

Daily Flash

Asia

India's industrial production growth remains flat in April, below expectations

India's industrial production growth came in below expectations for April (0.1% y/y vs. consensus: 1.1%), but up from a -3.2% contraction in March. A contraction in production of capital goods offset gains in the consumer goods segment. Although IP tends to be quite volatile, the weak outturn strengthens the case for further monetary policy at the RBI's next meeting on June 18, in line with our expectations of a 25bps cut in the repo rate. Investors will also be eyeing May's WPI inflation data [consensus: 7.5% y/y, which would be up from 7.23% in April], scheduled to be released on June 14, for further cues regarding upcoming monetary policy.

Indonesia keeps interest rates unchanged

In line with expectations, Bank Indonesia kept interest rates on hold today at 5.75%, citing currency depreciation pressures due to global uncertainties and destabilizing capital flows. The authorities also noted that they expect inflation to remain under control (4.45% y/y in May, in line with the target range of 3.5%-5.5%) in the coming months, allowing the BI to maintain a neutral stance on policy rates. We expect Indonesia's economy to remain resilient in 2012, with growth of 6.1% y/y, down slightly from 6.5% y/y in 2011, while we also expect Bank Indonesia to remain on hold for the remainder of the year.

IMF praises Japan's economic resilience, but warns against risks to growth

The IMF completed its annual Article IV Consultation Discussions with Japan after visiting Tokyo from May 30 to June 12. The IMF praised Japan's resilience and adaptability in the aftermath of the Great East Japan Earthquake and, in line with our own views, concluded that Japan is experiencing a solid recovery and is expected to grow about 2% in 2012 on the post-quake reconstruction spending and stronger private consumption. That said, according to the IMF staff, the global downturn, particularly in Europe, poses a serious risk to the economy, while the "moderately overvalued" yen is also weighing on Japanese exports. Further, the IMF team warned that in the medium term, Japan's outlook is being dampened by high public debt, low growth, deflation, and an aging population.

Briefly noted:

- **Thailand will hold its monetary policy meeting tomorrow.** We expect the Bank of Thailand to leave interest rates unchanged at 3%.

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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%	0.10%
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%	-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	Consensus	New
5.75%	5.75%	5.75%

Thailand - Benchmark Interest Rate, June 13

We expect the benchmark rate to remain unchanged

Current	Consensus	New
3.00%	3.00%	--

Philippines - Overnight Borrowing Rate, June 14

We expect the benchmark rate to remain unchanged

Current	Consensus	New
4.00%	4.00%	--

Japan - Bank of Japan Target Rate, June 15

We expect the benchmark rate to remain unchanged

Current	Consensus	New
0.10%	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.	2289.8	-0.7	-1.0	4.1	-15.4
	Hong Kong - Hang Seng	18872.6	-0.4	3.4	2.4	-15.8
	Taiwan - Weighted	7072.1	-0.7	1.0	0.0	-20.0
	Japan - Nikkei 225	8536.7	-1.0	1.8	1.0	-10.3
	Korea - Kospi	1854.7	-0.7	4.0	1.6	-9.4
	India - Sensex 30	16879.9	1.3	5.4	9.2	-7.6
	Australia - SPX/ASX 200	4072.9	0.2	2.2	0.4	-10.7
	Singapore - Strait Times	2797.1	0.3	3.1	5.7	-9.1
	Indonesia - Jakarta Comp	3852.6	-0.4	3.6	0.8	1.7
	Thailand - SET	1159.6	0.1	5.5	13.1	13.6
	Malaysia - KLCI	1576.1	-0.1	1.0	3.0	1.3
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	-0.05	6.37	6.42
	Hong Kong (HKD/USD)	7.76	0.03	0.01	7.76	7.75
	Taiwan (TWD/USD)	30.0	-0.26	0.03	29.90	29.62
	Japan (JPY/USD)	79.58	-0.18	-1.04	79.49	79.02
	Korea (KRW/USD)	1171	-0.40	0.82	1176	1187
	India (INR/USD)	55.9	-0.33	-0.48	57.06	59.18
	Australia (USD/AUD)	0.99	0.51	1.77	1.02	1.04
	Singapore (SGD/USD)	1.28	0.21	0.22	1.28	1.28
	Indonesia (IDR/USD)	9449	-0.41	0.00	9618	10050
	Thailand (THB/USD)	31.7	-0.03	-0.25	31.83	32.26
	Malaysia (MYR/USD)	3.18	-0.50	0.50	3.20	3.23
Philippines (PHP/USD)	43.0	-0.14	1.31	43.09	43.52	

