

Daily Flash

Asia

Bouts of risk aversion persist in Asia as reflected in the evolution of some currencies such as the Indonesian rupiah and the Korean won, down by 2% and 0.5% respectively against the dollar, despite suspected central bank intervention. The Indian rupee was also rumored to have been intervened. This and other reasons fueled its rebound to 55.37 against the USD. In China, meanwhile, rumors that the country's biggest banks may fall short of their loan target due to lack of demand, as reported by Bloomberg, may have affected negatively stock markets, with Shanghai closing 0.7% down. Next week investors will be watching the release of a number of important indicators, especially China's PMI for signs of a soft landing (see Weekly Indicator below).

Japan's deflation persists despite monetary easing

Japan's consumer prices in April rose 0.4% y/y (consensus: 0.4% y/y) in April, down from 0.5% y/y in March. In the meantime, core CPI –the index that excludes fresh food– stayed at 0.2% y/y in April. The inflation outturn underscores the persistence of deflation in Japan, which discourages domestic demand and undermines the economy's vigor. The Bank of Japan, aiming to reach an inflation target of 1%, is under pressure to further ease monetary policy to fight deflation. It has expanded the asset purchase and lending program twice in February and April respectively to the current amount of 70 trillion yen (USD \$880 billion).

Thailand exports fall again missing market consensus

Thailand exports in April fell by -3.7% y/y, well below market expectations which anticipated a recovery in international shipments (consensus: +6.4%), according to data released today. This is the fifth decline in six months, with a -6.5% y/y drop the previous month. Both agricultural and industrial exports declined (by -3.9% y/y and -6.4% y/y respectively). On the positive side, exports of some key products such as vehicles and their parts rose (+28.0% y/y). Despite the good GDP outturn published earlier this week, the data released today confirmed that exports are still lagging behind other GDP components in the economy's post-flood recovery and that strong external headwinds will continue to pose a challenge for the country.

Briefly noted:

- **Singapore's industrial production in April unexpectedly declined** by -0.3% y/y from a revised -3.1% y/y the previous month. Market consensus was for a 4.1% y/y rise in output. On a seasonally adjusted, m/m basis the IP index also declined (-3.5% vs consensus: +0.6%). The drop was mainly due to a decrease of production in the electronics and pharmaceutical sectors (-12.5% y/y and -7.6% respectively).
- **Taiwan's final reading of Q1 real GDP just came out (0.39% yoy)**, slightly better compared to the preliminary estimates (0.36% yoy) in April. On a sequential basis the economy expanded by 2.8% saar. Exports dropped significantly and investment remained sluggish, dragging down the economy for the third consecutive quarter.
- **Next week will feature the release of several important economic indicators**, most of them due on Friday, including China's PMI, inflation in Thailand, South Korea and Indonesia and external trade flows in South Korea, Indonesia and India. Also, Q1 GDP growth data in India and the Philippines will be released on Thursday.

