

# Daily Flash

## Asia

*European leaders are set to meet tomorrow for a two-day summit. Despite fading expectations that concrete actions will be taken at the summit to resolve the crisis, stock markets in Asia showed moderate gains today, largely on hopes of further stimulus in China. Notably, the Hang Seng advanced by +1.0% on speculation about a reform package to be delivered by China which will likely coincide with the 15-year anniversary of the return of Hong Kong to Chinese sovereignty on July 1<sup>st</sup> (see below).*

### China unveils the outline of Hong Kong's anniversary reform package

China's central government today revealed a new batch of policies to strengthen ties between Hong Kong and the mainland. The policy package covers several areas including trade, finance, education, technology, and tourism, as well as increased regional cooperation between Hong Kong and China's neighboring Guangdong province. Moreover, authorities pledged to undertake new initiatives to encourage foreign firms and individuals to conduct RMB trade settlement and investment through Hong Kong, although the relevant details have not yet been released. The details of the new policy package are expected to be announced when President Hu Jintao visits Hong Kong from June 29-July 1.

### India: Change at finance ministry spurs hopes of renewed push for reform

Following the nomination of India's previous finance minister for President, India's Prime Minister Dr. Manmohan Singh was announced as the new head of the Finance Ministry on Tuesday, a changing of the guard which has raised expectations of fast-tracking stalled policy reforms. The outgoing finance minister left on a positive note, clearing FDI proposals worth more than Rs 20bn on Monday. In another positive development, New Delhi reported a 26% hike in its electricity tariff, a move that may add to inflation in the near term but over the medium-term will alleviate pressures on the loss-making state electricity board. Other states are expected to follow New Delhi's decision by announcing similar electricity hikes.

Jeffrey Cantwell  
Economist  
jeffrey.cantwell@bbva.com.hk  
+852 2582 3173

William Fitchett  
Economist  
william.fitchett@bbva.com.hk  
+852 2582 3246

With contributions from the BBVA Research Asia Team

## Calendar Indicators

<b>China</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Manufacturing PMI	01-Jul	JUN	50.4	49.8	--
<b>Hong Kong</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Exports YoY%	26-Jun	MAY	5.60%	0.50%	5.20%
Imports YoY%	26-Jun	MAY	5.00%	2.20%	4.60%
<b>India</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Current Account Balance	30-Jun	1Q	--	--	--
<b>Japan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Retail Trade YoY	28-Jun	MAY	5.80%	2.90%	--
Jobless Rate	29-Jun	MAY	4.60%	4.50%	--
Natl CPI YoY	29-Jun	MAY	0.40%	0.20%	--
Natl CPI Ex-Fresh Food YoY	29-Jun	MAY	0.20%	0.00%	--
<b>Philippines</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Trade Balance	26-Jun	APR	-\$1049M	--	-\$135M
<b>Singapore</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
CPI (MOM) - NSA	25-Jun	MAY	0.50%	0.30%	0.20%
CPI (YoY)	25-Jun	MAY	5.40%	5.10%	5.00%
Industrial Production MoM SA	26-Jun	MAY	-3.50%	2.60%	1.80%
Industrial Production YoY	26-Jun	MAY	-0.30%	6.10%	6.60%
<b>South Korea</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Current Account in US\$ Million	28-Jun	MAY	\$1776.6M	--	--
Industrial Production (MoM)	29-Jun	MAY	0.90%	0.50%	--
Industrial Production (YoY)	29-Jun	MAY	0.00%	0.50%	--
Ext Trade - Export (YoY)	01-Jul	JUN	-0.40%	0.10%	--
<b>Thailand</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Customs Exports (YoY)	25-Jun	MAY	-3.67%	0.50%	7.68%
Mfg. Production Index ISIC NSA (YoY)	28-Jun	MAY	0.54	2.50	--
Current Account Balance (USD)	29-Jun	MAY	-\$1516M	-\$900M	--
<b>Vietnam</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
GDP Constant Prices YTD (YoY)	28-29 JUN	2Q	4.00%	4.30%	--
Exports YTD (YoY)	24-30 JUN	JUN	24.10%	--	--

## Indicator of the Week

### China: PMI for June (July 1)

Forecast: 50.1	Consensus: 49.8	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

There are no calendar events scheduled for this week.

