

Daily Flash

Asia

Indonesia unveils long-anticipated domestic bank ownership rules

Bank Indonesia yesterday revealed its long-anticipated new rules on domestic bank ownership, which were largely in line with expectations. The new ownership limit for financial institutions in domestic banks is reduced to 40%, from 99% under the previous regime. Importantly, ownership can exceed the 40% limit with Bank Indonesia approval if financial institutions exhibit high standards of financial health and corporate governance, and agree to allow 20% of the target bank's shares to be publically listed within five years. Analysts are interpreting the new rules to be positive in allowing the recent acquisition of Bank Danamon by Singapore-based DBS to proceed, although there is as yet no confirmation.

China announces new loans to Africa; highlights expanding trade ties

In the Forum on China-Africa Cooperation (FOCAC), President Hu announced China will provide 20 billion USD loans to Africa, focusing on infrastructure, agriculture and development of small businesses. Trade continues to grow between the two regions (reaching a record US\$166 billion in 2011). Today's loan package follows closely on the heels of Tuesday's news that China's outbound FDI expanded by 48% y/y in the first half of the year, and shows the growing ties between China and Africa.

Briefly noted:

- **Hong Kong's unemployment rate stays flat at 3.2%**
Hong Kong's seasonally adjusted unemployment rate remained at 3.2% in June (consensus: 3.3%). The weakness in the external environment was expected to push up Hong Kong's unemployment rate, however the labor market continues to prove resilient.
- **The Asian Development Bank (ADB) said the region may need another round of monetary and fiscal easing measures** to cope with the worsening external environment in its Asian Economic Integration Monitor, released today. The report also highlighted the role of China's renminbi in international trade settlement. "Over time, it can become an anchor currency, helping the region to integrate their economies, cooperate on monetary and finance issues as well as gradually open up the Chinese financial market," the ADB said. We review recent developments and outline necessary policy measures to further the internationalization of China's renminbi in our *China Economic Watch on RMB internationalization*, released this week.

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

China	Date	Period	Prior	Cons.	Actual
Actual FDI (YoY)	17-Jul	Jun	0.10%	-2.00%	-6.90%
China June Property Prices	18-Jul	Jun			
Hong Kong	Date	Period	Prior	Cons.	Actual
Unemployment Rate SA	19-Jul	Jun	3.20%	3.30%	3.20%
India	Date	Period	Prior	Cons.	Actual
Monthly Wholesale Prices YoY%	16-Jul	Jun	7.55%	7.61%	7.25%
CPI (YoY)	18-Jul	Jun	10.36%	--	10.02%
Japan	Date	Period	Prior	Cons.	Actual
All Industry Activity Index (MoM)	19-Jul	May	0.10%	-0.30%	-0.30%
Malaysia	Date	Period	Prior	Cons.	Actual
CPI YoY	18-Jul	Jun	1.70%	1.70%	1.60%
Philippines	Date	Period	Prior	Cons.	Actual
Overseas Remittances (YoY)	16-Jul	May	5.30%	--	5.10%
Balance of Payments	19-Jul	Jun	\$138M	--	\$14M
Singapore	Date	Period	Prior	Cons.	Actual
Electronic Exports (YoY)	17-Jul	Jun	3.90%	4.00%	1.60%
Non-oil Domestic Exports (YoY)	17-Jul	Jun	3.20%	1.90%	6.80%
Non-oil Domestic Exp SA (MoM)	17-Jul	Jun	-2.10%	2.30%	6.70%
Taiwan	Date	Period	Prior	Cons.	Actual
Export Orders (YoY)	20-Jul	Jun	-3.04%	-2.75%	--
Thailand	Date	Period	Prior	Cons.	Actual
Customs Exports (YoY)	20-23 JUL	Jun	7.68%	0.25%	--

Indicator of the Week

Taiwan: Export Orders (June, July 20th)

Forecast: -2.9% y/y

Consensus: -2.8% y/y

Prior: -3.0% y/y

As an important leading indicator for the Asia region's export demand, Taiwan's export orders for June will be watched for further signs of a slowdown. Taiwan's semi-conductor and electronics-intensive production place the economy at the forefront of the global supply chain. Due to weakening external demand, Taiwan's exports dropped through the first two quarters of 2012, down -4.0% yoy in Q1 and -5.4% yoy in Q2, resulting in slowing production. PMI fell back to within the contraction zone (below 50) in June, at 49.2. We expect export orders to remain sluggish in June, mainly due to weakening orders from the EU and, increasingly, weaker imports in China.