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Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
HSBC Flash China Manufacturing PMI	24-May	MAY	49.3	--	48.7
Hong Kong	Date	Period	Prior	Cons.	Actual
CPI - Composite Index (YoY)	22-May	APR	4.90%	4.70%	4.70%
Exports YoY%	24-May	APR	-6.80%	6.20%	5.60%
Imports YoY%	24-May	APR	-4.70%	4.10%	5.00%
Japan	Date	Period	Prior	Cons.	Actual
All Industry Activity Index (MoM)	21-May	MAR	-0.10%	-0.10%	-0.30%
Merchnds Trade Balance Total	23-May	APR	¥82.5B	¥470.8B	¥520.3B
Merchnds Trade Exports YoY	23-May	APR	5.90%	11.80%	7.90%
Natl CPI YoY	25-May	APR	0.50%	0.40%	0.40%
Natl CPI Ex-Fresh Food YoY	25-May	APR	0.20%	0.10%	0.20%
Natl CPI Ex Food, Energy YoY	25-May	APR	-0.50%	-0.40%	-0.30%
Malaysia	Date	Period	Prior	Cons.	Actual
CPI YoY	23-May	APR	2.10%	2.10%	1.90%
GDP YoY%	23-May	1Q	5.20%	4.60%	4.70%
Singapore	Date	Period	Prior	Cons.	Actual
CPI (MOM) - NSA	23-May	APR	0.80%	0.30%	0.50%
CPI (YoY)	23-May	APR	5.20%	5.20%	5.40%
Industrial Production MoM SA	25-May	APR	2.70%	0.60%	-3.50%
Industrial Production YoY	25-May	APR	-3.40%	4.10%	-0.30%
Taiwan	Date	Period	Prior	Cons.	Actual
Export Orders (YoY)	21-May	APR	-1.58%	0.50%	-3.52%
Unemployment Rate - sa	22-May	APR	4.14%	4.13%	4.19%
Industrial Production (YoY)	23-May	APR	-3.42%	-1.67%	-2.33%
GDP - Constant Prices (YoY)	25-May	1Q F	0.36%	0.40%	0.39%
Thailand	Date	Period	Prior	Cons.	Actual
Gross Domestic Product SA (QoQ)	21-May	1Q	-10.70%	10.00%	11.00%
Gross Domestic Product (YoY)	21-May	1Q	-9.00%	-0.50%	0.30%
Customs Exports (YoY)	25-May	APR	-6.50%	6.40%	-3.67%
Vietnam	Date	Period	Prior	Cons.	Actual
CPI (YoY)	24-May	MAY	10.50%	8.90%	8.30%
Exports YTD (YoY)	24-31 MAY	MAY	22.10%	--	24.10%

Indicator of the Week

China: PMI for May (June 1)

Forecast: 51.5

Consensus: 52.1

Prior: 53.3

Weaker-than-expected activity outturns in April are causing the market to reassess expectations regarding the pace of China's growth. The official manufacturing PMI in May is thus expected to provide important signs regarding China's growth momentum. Thursday's flash estimate for private sector PMI (Markit) registered a slight downturn in May, to 48.7% from 49.1% the previous month, showing weak sentiment persists in the economy. Considering this flash outturn, as well as seasonal effects, we expect a decrease in the official PMI for May, however we expect it will remain above the +50 expansion/contraction threshold. That said, the government's recent comments emphasizing that it will help stabilize China's growth through further policy support, along with a stronger PMI outturn for May, could signal a rebound in growth momentum over the course of rest of this year.

Calendar Events

Japan - BOJ Target Rate, May 23

We expected the benchmark rate to remain unchanged

Current

0.10%

Consensus

0.10%

New

0.10%

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.	2333.6	-0.7	-0.5	6.1	-14.9
	Hong Kong - Hang Seng	18713.4	0.3	-1.3	1.5	-17.7
	Taiwan - Weighted	7071.6	-0.7	-1.1	0.0	-19.0
	Japan - Nikkei 225	8580.4	0.2	-0.4	1.5	-8.9
	Korea - Kospi	1824.2	0.5	2.3	-0.1	-10.4
	India - Sensex 30	16217.8	0.0	0.4	4.9	-9.1
	Australia - SPX/ASX 200	4029.2	-0.7	-0.4	-0.7	-12.1
	Singapore - Strait Times	2772.8	-0.2	-0.2	4.8	-11.1
	Indonesia - Jakarta Comp	3902.5	-2.1	-2.0	2.1	3.2
	Thailand - SET	1132.8	0.6	-1.9	10.5	7.3
	Malaysia - KLCI	1551.1	0.2	1.2	1.3	1.1
Philippines - Manila Comp.	4926.0	0.4	1.0	12.7	17.5	

