

Daily Flash

Asia

The Indian rupee fell to a record low today (57.25/USD), down 1.7%, with markets across the region falling in tandem (Kospi: -2.2%) in the absence of any new developments in Europe or the announcement of stimulus elsewhere (i.e. the US). After a rather downbeat week of data this past week, markets will be watching for additional activity indicators to be released in the coming days in a number of the region's export-oriented economies, including Hong Kong, Singapore and Korea.

RBI issues new measures on forex markets as rupee falls to a record low

The Indian rupee hit a record low of 57.3/USD today amid a spike in global risk aversion, weakening domestic fundamentals and dollar purchases by oil and gold importers. In its latest efforts to curb volatility and stem further currency losses, the RBI is directing state owned oil companies to satisfy half of their total forex needs from a public sector bank (without putting pressure on currency markets), while the rest can be sourced through competitive bids. Looking ahead, while we expect global risk aversion and India's domestic slowdown to continue to pressure the rupee in the very near term, we still expect the currency to appreciate later this year.

Malaysia's inflation slows, as expected

Malaysia's May inflation slowed to 1.7% y/y from 1.9% y/y in April, in line with expectations. On a sequential basis, headline inflation has edged up by 0.2% m/m after staying flat for three months. Though the current interest rate levels (3%) are viewed as supportive of growth by the Malaysian central bank, inflation is staying low, thus providing no pressure to hike rates for now.

Briefly noted:

- **Taiwan's industrial production declined in May by -0.2% y/y, (consensus: -2.5%)** up marginally from -1.8% y/y in April. The contraction was largely due to ongoing weakness in the manufacturing sector. However, some positive news came from the domestic demand side, as retail sales increased by 5.8% y/y from 2.7% y/y in April. Domestic consumption is expected to recover further in coming months due to recent initiatives with mainland China, including the expansion of the mainland travel scheme to Taiwan.
- **Next week the focus in Asia will be on the release of China's June PMI**, (see Weekly indicator below) which is due on July 1st (next weekend). On the same day, China's President Hu Jintao will be visiting Hong Kong for the 15th anniversary of the return of the territory to China, with rumours of him bringing a "gift package" of reforms (see last Friday's daily flash). Also on July 1st, Korea will report its June exports.

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Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
China May Property Prices	18-Jun	MAY			
HSBC Flash China Manufacturing PMI	21-Jun	JUN	48.4	--	48.1
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%	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	-¥907.3B
Merchnds Trade Exports YoY	20-Jun	MAY	7.9	9.7	10.0
All Industry Activity Index (MoM)	20-Jun	APR	-0.30%	0.10%	0.10%
Malaysia	Date	Period	Prior	Cons.	Actual
CPI YoY	22-Jun	MAY	1.90%	1.70%	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%	-3.70%	-3.04%
Unemployment Rate - sa	22-Jun	MAY	4.19%	4.20%	4.25%
Vietnam	Date	Period	Prior	Cons.	Actual
CPI (YoY)	24-Jun	JUN	8.34%	--	--

Indicator of the Week

China: PMI for June (July 1)

Forecast: 50.1

Consensus: n/a

Prior: 50.4

Activity indicators for May showed continued weakness in growth momentum, albeit with mixed signs due to much stronger than expected exports. We expect growth momentum to remain somewhat sluggish in June, as the just released flash estimate for the private sector PMI (Markit) registered a further moderation, to 48.1% from 48.4% in the previous month. We expect the official manufacturing PMI (with a greater focus on larger and domestic-oriented firms) to show moderation as well to 50.1, still above the +50 expansion/contraction threshold. Going forward, increasing monetary and fiscal policy stimulus should lead to a pick up in growth momentum in the second half of the year.

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 expected the benchmark rate to remain unchanged

Current

1.88%

Consensus

1.88%

New

1.88%

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.	2260.9	-1.4	-1.5	2.8	-14.7
	Hong Kong - Hang Seng	18995.1	-1.4	-1.2	3.0	-13.1
	Taiwan - Weighted	7222.1	-0.8	0.9	2.1	-16.2
	Japan - Nikkei 225	8798.4	-0.3	2.7	4.1	-8.6
	Korea - Kospi	1847.4	-2.2	-0.6	1.2	-10.5
	India - Sensex 30	16972.5	-0.4	0.1	9.8	-3.3
	Australia - SPX/ASX 200	4048.2	-1.0	-0.2	-0.2	-10.7
	Singapore - Strait Times	2828.1	-0.1	0.6	6.9	-7.1
	Indonesia - Jakarta Comp	3889.5	-0.3	1.9	1.8	1.8
Thailand - SET	1152.9	-0.5	-1.1	12.4	12.6	
Malaysia - KLCI	1603.1	0.1	1.5	4.7	2.3	
Philippines - Manila Comp.	5120.1	0.2	3.8	17.1	20.6	

