rate cut later in the year from the BoK). And in Indonesia, the consensus is calling for a second consecutive rate hike in view of a rise in inflation from last month's fuel price increase (a rate hike in June brought the policy rate to 6.00%), we will not be surprised if BI leaves rates unchanged for the time being as Ramadan gets underway and as it evaluates the impact of the price hike on growth and inflation.

### An unexpectedly weak export outturn in China adds to growth concerns

China's exports fell by -3.1% y/y in June (BBVA: +5.0%; consensus: +3.7%), adding to pessimism about near-term growth prospects. Exports fell across all main developed markets: US (-5.4% y/y), the EU (-8.3% y/y), and Japan (-5.1% y/y), while exports to the ASEAN region were robust (+10.2% y/y). Notably, exports to Hong Kong fell by -7.0% y/y, suggesting further effects on the data from the government's crackdown of over-invoicing, implying that the actual overall export data may not be as bad as the headline figures suggest. It is also possible that last month's liquidity squeeze in the interbank market may have temporarily affected financing conditions for domestic exporters. We estimate underlying export growth to be around 5% y/y in H1, half of the official headline growth figures. Imports were also weak, not only of processing goods (used for assembly in export goods), but also of final goods, suggesting some weakness in domestic demand. As a result, trade surplus in June widened to USD 27.1bn in June from USD 20.4bn in May.

### Bank of Thailand keeps policy rate on hold as expected

The central bank announced today to hold its benchmark rate at 2.50% after a 25bps cut at its last meeting in late May. In its statement, the BoT noted headwinds from China's economic slowdown and a moderation in domestic demand, but viewed the latter as a temporary "adjustment from previous extraordinary growth induced by government stimulus measures". In view of downward currency pressures and capital outflows from QE tapering in the US, we do not expect further rate cuts.

### Briefly Noted:

**Philippines exports in May edged down** by -0.8% y/y (consensus: -14.1%) as electronic products, which account for 35% of total exports, posted a decline of -9.3% y/y. Nevertheless, the export reading improved from a decrease of 11.1% in April and was much better than market expectations.

**Korea's unemployment rate in June was unchanged at 3.2%** (consensus: 3.2%). The tight labor market may reduce the likelihood of an interest rate cut at tomorrow's BoK policy meeting.

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

Australia	Date	Period	Prior	Cons.	Actual
Unemployment Rate	11 Jul	Jun	5.50%	5.60%	--
China	Date	Period	Prior	Cons.	Actual
CPI YoY	09 Jul	Jun	2.10%	2.50%	2.70%
PPI YoY	09 Jul	Jun	-2.90%	-2.60%	-2.70%
Imports YoY%	10 Jul	Jun	-0.30%	6.00%	-0.70%
Exports YoY%	10 Jul	Jun	1.00%	3.70%	-3.10%
Trade Balance (USD)	10 Jul	Jun	\$20.42B	\$27.80B	\$27.12B
Aggregate Financing	10-15 JUL	Jun	1185.6B	1275.0B	--
Foreign Reserves	10-15 JUL	Jun	\$3442.6B	\$3470.0B	--
New Yuan Loans	10-15 JUL	Jun	667.4B	800.0B	--
Money Supply - M2 (YoY)	10-15 JUL	Jun	15.80%	15.20%	--
India	Date	Period	Prior	Cons.	Actual
Industrial Production YoY	12 Jul	May	2.30%	1.50%	--
Japan	Date	Period	Prior	Cons.	Actual
Current Account Total	08 Jul	May	¥750.0B	¥600.0B	¥540.7B
Tertiary Industry Index (MoM)	10 Jul	May	-0.50%	0.70%	1.20%
BOJ 2014 Monetary Base Target	11 Jul	11-Jul	¥270T	¥270T	--
Industrial Production (MoM)	12 Jul	May F	2.00%	--	--
Malaysia	Date	Period	Prior	Cons.	Actual
Industrial Production YoY	11 Jul	May	4.70%	2.00%	--
Philippines	Date	Period	Prior	Cons.	Actual
Total Exports (YoY)	10 Jul	May	-11.10%	-14.10%	-0.80%
Singapore	Date	Period	Prior	Cons.	Actual
GDP (annualized) (QoQ)	12 Jul	2Q A	1.80%	8.10%	--
GDP YoY	12 Jul	2Q A	0.20%	2.00%	--
South Korea	Date	Period	Prior	Cons.	Actual
Unemployment Rate (SA)	10 Jul	Jun	3.20%	3.20%	3.20%
Taiwan	Date	Period	Prior	Cons.	Actual
Total Trade Bal in US\$ Billion	08 Jul	Jun	\$4.46B	\$3.30B	\$3.25B
Total Exports (YoY)	08 Jul	Jun	0.90%	1.20%	8.60%
Thailand	Date	Period	Prior	Cons.	Actual
Foreign Reserves	12 Jul	05-Jul	\$170.8B	--	--