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)	6.34	0.01	-0.26	6.36	6.41
	Hong Kong (HKD/USD)	7.76	0.01	0.05	7.76	7.76
	Taiwan (TWD/USD)	29.6	-0.04	-0.08	29.58	29.30
	Japan (JPY/USD)	79.51	0.11	-0.62	79.44	78.94
	Korea (KRW/USD)	1185	-0.45	-1.07	1191	1200
	India (INR/USD)	55.4	0.49	-1.73	56.58	58.79
	Australia (USD/AUD)	0.98	0.30	-0.53	1.03	1.05
	Singapore (SGD/USD)	1.28	-0.06	-0.23	1.28	1.27
	Indonesia (IDR/USD)	9454	-1.97	-1.10	10037	10507
	Thailand (THB/USD)	31.7	-0.22	-0.88	31.86	32.28
	Malaysia (MYR/USD)	3.15	0.00	-0.62	3.17	3.21
Philippines (PHP/USD)	43.8	-0.09	-1.40	44.13	44.60	

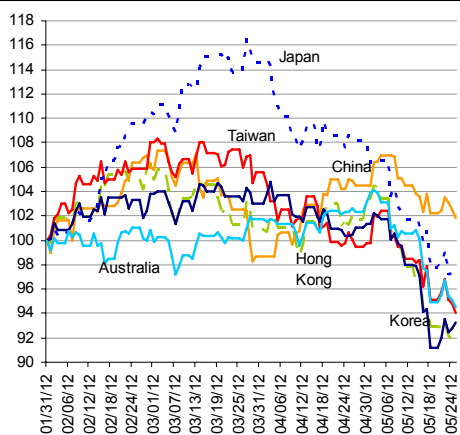
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	2.50	0.27	-0.20	-1.40
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.02
	Taiwan (TAIBOR/1W)	0.67	0.00	0.00	0.01
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.37	0.00	0.00	-0.01
	India (MIBOR/7D)	2.47	0.24	-0.28	-1.51
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	3.83	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)	3.38	-0.06	0.00	-0.31

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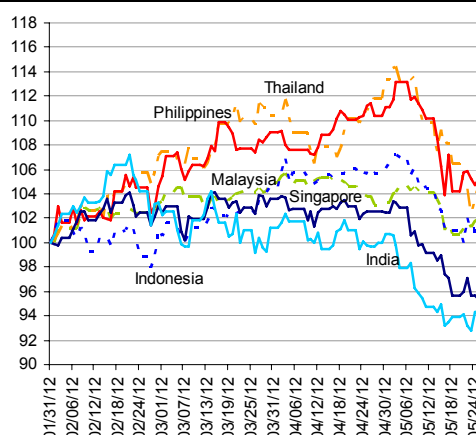
Charts

Chart 9
Stock Markets



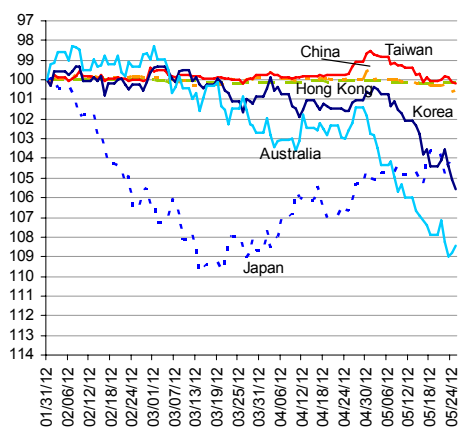
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



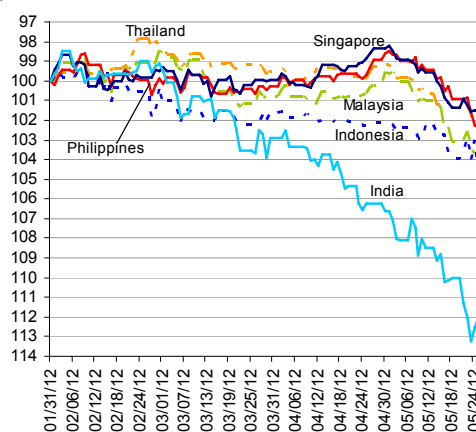
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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