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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)	6.36	0.01	0.02	6.36	6.41
	Hong Kong (HKD/USD)	7.76	0.00	-0.01	7.76	7.75
	Taiwan (TWD/USD)	29.9	-0.24	-0.13	29.89	29.58
	Japan (JPY/USD)	80.26	0.02	-1.91	80.16	79.74
	Korea (KRW/USD)	1157	-0.47	0.75	1164	1175
	India (INR/USD)	57.2	-1.48	-2.90	58.37	60.62
	Australia (USD/AUD)	1.00	-0.01	-0.23	1.01	1.03
	Singapore (SGD/USD)	1.28	0.12	-0.49	1.28	1.27
	Indonesia (IDR/USD)	9494	-0.13	-1.01	9691	10133
Thailand (THB/USD)	31.8	0.13	-0.79	31.92	32.33	
Malaysia (MYR/USD)	3.19	-0.41	-0.80	3.21	3.24	
Philippines (PHP/USD)	42.5	-0.29	-0.56	42.67	43.10	

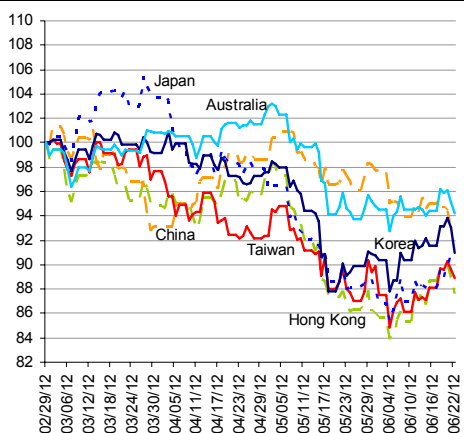
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	4.50	1.00	1.77	1.82
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.67	0.00	0.00	0.00
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.34	0.00	-0.02	-0.03
	India (MIBOR/7D)	4.34	0.94	1.65	1.26
	Singapore (SIBOR/1W)	0.25	0.00	-0.06	0.00
	Indonesia (JIBOR/1W)	4.12	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)	3.75	0.13	0.31	0.50	

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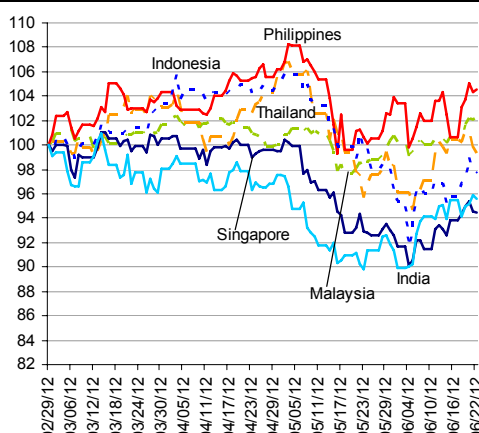
Charts

Chart 9
Stock Markets



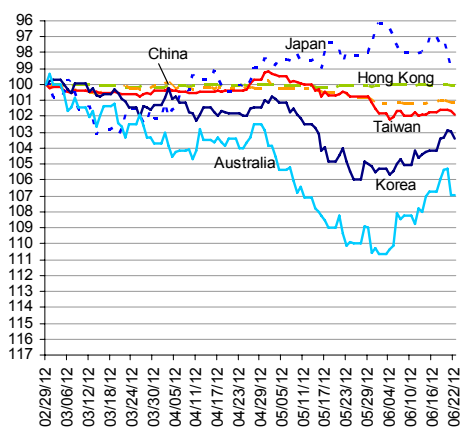
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



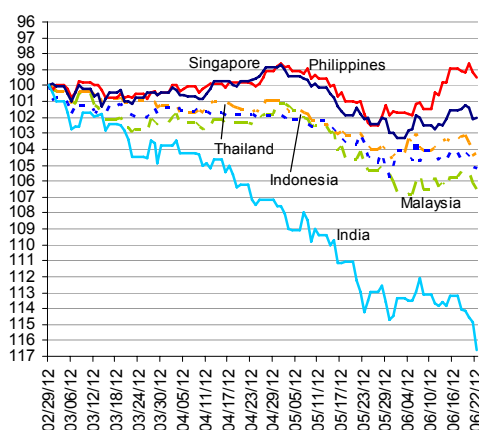
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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