

Daily Flash

Asia

Asian equity markets rebounded sharply today after reopening from yesterday's holiday, led by Taiwan (2.3%) and Shanghai (1.8%). The most likely factor for the rebound is positive reaction to PMI readings released yesterday in China (see below) and the US. A larger-than-expected interest rate cut by the Reserve Bank of Australia yesterday may also have been a factor.

China's April PMI reflects ongoing expansion

As scheduled, the official NBS Purchasing Managers Index (PMI) for April was released yesterday. While the 53.3% outturn was slightly below expectations (BBVA: 53.9%; Consensus: 53.6%), it was nevertheless up from 53.1% in March, the fifth consecutive monthly gain. The April upturn was mainly driven by production, and new export orders were also slightly improved. Overall, the outturn provides further evidence that growth momentum is gradually picking up, after bottoming out in Q1, consistent with our full-year GDP growth outlook of 8.3%.

Manufacturing data in the rest of Asia shows a mixed picture

While manufacturing in China continues to gain momentum, elsewhere in Asia the picture is more mixed. In particular, April PMI outturns, while still firmly in expansion territory, were largely flat in India and Korea, and declined in Taiwan. Korea's April exports – the first monthly reading for the region – contracted by more than expected (-4.7% y/y vs. consensus: -1.1%) Although not currently in our baseline, these readings, together with softening inflation outturns, could set the stage for further monetary easing across the region, if needed, later in the year.

The RBA delivers a larger-than-expected 50bps cut

Australia's central bank yesterday lowered its policy rate by 50 bps, larger than the 25bp cut expected by ourselves and the consensus. The rate cut brings the policy rate to 3.75%. In its statement, the RBA cited weaker than expected economic conditions, lower than expected inflation (Q1 inflation came out well below expectations), and its efforts to ensure an "appropriate level of borrowing costs." We think the latter point explains why the RBA opted for such a large cut, as rising bank funding costs had been putting upward pressure on lending rates. Looking ahead, we now expect one more 25bp rate cut by August.

Briefly noted:

- **Thailand keeps rates on hold even as inflation pressures recede**
The Bank of Thailand (BOT) left interest rates unchanged today at 3% as expected. The decision comes after yesterday's release of April inflation, showing a deceleration to 2.47% y/y (consensus: 2.90%) from 3.45% the previous month.
- **Malaysia introduces minimum wage**
Malaysia announced on April 30 the introduction of a new minimum wage, to become effective over the next 6-12 months. The first-ever minimum wage will be set at MYR 900 (around US\$300) a month in peninsular Malaysia and MYR 800 (US\$266) in the rest of the country.

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
TD Securities Inflation MoM%	30-Apr	APR	0.50%	--	0.30%
China	Date	Period	Prior	Cons.	Actual
PMI Manufacturing	01-May	APR	53.1	53.6	53.3
HSBC Manufacturing PMI	02-May	APR	48.3	--	49.3
China Non-manufacturing PMI	03-May	APR	58	--	--
China HSBC Services PMI	04-May	APR	53.3	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Retail Sales - Volume (YoY)	03-May	MAR	10.10%	8.90%	--
Purchasing Managers Index	04-May	APR	52	--	--
Indonesia	Date	Period	Prior	Cons.	Actual
Inflation (YoY)	01-May	APR	3.97%	4.46%	4.50%
Inflation NSA (MoM)	01-May	APR	0.07%	0.20%	0.21%
Core Inflation (YoY)	01-May	APR	4.25%	4.20%	4.24%
Exports (YoY)	01-May	MAR	8.50%	3.80%	5.50%
India	Date	Period	Prior	Cons.	Actual
Exports YoY%	01-May	MAR	4.30%	--	-5.70%
Imports YoY%	01-May	MAR	20.70%	--	24.30%
India April Markit Manufacturing PMI	02-May	APR	54.7	--	54.9
India April Markit Services PMI	03-May				
Japan	Date	Period	Prior	Cons.	Actual
Monetary Base (YoY)	02-May	APR	-0.20%	--	-0.30%
Philippines	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	04-May	APR	2.60%	2.60%	--
Consumer Price Index NSA (MoM)	04-May	APR	0.20%	0.40%	--
Singapore	Date	Period	Prior	Cons.	Actual
Unemployment Rate (sa)	30-Apr	1Q P	2.00%	2.00%	2.10%
Purchasing Managers Index	03-May	APR	50.2	50.4	--
South Korea	Date	Period	Prior	Cons.	Actual
Industrial Production (MoM)	30-Apr	MAR	0.80%	0.20%	-3.10%
Industrial Production (YoY)	30-Apr	MAR	14.40%	2.20%	0.30%
Consumer Price Index (MoM)	01-May	APR	-0.10%	0.30%	0.00%
Consumer Price Index (YoY)	01-May	APR	2.60%	2.80%	2.50%
Ext Trade - Export (YoY)	01-May	APR	-1.40%	-1.10%	-4.70%
Ext Trade - Imports (YoY)	01-May	APR	-1.20%	1.70%	-0.20%
Taiwan	Date	Period	Prior	Cons.	Actual
GDP - Constant Prices (YoY)	30-Apr	1Q P	1.89%	0.91%	0.36%
HSBC Manufacturing PMI	02-May	APR	54.1	--	51.2
Thailand	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	01-May	APR	3.45%	2.90%	2.47%
Core CPI (YoY)	01-May	APR	2.77%	2.40%	2.13%