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.	2184.8	0.7	0.0	-0.7	-21.9
	Hong Kong - Hang Seng	19559.1	1.7	2.8	6.1	-10.7
	Taiwan - Weighted	7148.6	1.4	0.2	1.1	-16.1
	Japan - Nikkei 225	8795.6	0.8	-0.6	4.0	-11.1
	Korea - Kospi	1823.0	1.6	2.1	-0.2	-14.4
	India - Sensex 30	17272.6	0.5	0.2	11.8	-7.4
	Australia - SPX/ASX 200	4206.7	2.0	3.4	3.7	-5.9
	Singapore - Strait Times	3029.0	0.4	1.9	14.5	-2.2
	Indonesia - Jakarta Comp	4096.2	0.4	2.8	7.2	1.8
Thailand - SET	1213.0	-0.6	1.7	18.3	10.6	
Malaysia - KLCI	1644.6	0.0	1.2	7.4	5.7	
Philippines - Manila Comp.	5189.4	-0.6	-0.3	18.7	15.7	

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)	6.37	-0.05	0.01	6.35	6.41
	Hong Kong (HKD/USD)	7.76	0.00	0.02	7.75	7.75
	Taiwan (TWD/USD)	30.0	0.06	0.10	29.92	29.62
	Japan (JPY/USD)	78.61	0.24	0.89	78.53	78.16
	Korea (KRW/USD)	1139	0.30	1.07	1144	1154
	India (INR/USD)	55.3	0.39	1.17	56.19	58.48
	Australia (USD/AUD)	1.04	0.54	2.76	0.97	0.99
	Singapore (SGD/USD)	1.26	0.15	1.12	1.26	1.25
	Indonesia (IDR/USD)	9460	-0.07	-0.13	9560	9924
Thailand (THB/USD)	31.6	0.16	0.54	31.81	32.20	
Malaysia (MYR/USD)	3.15	0.13	1.14	3.17	3.20	
Philippines (PHP/USD)	41.8	-0.20	0.78	41.78	42.05	

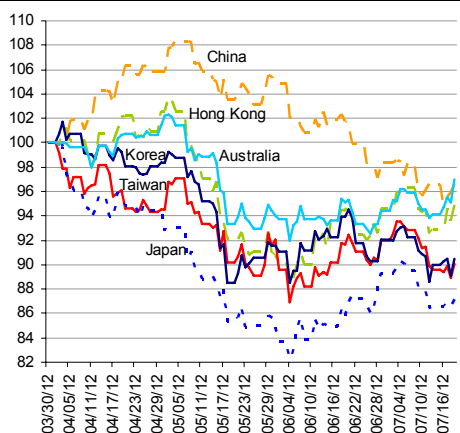
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.50	0.06	0.17	0.59
	Hong Kong (HIBOR/1W)	0.13	0.00	-0.02	0.00
	Taiwan (TAIBOR/1W)	0.65	-0.01	-0.02	-0.02
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	3.09	0.00	-0.24	-0.26
	India (MIBOR/7D)	3.52	-0.28	0.33	0.52
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.17	0.00	0.00	0.06
	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)	2.88	0.00	0.06	-0.75	

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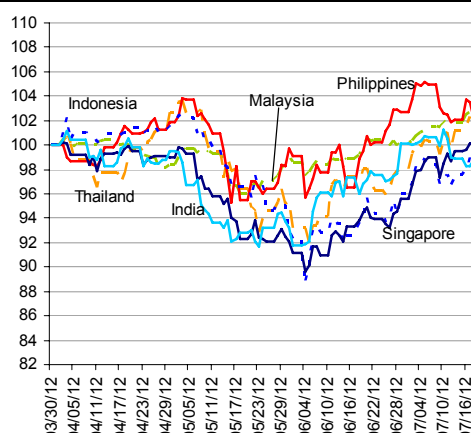
Charts

Chart 9
Stock Markets



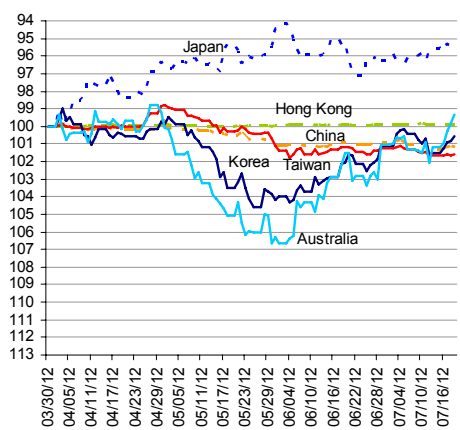
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



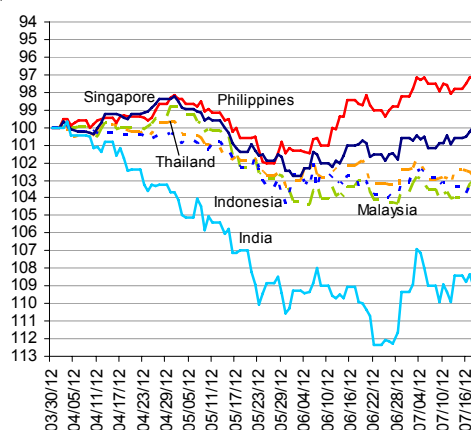
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Stephen Schwartz
Chief Economist for Asia
stephen.schwartz@bbva.com.hk

Fielding Chen
Senior Economist
fielding.chen@bbva.com.hk

Le Xia
Senior Economist (China)
xia.le@bbva.com.hk

Zhigang Li
Senior Economist (China)
zhigang.li@bbva.com.hk

Sumedh Deorukhkar
Senior Economist (India, Mumbai)
sumedh.deorukhkar@grupobbva.com

Jeffrey Cantwell
Economist
jeffrey.cantwell@bbva.com.hk

George Xu
Economist
george.xu@bbva.com.hk

Richard Li
Asian FX Chief Strategist
richard.li@bbva.com.hk

William Fitchett
Economist
william.fitchett@bbva.com.hk

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