

# Asia Flash

## Asia

### More signs of stabilizing growth in China on upside surprise to July trade

China's July exports and imports exceeded expectations, rising 5.1% y/y (consensus: 2.0%; prior: -3.1% y/y) and 10.9% (consensus: 1.0%; prior -0.7%) respectively. After better-than-expected official PMI readings for July, the data are the latest sign that growth is stabilizing. The improvement in exports was broad-based, rising by 5.3% y/y to the US, 2.8% to the EU, 21.4% to ASEAN, and 2.3% to Hong Kong, although falling by -5.1% to Japan. (Note that the strong export outturn is in contrast to weaker-than-expected July exports in Taiwan; see below.) The improvement in imports suggests that domestic demand is improving amidst the latest fine-tuning fiscal measures. We now await tomorrow's release of monthly activity indicators, including retail sales, inflation, industrial production, and investment for a more complete picture of July growth momentum, which we expect to show stabilization, in line with our full-year growth projection of 7.6%.

### Bank of Japan keeps monetary policy steady

As expected, the BoJ today kept the pace of its monetary easing unchanged (as launched in April), and reiterated its assessment of the economy using the same language of last month in referring to continued signs of a "moderate recovery". In the news conference today, the BoJ's governor Haruhiko Kuroda also called on the government to proceed with its plans for a consumption tax hike in 2014, noting "the effect of the BoJ's easing could diminish without fiscal reforms, should its massive purchases of government bonds be taken in market as debt financing."

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

The BOK kept rates on hold at 2.5% as expected, on signs of a modest improvement in growth. The central bank last cut rates in May, by 25 bps. In its statement, the BOK said it expects, "the global economy will sustain its modest recovery going forward," and for the domestic economy that, "economic growth to be continuing, albeit moderately, mainly led by exports." It added that, "meanwhile, the central bank are watching closely to see the potential impact of a possible QE tapering and China's slowdown." Given the uncertainties from the external environment and sluggish domestic growth, we are still penciling in one more rate cut before the end of the year. We expect the economy to growth by 2.7% in 2013.

### Briefly Noted:

**Taiwan July exports, reported yesterday, moderated to 1.6% y/y** (consensus: 4.9% y/y) from 8.6% y/y in June. On sequential basis after seasonal adjustment, exports fell by 9.0% m/m sa, after a notable jump (+7.8% m/m sa) in June. Demand across the major export markets (China/HK, EU and ASEAN) weakened. Taiwan's growth outlook remains fragile as a meaningful recovery of external demand has yet to come.

### Australia weak job data support the RBA's rate cut decision on August 6

July data point to a soft job market, as the economy unexpectedly lost 10.2 thousand jobs (consensus: +5.0k; prior: +10.3k), although the unemployment rate remained unchanged at 5.7% (consensus: 5.8%; prior: 5.7%) due to a lower labor participation rate of 65.1% (consensus: 65.3%; prior: 65.3%). At its policy meeting two days ago, the RBA cut interest rates to a historic low of 2.5%.

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## Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Retail Sales MoM	05 Aug	Jun	0.20%	0.40%	0.00%
Trade Balance	06 Aug	Jun	507M	804M	602M
Unemployment Rate	08 Aug	Jul	5.70%	5.80%	5.70%
China	Date	Period	Prior	Cons.	Actual
Non-manufacturing PMI	03 Aug	Jul	53.9	--	54.1
Trade Balance	08 Aug	Jul	\$27.12B	\$26.90B	\$17.82B
Exports YoY	08 Aug	Jul	-3.10%	2.10%	5.10%
Imports YoY	08 Aug	Jul	-0.70%	1.00%	10.90%
Industrial Production YoY	09 Aug	Jul	8.90%	9.00%	--
Fixed Assets Ex Rural YTD YoY	09 Aug	Jul	20.10%	20.00%	--
Retail Sales YoY	09 Aug	Jul	13.30%	13.50%	--
CPI YoY	09 Aug	Jul	2.70%	2.80%	--
Hong Kong	Date	Period	Prior	Cons.	Actual
HSBC/Markit PMI	05 Aug	Jul	48.7	--	49.7
India	Date	Period	Prior	Cons.	Actual
HSBC/Markit Services PMI	05 Aug	Jul	51.7	--	47.9
Japan	Date	Period	Prior	Cons.	Actual
BOJ 2014 Monetary Base Target	08 Aug	08-Aug	¥270T	¥270T	¥270T
Tertiary Industry Index MoM	09 Aug	Jun	1.20%	-0.40%	--
Malaysia	Date	Period	Prior	Cons.	Actual
Exports YoY	05 Aug	Jun	-5.10%	-7.40%	-6.90%
Industrial Production YoY	07 Aug	Jun	3.30%	3.70%	3.30%
Philippines	Date	Period	Prior	Cons.	Actual
CPI YoY	06 Aug	Jul	2.70%	2.90%	2.50%
Taiwan	Date	Period	Prior	Cons.	Actual
CPI YoY	05 Aug	Jul	0.60%	0.60%	0.08%
Wholesale Price Index YoY	05 Aug	Jul	-2.02%	-1.88%	-2.13%
Exports YoY	07 Aug	Jul	8.60%	4.90%	1.60%