## Calendar Events

<b>Indonesia - Reference Rate, Jul 11</b> We expect the benchmark rate to remain unchanged	<b>Current</b> 6.00%	<b>Cons.</b> 6.25%	<b>New</b> --
<b>Japan - BoJ Target Rate, Jul 11</b> We expect the benchmark rate to remain unchanged	<b>Current</b> --	<b>Cons.</b> --	<b>New</b> --
<b>Malaysia - Overnight Rate, Jul 11</b> We expect the benchmark rate to remain unchanged	<b>Current</b> 3.00%	<b>Cons.</b> 3.00%	<b>New</b> --
<b>South Korea - 7-day Repo Rate, Jul 11</b> We expect the benchmark rate to remain unchanged	<b>Current</b> 2.50%	<b>Cons.</b> 2.50%	<b>New</b> --
<b>Thailand - Benchmark Interest Rate, Jul 10</b> We expect the benchmark rate to remain unchanged	<b>Current</b> 2.50%	<b>Cons.</b> 2.50%	<b>New</b> 250%

## 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.	2008.1	2.2	0.7	-11.5	-7.2
Hong Kong - Hang Seng	20904.6	1.1	3.8	-7.7	7.8	
Taiwan - Weighted	8011.7	0.5	1.3	4.1	10.5	
Japan - Nikkei 225	14416.6	-0.4	2.6	38.7	62.8	
Korea - Kospi	1824.2	-0.3	0.0	-8.7	-0.3	
India - Sensex 30	19294.1	-0.7	0.6	-0.7	9.5	
Australia - SPX/ASX 200	4901.4	0.4	3.3	5.4	19.6	
Singapore - Strait Times	3188.0	0.3	1.9	0.7	7.5	
Indonesia - Jakarta Comp	4478.6	1.7	-2.2	3.8	11.7	
Thailand - SET	1388.4	-0.7	-3.8	-0.3	15.3	
Malaysia - KLCI	1768.7	0.1	0.0	4.7	8.9	
Philippines - Manila Comp.	6308.2	-0.3	-2.7	8.5	20.4	

Last update: today, 19:00 Hong Kong time

FOREIGN EXCHANGE MARKETS	CURRENCY	Spot	% change over a day	% change over a week	Forward 3-month	Forward 12-month
	China (CNY/USD)	6.13	-0.08	-0.07	6.21	6.29
Hong Kong (HKD/USD)	7.76	0.00	-0.04	7.75	7.75	
Taiwan (TWD/USD)	30.1	0.19	0.12	30.03	29.88	
Japan (JPY/USD)	100.09	1.06	-0.18	100.04	99.67	
Korea (KRW/USD)	1136	0.51	0.68	1141	1150	
India (INR/USD)	60.0	0.24	0.37	61.05	63.77	
Australia (USD/AUD)	0.92	0.36	1.34	1.09	1.11	
Singapore (SGD/USD)	1.28	0.16	-0.22	1.28	1.28	
Indonesia (IDR/USD)	9981	0.02	-0.04	10393	11023	
Thailand (THB/USD)	31.3	-0.13	-0.67	31.45	31.84	
Malaysia (MYR/USD)	3.18	0.25	0.21	3.20	3.24	
Philippines (PHP/USD)	43.4	0.04	0.11	43.49	43.67	

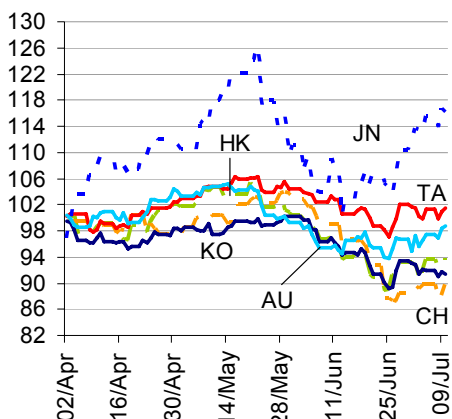
Last update: today, 19:00 Hong Kong time.

INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.60	0.00	-0.20	-3.40
Hong Kong (HIBOR/1W)	0.12	0.00	0.00	0.03	
Taiwan (TAIBOR/1W)	0.53	0.00	0.00	0.00	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.56	0.00	-0.02	-0.02	
India (MIBOR/7D)	3.80	-1.28	-0.35	-5.20	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	4.55	0.00	0.00	0.28	
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	

Last update: today, 19:00 Hong Kong time

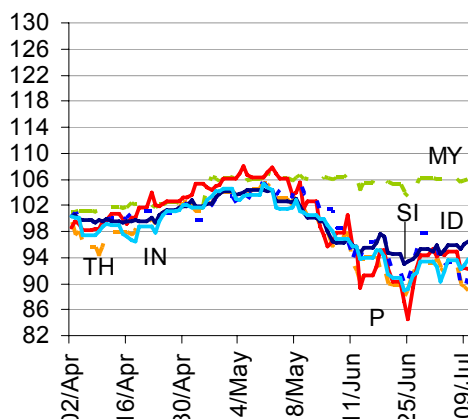
# Charts

Chart 1  
Stock Markets



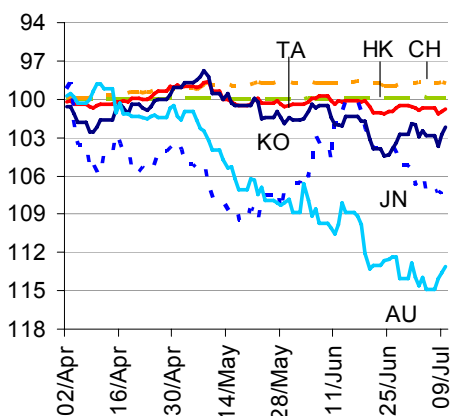
Source: BBVA Research and Bloomberg

Chart 2  
Stock Markets



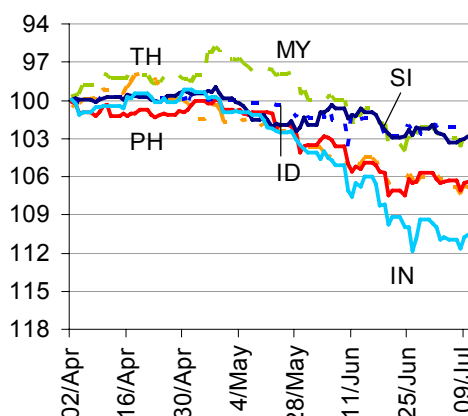
Source: BBVA Research and Bloomberg

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

Fielding Chen  
Senior Economist  
fielding.chen@bbva.com.hk

Le Xia  
Senior Economist  
xia.le@bbva.com.hk

Sumedh Deorukhkar  
Senior Economist (India, Mumbai)  
sumedh.deorukhkar@bbva.com

George Xu  
Economist  
george.xu@bbva.com.hk

Weiwei Liu  
Economist  
carrie.liu@bbva.com.hk

**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)

Before you print this message please consider if it is really necessary.

This email and its attachments are subject to the confidentiality terms established in the corresponding regulations and are intended for the sole use of the person or persons indicated in the header. They are for internal use only and cannot be distributed, copied, conveyed or furnished to third parties without prior written consent from BBVA. If this message has been received erroneously, it is forbidden to read, use or copy any of the contents and you are asked to inform BBVA immediately by forwarding the email to the sender and eliminating it thereafter.

BBVA will continue to provide our readers up-to-date reports by emails, but you can also register directly on our website where you can find a full list of our latest reports & presentations <http://serviciodeestudios.bbva.com/KETD/ketd/ing/index.jsp>

If you wish to be excluded from this mailing list, please write to us on [research.emergingmarkets@bbva.com.hk](mailto:research.emergingmarkets@bbva.com.hk) and we shall immediately take you off the list.