

Daily Flash

Asia

Positive news from Europe on Spain's banking package and somewhat better-than-expected data outturns in China (see today's [China Flash](#) and below) lifted sentiment today. Stock markets across Asia rallied, led by the Hang Seng (+2.4%) and the Nikkei (+2.0%).

China indicators show growth moderation and scope for policy stimulus

The latest batch of monthly activity indicators for May, released over the weekend, show continuing growth moderation, with some outturns exceeding expectations. Indeed, the outturns were better than pessimists might have feared following last week's interest rate cut, which was taken by some observers as an indication that the data release would be on the weak side. Exports and imports both surprised to the upside. Importantly, inflation eased by more than expected, to 3.0% y/y in May (consensus: 3.2%; BBVA: 3.3%), providing room for further stimulus in the months ahead to support growth. We expect additional 100-150bps cuts in the RRR, and at least one more 25bp interest rate cut, most likely in Q3.

China's monetary and credit data picks up in May

Adding to the positive data releases over the weekend, the People's Bank of China (PBoC) today released monthly monetary and credit data for May. New RMB loans increased by a better-than-expected RMB 793 billion in May from RMB 682 billion of the previous month, well above the market consensus of RMB 700 billion. Aggregate social financing (a broader measure of credit growth which includes banks loans as well as other credit flows such as trust loans and bank acceptances) rose to RMB 1.14 trillion in May, 18.4% higher than last month. Although these indicators point to improved credit conditions, further policy easing is largely expected in order to spur growth.

Singapore's exports increase on strong demand from emerging markets

Singapore's non-oil domestic exports increased in May by 3.2% y/y (consensus: 3.0% y/y). While exports to both the US (-11.4% y/y) and the EU (1.5% y/y) remain weak, emerging market demand rebounded to +16.5% y/y, after contracting by -5.3% y/y the previous month. Singapore's exports are nevertheless expected to remain under pressure in the coming months due to sluggish conditions in the EU and US.

Briefly noted:

- **S&P lowered India's sovereign credit rating outlook to negative from stable;** putting India's investment grade status under pressure (India is currently rated BBB- by S&P).
- **Bank Indonesia holds its policy meeting tomorrow;** we expect interest rates to remain on hold.

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Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
New Yuan Loans	11-Jun	MAY	681.8B	700.0B	793.2B
Money Supply - M2 (YoY)	11-Jun	MAY	12.80%	12.90%	13.20%
Actual FDI (YoY)	14-18 JUN	MAY	-0.70%	-1.60%	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Industrial Production (YoY)	14-Jun	1Q	-2.20%	--	--
India	Date	Period	Prior	Cons.	Actual
Industrial Production YoY	12-Jun	APR	-3.50%	1.70%	--
Monthly Wholesale Prices YoY%	14-Jun	MAY	7.23%	7.50%	--
Japan	Date	Period	Prior	Cons.	Actual
Japan Money Stock M2 YoY	11-Jun	MAY	2.60%	2.50%	2.10%
Japan Money Stock M3 YoY	11-Jun	MAY	2.30%	2.20%	1.90%
Machine Tool Orders (YoY)	11-Jun	MAY P	0.40%	--	-2.90%
Tertiary Industry Index (MoM)	12-Jun	APR	-0.60%	0.30%	--
Machine Orders (MoM)	13-Jun	APR	-2.80%	1.60%	--
Machine Orders YOY%	13-Jun	APR	-1.10%	4.90%	--
Capacity Utilization (MoM)	14-Jun	APR F	1.30%	--	--
Industrial Production (MoM)	14-Jun	APR F	0.20%	--	--
Industrial Production YOY%	14-Jun	APR F	13.40%	--	--
Malaysia	Date	Period	Prior	Cons.	Actual
Industrial Production YoY	11-Jun	APR	0.60%	2.00%	3.20%
Philippines	Date	Period	Prior	Cons.	Actual
Total Exports (YoY)	14-Jun	APR	-1.20%	0.60%	--
Unemployment Rate	15-Jun	APR	7.20%	--	--
Overseas Remittances (YoY)	15-Jun	APR	5.00%	--	--
Singapore	Date	Period	Prior	Cons.	Actual
Non-oil Domestic Exports (YoY)	11-Jun	MAY	8.30%	3.00%	3.20%
Retail Sales (YoY)	15-Jun	APR	9.10%	5.50%	--
South Korea	Date	Period	Prior	Cons.	Actual
Unemployment Rate (SA)	13-Jun	MAY	3.40%	3.40%	--

Calendar Events

Indonesia - Bank Indonesia Reference Rate, June 12 We expect the benchmark rate to remain unchanged	Current 5.75%	Consensus 5.75%	New --
Thailand - Benchmark Interest Rate, June 13 We expect the benchmark rate to remain unchanged	Current 3.00%	Consensus 3.00%	New --
Philippines - Overnight Borrowing Rate, June 14 We expect the benchmark rate to remain unchanged	Current 4.00%	Consensus 4.00%	New --
Japan - Bank of Japan Target Rate, June 15 We expect the benchmark rate to remain unchanged	Current 0.10%	Consensus 0.10%	New --