## 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.	2216.9	-0.2	-3.6	0.8	-19.6
	Hong Kong - Hang Seng	19177.0	1.0	-1.8	4.0	-13.0
	Taiwan - Weighted	7183.0	0.6	-2.1	1.6	-15.5
	Japan - Nikkei 225	8730.5	0.8	-0.2	3.3	-8.9
	Korea - Kospi	1817.7	0.0	-4.5	-0.4	-12.2
	India - Sensex 30	16964.0	0.3	0.4	9.8	-7.9
	Australia - SPX/ASX 200	4043.2	0.7	-2.2	-0.3	-9.4
	Singapore - Strait Times	2841.6	1.3	-0.5	7.4	-6.8
	Indonesia - Jakarta Comp	3934.9	1.4	-0.2	3.0	3.2
	Thailand - SET	1163.7	1.1	-0.8	13.5	15.2
	Malaysia - KLCI	1601.9	0.5	-0.2	4.6	2.5
Philippines - Manila Comp.	5257.9	1.2	2.2	20.3	22.6	

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)	6.36	0.08	0.04	6.36	6.42
	Hong Kong (HKD/USD)	7.76	0.01	0.00	7.76	7.75
	Taiwan (TWD/USD)	29.9	0.14	-0.20	29.85	29.55
	Japan (JPY/USD)	79.53	-0.01	0.01	79.43	79.02
	Korea (KRW/USD)	1156	0.20	-0.44	1164	1175
	India (INR/USD)	57.2	-0.23	-1.78	58.33	60.68
	Australia (USD/AUD)	1.01	-0.10	-1.37	1.00	1.02
	Singapore (SGD/USD)	1.28	-0.13	-0.77	1.28	1.27
	Indonesia (IDR/USD)	9490	0.19	-0.63	9682	10134
	Thailand (THB/USD)	31.9	-0.13	-0.97	32.03	32.41
	Malaysia (MYR/USD)	3.19	0.05	-1.09	3.21	3.24
Philippines (PHP/USD)	42.4	0.24	-0.61	42.59	43.01	

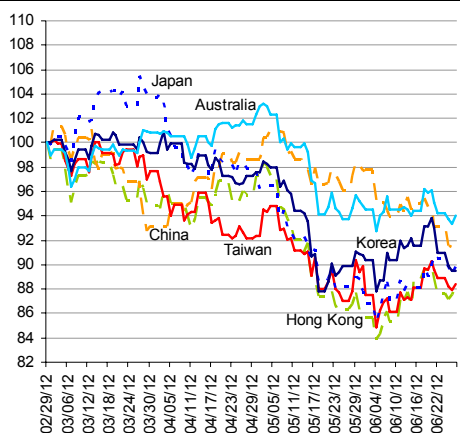
Last update: today, 17.45 Hong Kong time.

INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	4.20	-0.06	-0.30	1.70
	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	0.00	-0.03
	India (MIBOR/7D)	4.30	-0.18	1.30	1.83
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.14	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)	3.69	0.00	0.06	0.31