Calendar Events

Australia - RBA cash target, May 1

We expected a 25 bps cut in the benchmark rate

Current	Consensus	New
4.25%	4.00%	3.75%

Thailand - Benchmark interest rate, May 2

We expected the benchmark rate to remain unchanged

Current	Consensus	New
3.00%	3.00%	3.00%

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.	2438.4	1.8	2.1	10.9	-16.2
	Hong Kong - Hang Seng	21309.1	1.0	3.1	15.6	-10.2
	Taiwan - Weighted	7676.8	2.3	2.4	8.6	-14.8
	Japan - Nikkei 225	9380.3	0.3	-0.9	10.9	-6.2
	Korea - Kospi	1999.1	0.9	1.8	9.5	-8.8
	India - Sensex 30	17334.7	0.1	0.7	12.2	-9.4
	Australia - SPX/ASX 200	4435.9	0.1	1.7	9.4	-8.1
	Singapore - Strait Times	3006.1	0.9	1.1	13.6	-5.5
	Indonesia - Jakarta Comp	4219.3	0.6	1.3	10.4	9.6
	Thailand - SET	1239.6	0.9	3.3	20.9	13.4
	Malaysia - KLCI	1582.4	0.8	0.0	3.4	3.1
Philippines - Manila Comp.	5228.8	0.5	1.1	19.6	21.1	

Last update: today, 17.45 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)	6.31	-0.48	-0.05	6.32	6.35
	Hong Kong (HKD/USD)	7.76	0.00	0.03	7.76	7.75
	Taiwan (TWD/USD)	29.2	-0.19	0.99	29.06	28.76
	Japan (JPY/USD)	80.36	-0.34	1.22	80.29	79.88
	Korea (KRW/USD)	1127	0.39	1.23	1136	1149
	India (INR/USD)	52.9	-0.27	-0.63	53.99	56.44
	Australia (USD/AUD)	1.03	-0.04	-0.22	0.98	1.00
	Singapore (SGD/USD)	1.24	-0.35	0.30	1.24	1.24
	Indonesia (IDR/USD)	9204	-0.16	-0.05	9287	9617
	Thailand (THB/USD)	30.9	-0.42	0.29	31.02	31.43
	Malaysia (MYR/USD)	3.03	0.03	1.06	3.04	3.08
Philippines (PHP/USD)	42.2	-0.23	1.05	42.41	42.76	

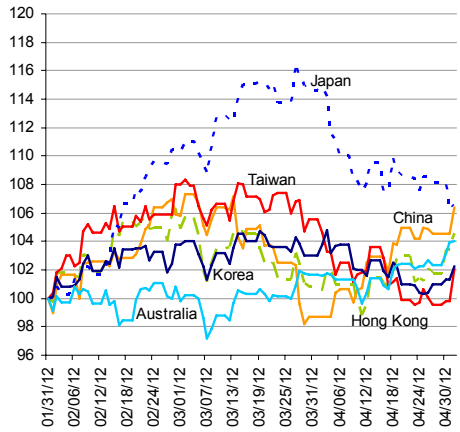
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.80	0.00	-0.07	0.35
	Hong Kong (HIBOR/1W)	0.11	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.66	0.00	0.00	0.02
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.37	-0.01	-0.01	-0.01
	India (MIBOR/7D)	3.80	0.00	-0.06	0.09
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	3.81	0.00	0	0
	Thailand (BIBOR/1W)	3.02	0.00	0.00	0.00
	Malaysia (KLIBOR/1W)	2.90	0.00	0.00	0.00
	Philippines (PHIBOR/1W)	3.25	-0.19	-0.44	-0.25

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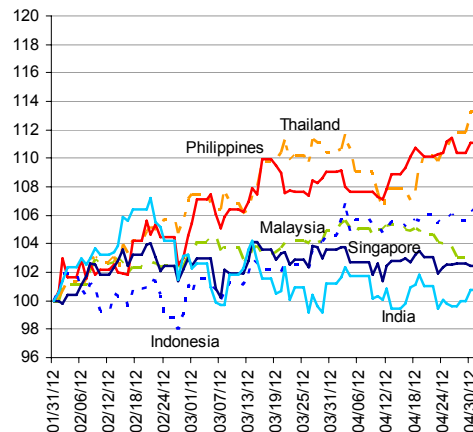
Charts

Chart 9
Stock Markets



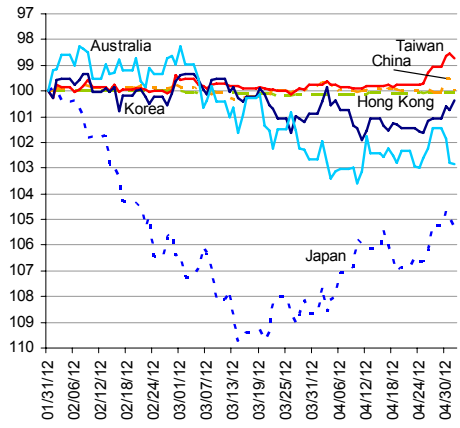
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



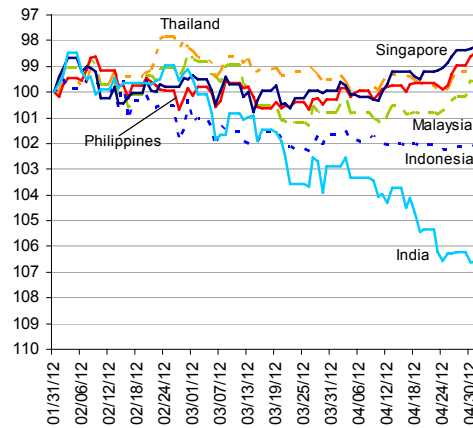
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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