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.	2305.9	1.1	-0.1	4.8	-14.8
	Hong Kong - Hang Seng	18953.6	2.4	4.2	2.8	-15.5
	Taiwan - Weighted	7120.2	1.7	3.3	0.7	-19.4
	Japan - Nikkei 225	8624.9	2.0	4.0	2.0	-9.3
	Korea - Kospi	1867.0	1.7	1.8	2.3	-8.8
	India - Sensex 30	16662.9	-0.3	4.2	7.8	-8.8
	Australia - SPX/ASX 200	4063.7	-1.1	0.0	0.2	-10.9
	Singapore - Strait Times	2787.8	1.8	3.3	5.3	-9.4
	Indonesia - Jakarta Comp	3866.2	1.1	5.8	1.2	2.1
	Thailand - SET	1156.3	2.6	3.7	12.8	13.3
	Malaysia - KLCI	1578.4	0.5	1.5	3.1	1.4
Philippines - Manila Comp.	5075.9	1.6	3.8	16.1	20.3	

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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)	6.37	0.02	-0.08	6.36	6.41
	Hong Kong (HKD/USD)	7.76	0.01	0.01	7.76	7.75
	Taiwan (TWD/USD)	29.9	0.24	0.48	29.82	29.54
	Japan (JPY/USD)	79.43	0.08	-1.37	79.34	78.88
	Korea (KRW/USD)	1166	0.81	1.39	1174	1185
	India (INR/USD)	55.8	-0.56	-0.19	56.81	58.92
	Australia (USD/AUD)	1.00	0.44	2.38	1.01	1.03
	Singapore (SGD/USD)	1.28	0.29	0.60	1.28	1.27
	Indonesia (IDR/USD)	9410	-0.23	0.18	9590	10027
	Thailand (THB/USD)	31.6	0.06	-0.35	31.76	32.19
	Malaysia (MYR/USD)	3.17	0.66	1.00	3.19	3.22
Philippines (PHP/USD)	42.9	1.01	1.39	43.11	43.54	

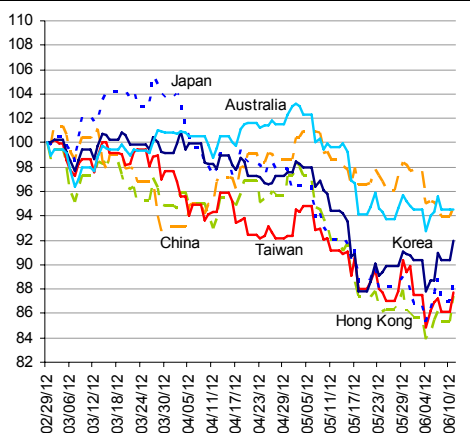
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	2.40	-0.30	-0.20	-0.80
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	-0.02
	Taiwan (TAIBOR/1W)	0.67	0.00	0.00	0.00
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.36	0.00	0.00	-0.01
	India (MIBOR/7D)	2.43	-0.02	-0.48	-0.21
	Singapore (SIBOR/1W)	0.31	0.00	0.00	0.06
	Indonesia (JIBOR/1W)	4.09	-0.01	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)	3.44	0.00	0.13	-0.06

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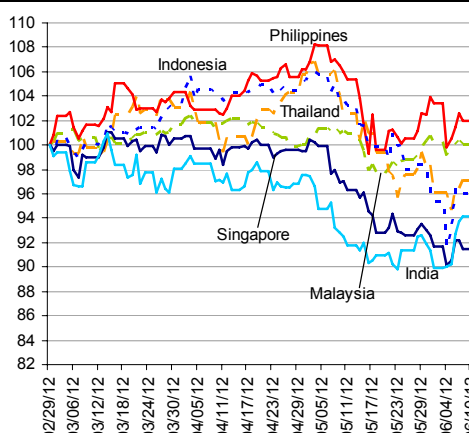
Charts

Chart 9
Stock Markets



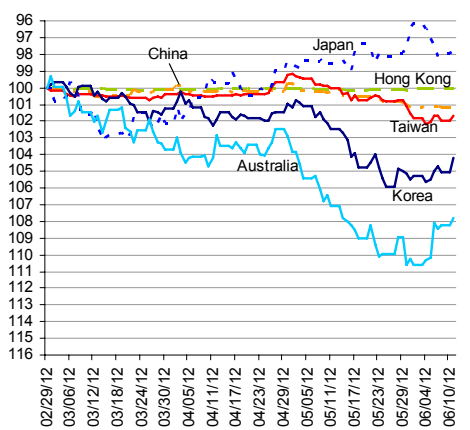
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



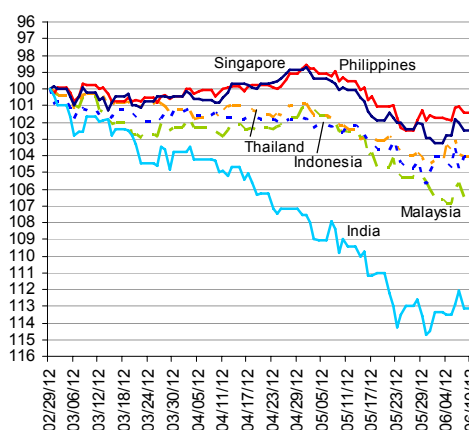
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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