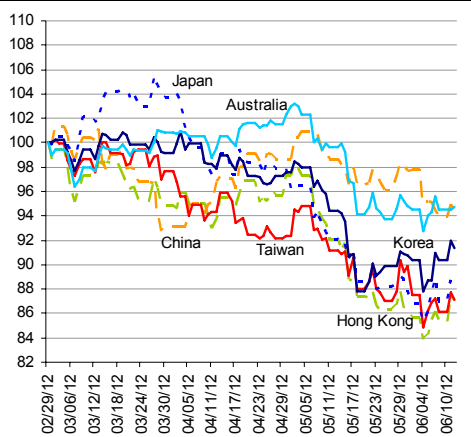
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	2.53	0.13	-0.17	-0.67
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	-0.02
	Taiwan (TAIBOR/1W)	0.67	0.00	0.00	0.00
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.36	0.00	0.00	-0.01
	India (MIBOR/7D)	2.55	0.12	-0.10	-0.09
	Singapore (SIBOR/1W)	0.31	0.00	0.00	0.06
	Indonesia (JIBOR/1W)	4.10	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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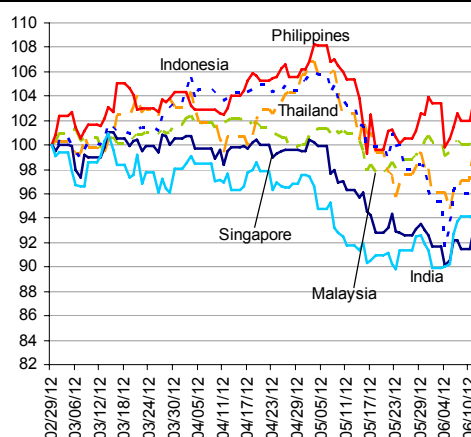
Charts

Chart 9
Stock Markets



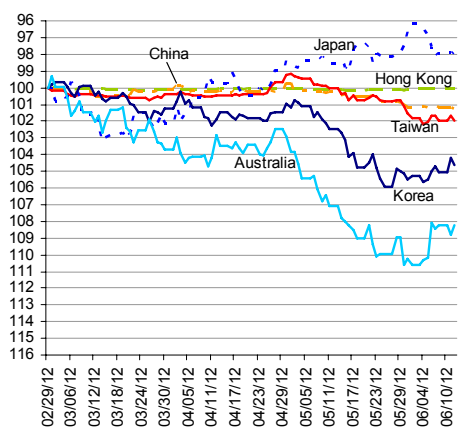
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



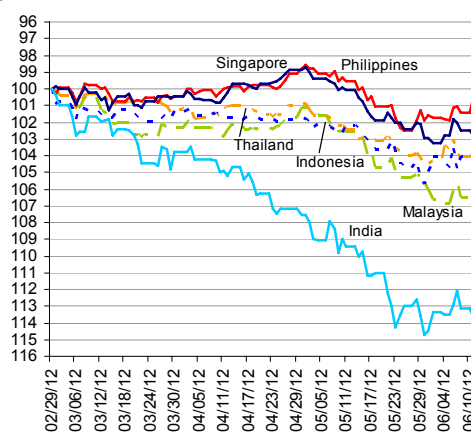
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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