

Daily Flash

Asia

On the first day of the G-20, emerging market nations announced substantial commitments to the IMF's firewall as it addresses the turmoil in Europe, increasing it to \$456 billion. China announced the largest commitment (US\$43 billion) among the nations gathered in Mexico, while India also pledged \$10 billion. Leaders of both these countries, along with those of other emerging economies, followed up by expressing that the IMF should respond "in a timely manner" to their 2010 pledge to allow them a larger role in the Fund's decision making process. With their substantial commitments and the ensuing rhetoric, Asia is showing a clear interest in increasing its relevance in international affairs.

China's auto market growth to accelerate to 20% by 2014

BBVA Research has launched its first annual Automobile Market Outlook for China ([click here for further details](#)), which assesses the evolution of the domestic auto market and addresses its future prospects. We expect passenger car sales to increase in the coming years on supportive policies, growing by 10% y/y this year before increasing by 20% y/y by 2014. Growth should be fueled by ongoing urbanization and rising purchasing power, resulting in substantial growth in the auto market over the medium term. Meanwhile, the auto finance market is also expected to expand rapidly under financial sector liberalization and policy support for growth in consumer finance. We project that this growth in auto finance will outpace the growth in auto sales, as a larger share of purchases are financed with credit.

Briefly noted:

- **The PBoC announced a reversal in its foreign exchange position (FEP)**, the amount of foreign currency which the central bank buys from the forex market. The FEP increased by RMB 23.4 billion in May, reversing a decline of RMB -60.6bn in April. The positive reading of the FEP in May implies capital outflows from China, possibly due to weakened expectations for RMB appreciation.
- **Following S&P, yesterday Fitch revised India's rating outlook to negative.** Risks to India's medium- to long-term growth potential have increased, and further structural reforms are necessary. The "negative" outlook reflects India's limited progress with fiscal consolidation and, in particular, on reducing the central government deficit.
- **Moody's affirmed Singapore's AAA rating** - the country's low unemployment rate, solid growth prospects, and prudent fiscal policies have made it one of two countries in the Asia-Pacific region (Australia being the other) holding Moody's top rating. Moody's highlighted Singapore's 'low susceptibility to external risk factors' in affirming its rating.

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Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
China May Property Prices	18-Jun	MAY			
HSBC Flash China Manufacturing PMI	22-25 JUN	JUN	48.7	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Unemployment Rate SA	18-Jun	MAY	3.30%	3.40%	3.20%
CPI - Composite Index (YoY)	21-Jun	MAY	4.70%	4.30%	--
India	Date	Period	Prior	Cons.	Actual
Cash Reserve Ratio	18-Jun	18-Jun	4.75%	4.75%	4.75%
Reverse Repo Rate	18-Jun	18-Jun	7.00%	6.75%	7.00%
CPI (YoY)	18-Jun	MAY	10.36%	--	10.36%
Japan	Date	Period	Prior	Cons.	Actual
Merchnds Trade Balance Total	20-Jun	MAY	-¥520.3B	-¥544.4B	--
Merchnds Trade Exports YoY	20-Jun	MAY	7.9	9.7	--
All Industry Activity Index (MoM)	20-Jun	APR	-0.30%	0.10%	--
Malaysia	Date	Period	Prior	Cons.	Actual
CPI YoY	22-Jun	MAY	1.90%	1.70%	--
Philippines	Date	Period	Prior	Cons.	Actual
Balance of Payments	19-Jun	MAY	-\$79M	--	\$138M
Taiwan	Date	Period	Prior	Cons.	Actual
Export Orders (YoY)	20-Jun	MAY	-3.52%	-3.40%	--
Unemployment Rate - sa	22-Jun	MAY	4.19%	4.20%	--
Thailand	Date	Period	Prior	Cons.	Actual
Customs Exports (YoY)	21-22 JUN	MAY	-3.67%	0.20%	--
Vietnam	Date	Period	Prior	Cons.	Actual
CPI (YoY)	24-Jun	JUN	8.34%	--	--

Indicator of the Week

Taiwan: Taiwan Export Orders (June 20)

Forecast: -2.2% y/y

Consensus: -3.0% y/y

Prior: -3.5% y/y

As a 3-month leading indicator of Taiwan's exports, export orders will be watched for further signs of weakening external demand, both for Taiwan and for the region. April export orders were disappointing (-3.5% y/y), and suggest that near-term external demand might remain sluggish, despite a surprisingly encouraging export outturn for China in the month of May (+15.3% y/y). We expect Taiwan's export orders to decline again, but at a decelerating rate. Export orders to China should begin to stabilize, especially following stimulus policies to support growth. The Taiwanese central bank will likely keep its wait-and-see approach to further interest rate cuts at its next quarterly policy meeting, a day after the export orders release.