## Calendar Events

### Australia - RBA Cash Rate Target, Aug 06

We expect the benchmark rate to be cut by 25 bps

Current	Cons.	New
2.75%	2.50%	2.50%

### Japan - BoJ Target Rate, Aug 08

We expect the benchmark rate to remain unchanged

Current	Cons.	New
0.10%	0.10%	0.10%

### Korea - BoK 7-Day Repo Rate, Aug 08

We expect the benchmark rate to remain unchanged

Current	Cons.	New
2.50%	2.50%	2.50%

## Indicator of the Week

### China: Industrial Production (July, Aug 9<sup>th</sup>)

Forecast: 9.0% y/y

Consensus: 9.0% y/y

Prior: 8.9% y/y

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

STOCK MARKETS	INDEX	Last price	% change over a day	% change over a week	Year to date	% change over 1 Y
	China - Shanghai Comp.	2044.9	-0.1	0.8	-9.9	-5.4
Hong Kong - Hang Seng	21655.9	0.3	-2.0	-4.4	7.9	
Taiwan - Weighted	7907.7	-0.2	-1.8	2.7	8.0	
Japan - Nikkei 225	13605.6	-1.6	-2.9	30.9	53.2	
Korea - Kospi	1884.0	0.3	-1.9	-5.7	-1.0	
India - Sensex 30	18789.3	0.7	-2.7	-3.3	6.8	
Australia - SPX/ASX 200	5064.8	1.1	0.1	8.9	17.4	
Singapore - Strait Times	3229.9	0.2	0.2	2.0	5.8	
Indonesia - Jakarta Comp	4640.8	0.4	-0.4	7.5	13.2	
Thailand - SET	1447.2	1.2	0.7	4.0	19.2	
Malaysia - KLCI	1779.3	-0.3	0.1	5.4	8.8	
Philippines - Manila Comp.	6404.2	-0.3	-3.9	10.2	20.6	

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)	6.12	-0.02	0.16	6.19	6.26
Hong Kong (HKD/USD)	7.76	0.01	0.00	7.75	7.75	
Taiwan (TWD/USD)	29.9	0.12	0.35	29.90	29.75	
Japan (JPY/USD)	96.35	-0.02	3.31	96.31	96.01	
Korea (KRW/USD)	1113	0.50	0.94	1118	1128	
India (INR/USD)	60.9	0.65	-0.75	62.37	65.96	
Australia (USD/AUD)	0.91	0.80	1.65	1.11	1.13	
Singapore (SGD/USD)	1.26	0.42	1.18	1.26	1.26	
Indonesia (IDR/USD)	10310	0.24	-0.38	10703	11393	
Thailand (THB/USD)	31.3	0.42	0.16	31.43	31.82	
Malaysia (MYR/USD)	3.25	0.25	-0.12	3.27	3.32	
Philippines (PHP/USD)	43.6	0.37	-0.08	43.59	43.82	

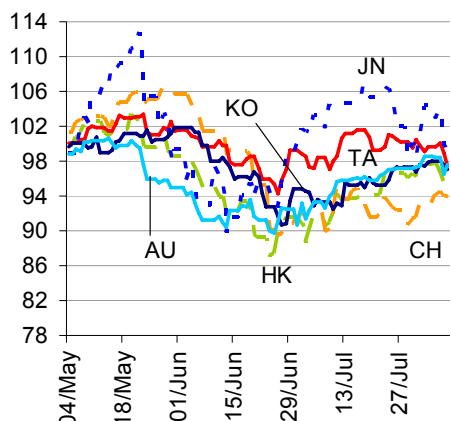
Last update: today, 19:00 Hong Kong time.

INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.75	-0.12	-0.60	0.09
Hong Kong (HIBOR/1W)	0.12	0.00	0.00	0.00	
Taiwan (TAIBOR/1W)	0.52	0.00	0.00	-0.01	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.56	0.00	0.00	0.00	
India (MIBOR/7D)	3.85	-2.15	-1.70	0.09	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	5.32	0.08	0.13	0.77	
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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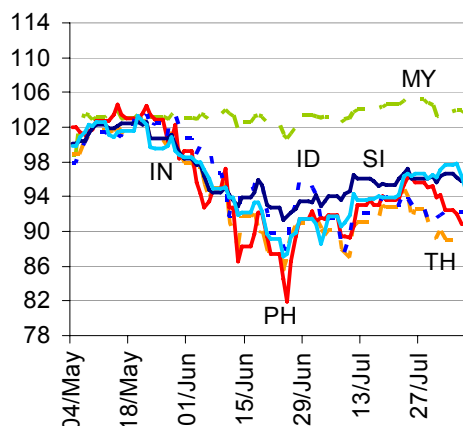
# Charts

Chart 1  
Stock Markets



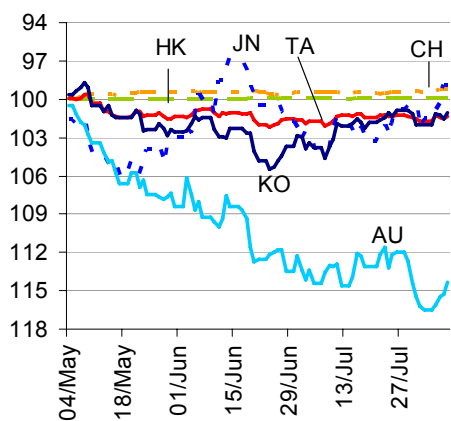
Source: BBVA Research and Bloomberg

Chart 2  
Stock Markets



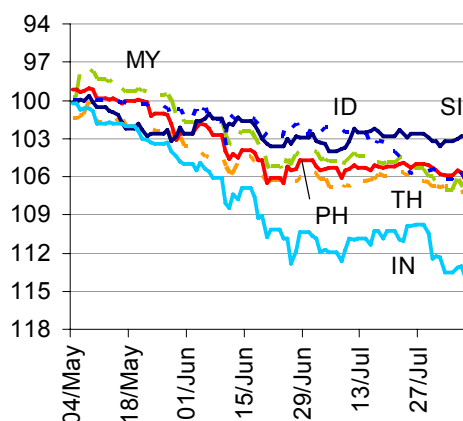
Source: BBVA Research and Bloomberg

Chart 3  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4  
Foreign Exchange Markets



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