Last update: today, 17.45 Hong Kong time

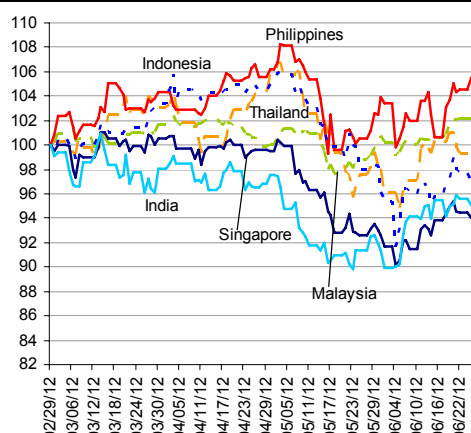
# Charts

Chart 9  
Stock Markets



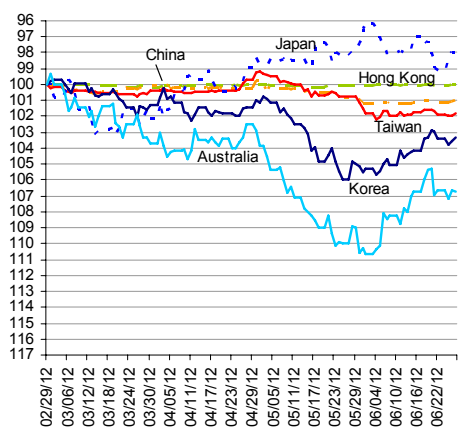
Source: BBVA Research and Bloomberg

Chart 10  
Stock Markets



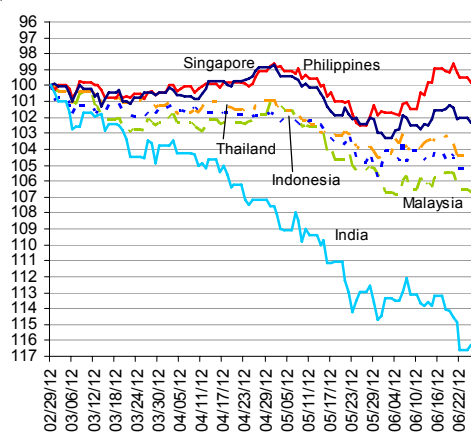
Source: BBVA Research and Bloomberg

Chart 11  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Stephen Schwartz  
Chief Economist for Asia  
[stephen.schwartz@bbva.com.hk](mailto:stephen.schwartz@bbva.com.hk)

Fielding Chen  
Senior Economist  
[fielding.chen@bbva.com.hk](mailto:fielding.chen@bbva.com.hk)

Le Xia  
Senior Economist (China)  
[xia.le@bbva.com.hk](mailto:xia.le@bbva.com.hk)

Zhigang Li  
Senior Economist (China)  
[zhigang.li@bbva.com.hk](mailto:zhigang.li@bbva.com.hk)


Sumedh Deorukhkar  
Senior Economist (India, Mumbai)  
[sumedh.deorukhkar@grupobbva.com](mailto:sumedh.deorukhkar@grupobbva.com)

Jeffrey Cantwell  
Economist  
[jeffrey.cantwell@bbva.com.hk](mailto:jeffrey.cantwell@bbva.com.hk)

George Xu  
Economist  
[george.xu@bbva.com.hk](mailto:george.xu@bbva.com.hk)

Richard Li  
Asian FX Chief Strategist  
[richard.li@bbva.com.hk](mailto:richard.li@bbva.com.hk)

William Fitchett  
Economist  
[william.fitchett@bbva.com.hk](mailto:william.fitchett@bbva.com.hk)

**BBVA** | RESEARCH  | 43/F., Two IFC, 8 Finance Street, Central, Hong Kong | Tel.: +852 2582 3111 | [www.bbva.com.hk](http://www.bbva.com.hk)

Before you print this message please consider if it is really necessary.

This email and its attachments are subject to the confidentiality terms established in the corresponding regulations and are intended for the sole use of the person or persons indicated in the header. They are for internal use only and cannot be distributed, copied, conveyed or furnished to third parties without prior written consent from BBVA. If this message has been received erroneously, it is forbidden to read, use or copy any of the contents and you are asked to inform BBVA immediately by forwarding the email to the sender and eliminating it thereafter.

BBVA will continue to provide our readers up-to-date reports by emails, but you can also register directly on our website where you can find a full list of our latest reports & presentations <http://serviciodeestudios.bbva.com/KETD/ketd/ing/index.jsp>

If you wish to be excluded from this mailing list, please write to us on [research.emergingmarkets@bbva.com.hk](mailto:research.emergingmarkets@bbva.com.hk) and we shall immediately take you off the list.