Calendar Events

India - India Repo Cutoff Yield, June 18

We expected a 25 bps cut in the benchmark rate

Current

8.00%

Consensus

7.75%

New

8.00%

Taiwan - Benchmark Interest Rate, June 21

We expect the benchmark rate to remain unchanged

Current

1.88%

Consensus

1.88%

New

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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.	2300.8	-0.7	0.5	4.6	-12.9
	Hong Kong - Hang Seng	19416.7	-0.1	2.9	5.3	-10.5
	Taiwan - Weighted	7273.1	-0.1	2.8	2.8	-15.8
	Japan - Nikkei 225	8655.9	-0.7	1.4	2.4	-7.4
	Korea - Kospi	1891.8	0.0	2.0	3.6	-6.9
	India - Sensex 30	16871.2	1.0	0.0	9.2	-5.6
	Australia - SPX/ASX 200	4123.3	-0.3	1.2	1.6	-8.1
	Singapore - Strait Times	2842.4	0.6	1.6	7.4	-5.4
	Indonesia - Jakarta Comp	3880.8	0.5	0.7	1.5	4.3
	Thailand - SET	1173.1	0.8	0.9	14.4	15.1
	Malaysia - KLCI	1595.0	0.8	1.2	4.2	2.0
Philippines - Manila Comp.	5081.6	0.6	0.1	16.2	22.4	

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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)	6.35	0.04	0.25	6.36	6.41
	Hong Kong (HKD/USD)	7.76	-0.01	-0.02	7.76	7.75
	Taiwan (TWD/USD)	29.9	-0.02	0.36	29.77	29.47
	Japan (JPY/USD)	78.94	0.22	0.75	78.84	78.42
	Korea (KRW/USD)	1156	0.07	1.22	1162	1174
	India (INR/USD)	56.0	-0.18	-0.36	57.11	59.37
	Australia (USD/AUD)	1.02	0.26	1.92	0.99	1.01
	Singapore (SGD/USD)	1.27	0.22	1.17	1.27	1.26
	Indonesia (IDR/USD)	9408	0.45	0.44	9653	10075
	Thailand (THB/USD)	31.4	0.19	0.54	31.54	31.98
	Malaysia (MYR/USD)	3.16	-0.01	0.86	3.17	3.21
Philippines (PHP/USD)	42.4	-0.09	1.40	42.49	42.95	

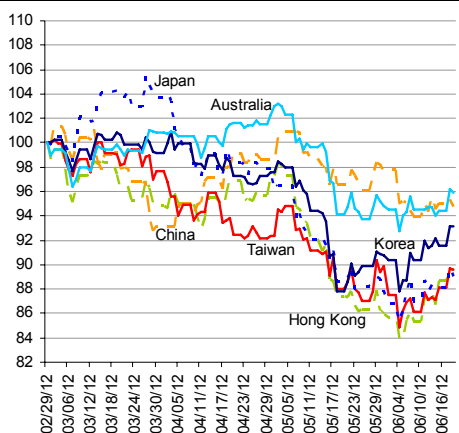
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	2.91	0.31	0.21	0.21
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.67	0.00	0.00	0.00
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.35	-0.01	-0.01	-0.02
	India (MIBOR/7D)	3.00	0.30	0.45	0.25
	Singapore (SIBOR/1W)	0.25	-0.06	-0.06	0.00
	Indonesia (JIBOR/1W)	4.12	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)	3.63	0.06	0.19	0.25

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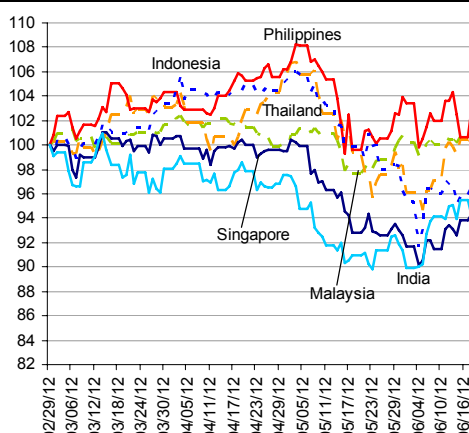
Charts

Chart 9
Stock Markets



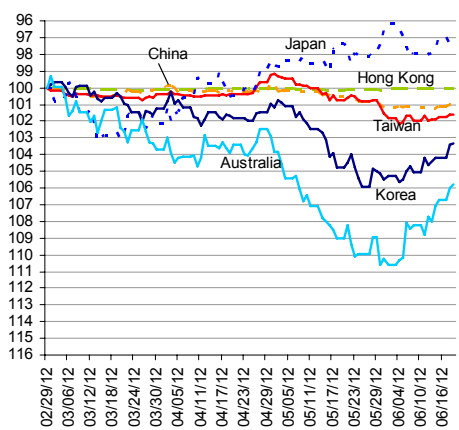
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



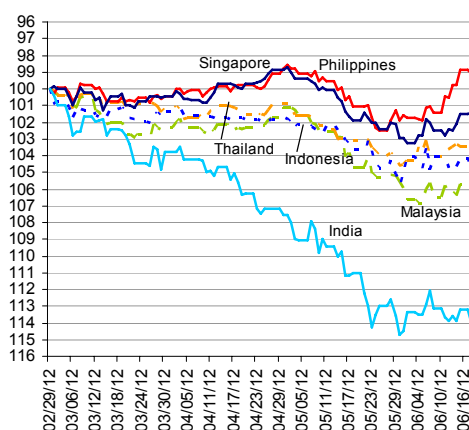
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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