

Daily Flash

Asia

China's flash PMI improves, adding to evidence of a rebound

Further signs of stabilizing growth momentum were apparent in today's HSBC flash PMI estimate for July, which rebounded to 49.5% from 48.2% in June. Production, new orders, and new export orders all increased. The production component in particular was noteworthy as it rose above 50% for the first time in five months, improving to 51.2% from 49.3 in June. The private sector HSBC PMI outturns have been consistently below the (broader-based) official PMI readings, and the upturn in the flash estimate bodes well for next week's official PMI outturn for July (due out on August 1). Other recent indicators, including loan growth and investment have pointed to stabilizing growth trends on increasingly supportive fiscal and monetary policy stances.

Hong Kong's trade data disappoints

Hong Kong's trade data in June surprised to the downside, as exports declined by -4.8% y/y (consensus: 1.8% y/y) from 5.2% y/y in May, and imports also posted negative growth of -2.9% y/y (consensus: 1.5% y/y) compared to 4.6% y/y the previous month. As a result, the trade deficit expanded to -\$44.7 billion (consensus: -\$39.5 billion) from -\$35.6 billion in May. Marked decreases were registered in exports to Hong Kong's major trade partners in both Asia (including mainland China) and Europe, indicating that the deterioration in Europe continues to affect global supply chains. Interestingly, exports to US showed some resilience, but still declined by -0.4% y/y in June. Looking ahead, the weak external environment will likely continue to put downward pressures on Hong Kong's growth prospects, though for now we think policymakers will adopt a wait-and-see approach before deciding on whether additional fiscal measures are needed to support the economy.

Vietnam's inflation continues its rapid fall

Vietnam's inflation slowed for the 11th straight month in July to 5.4% y/y (from a high of 23.0% y/y last August), below the market's expectations (consensus: 5.7%). On a sequential basis, prices declined for the second straight month (by -0.3% m/m). Food inflation, which accounts for 40% of the index, has now been negative since March on a month-on-month basis, as growth in the economy has been slowing rapidly, resulting in easing price pressures. To support the economy, the State Bank of Vietnam began monetary easing in the middle of March, and has since cut interest rates by a total of 500 bps. While today's decline in inflation may support the case for further monetary easing, we think upside risks to inflation will increase in the coming months, and therefore expect to see policy remain on hold for the time being.

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With contributions from the BBVA Research Asia Team

Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Consumer Prices (QoQ)	25-Jul	2Q	0.10%	0.60%	
Consumer Prices (YoY)	25-Jul	2Q	1.60%	1.30%	
China	Date	Period	Prior	Cons.	Actual
HSBC Flash Manufacturing PMI	24-Jul	Jul	48.2		49.5
Industrial Profits YTD YoY	27-Jul	Jun	-2.40%		
Hong Kong	Date	Period	Prior	Cons.	Actual
CPI - Composite Index (YoY)	23-Jul	Jun	4.30%	4.00%	3.70%
Exports YoY%	24-Jul	Jun	5.20%	1.80%	-4.80%
Imports YoY%	24-Jul	Jun	4.60%	1.50%	-2.90%
Japan	Date	Period	Prior	Cons.	Actual
Merchnds Trade Balance Total	25-Jul	Jun	-¥907.3B	-¥140.0B	
Merchnds Trade Exports YoY	25-Jul	Jun	10	-3	
Merchnds Trade Imports YoY	25-Jul	Jun	9.3	1.1	
Natl CPI YoY	27-Jul	Jun	0.20%	0.00%	
Natl CPI Ex-Fresh Food YoY	27-Jul	Jun	-0.10%	0.00%	
Philippines	Date	Period	Prior	Cons.	Actual
Trade Balance	25-Jul	May	-\$135M		
Singapore	Date	Period	Prior	Cons.	Actual
CPI (MOM) - NSA	23-Jul	Jun	0.20%	-0.10%	0.00%
CPI (YoY)	23-Jul	Jun	5.00%	5.10%	0.00% 5.30%
CPI (YoY) Industrial Production MoM SA	23-Jul 26-Jul	Jun Jun	5.00% 1.80%	5.10% -0.80%	
CPI (YoY) Industrial Production MoM SA Industrial Production YoY	23-Jul 26-Jul 26-Jul	Jun Jun Jun	5.00% 1.80% 6.60%	5.10% -0.80% 2.80%	5.30%
CPI (YoY) Industrial Production MoM SA Industrial Production YoY South Korea	23-Jul 26-Jul 26-Jul Date	Jun Jun Jun Period	5.00% 1.80% 6.60% Prior	5.10% -0.80% 2.80% Cons .	5.30%
CPI (YoY) Industrial Production MoM SA Industrial Production YoY South Korea GDP (QoQ)	23-Jul 26-Jul 26-Jul Date 26-Jul	Jun Jun Jun Period 2Q P	5.00% 1.80% 6.60% Prior 0.90%	5.10% -0.80% 2.80% Cons. 0.50%	5.30%
CPI (YoY) Industrial Production MoM SA Industrial Production YoY South Korea GDP (QoQ) GDP (YoY)	23-Jul 26-Jul 26-Jul Date 26-Jul 26-Jul	Jun Jun Jun Period 2Q P 2Q P	5.00% 1.80% 6.60% Prior 0.90% 2.80%	5.10% -0.80% 2.80% Cons. 0.50% 2.50%	5.30%
CPI (YoY) Industrial Production MoM SA Industrial Production YoY South Korea GDP (QoQ) GDP (YoY) Current Account in US\$ Million	23-Jul 26-Jul 26-Jul Date 26-Jul 26-Jul 27-Jul	Jun Jun Jun Period 2Q P 2Q P Jun	5.00% 1.80% 6.60% Prior 0.90% 2.80% \$3611.8M	5.10% -0.80% 2.80% Cons. 0.50% 2.50%	5.30% Actual
CPI (YoY) Industrial Production MoM SA Industrial Production YoY South Korea GDP (QoQ) GDP (YoY) Current Account in US\$ Million Taiwan	23-Jul 26-Jul 26-Jul Date 26-Jul 26-Jul 27-Jul Date	Jun Jun Period 2Q P 2Q P Jun Period	5.00% 1.80% 6.60% Prior 0.90% 2.80% \$3611.8M Prior	5.10% -0.80% 2.80% Cons. 0.50% 2.50% Cons.	5.30% Actual Actual
CPI (YoY) Industrial Production MoM SA Industrial Production YoY South Korea GDP (QoQ) GDP (YoY) Current Account in US\$ Million Taiwan Unemployment Rate - sa	23-Jul 26-Jul 26-Jul Date 26-Jul 26-Jul 27-Jul Date 23-Jul	Jun Jun Period 2Q P 2Q P Jun Period Jun	5.00% 1.80% 6.60% Prior 0.90% 2.80% \$3611.8M Prior 4.25%	5.10% -0.80% 2.80% Cons. 0.50% 2.50% Cons. 4.30%	5.30% Actual Actual 4.24%
CPI (YoY) Industrial Production MoM SA Industrial Production YoY South Korea GDP (QoQ) GDP (YoY) Current Account in US\$ Million Taiwan Unemployment Rate - sa Industrial Production (YoY)	23-Jul 26-Jul 26-Jul Date 26-Jul 27-Jul Date 23-Jul 23-Jul	Jun Jun Period 2Q P 2Q P Jun Period Jun Jun	5.00% 1.80% 6.60% Prior 0.90% 2.80% \$3611.8M Prior 4.25% -0.21%	5.10% -0.80% 2.80% Cons. 0.50% 2.50% Cons. 4.30% 0.50%	5.30% Actual 4.24% -2.44%
CPI (YoY) Industrial Production MoM SA Industrial Production YoY South Korea GDP (QoQ) GDP (YoY) Current Account in US\$ Million Taiwan Unemployment Rate - sa Industrial Production (YoY) Thailand	23-Jul 26-Jul 26-Jul Date 26-Jul 27-Jul Date 23-Jul 23-Jul Date	Jun Jun Period 2Q P 2Q P Jun Period Jun Jun Period	5.00% 1.80% 6.60% Prior 0.90% 2.80% \$3611.8M Prior 4.25% -0.21% Prior	5.10% -0.80% 2.80% Cons. 0.50% 2.50% Cons. 4.30% 0.50% Cons.	5.30% Actual Actual 4.24% -2.44% Actual
CPI (YoY) Industrial Production MoM SA Industrial Production YoY South Korea GDP (QoQ) GDP (YoY) Current Account in US\$ Million Taiwan Unemployment Rate - sa Industrial Production (YoY) Thailand Customs Exports (YoY)	23-Jul 26-Jul Date 26-Jul 26-Jul 27-Jul Date 23-Jul 23-Jul Date 25-Jul	Jun Jun Period 2Q P 2Q P Jun Period Jun Jun Period Jun Jun Period Jun	5.00% 1.80% 6.60% Prior 0.90% 2.80% \$3611.8M Prior 4.25% -0.21% Prior 7.68%	5.10% -0.80% 2.80% Cons. 0.50% 2.50% Cons. 4.30% 0.50% Cons. 4.50%	5.30% Actual Actual 4.24% -2.44% Actual
CPI (YoY) Industrial Production MoM SA Industrial Production YoY South Korea GDP (QoQ) GDP (YoY) Current Account in US\$ Million Taiwan Unemployment Rate - sa Industrial Production (YoY) Thailand Customs Exports (YoY) Vietnam	23-Jul 26-Jul Date 26-Jul 26-Jul 27-Jul Date 23-Jul 23-Jul Date 25-Jul Date	Jun Jun Period 2Q P 2Q P Jun Period Jun Jun Period Jun Period Jun Period	5.00% 1.80% 6.60% Prior 0.90% 2.80% \$3611.8M Prior 4.25% -0.21% Prior 7.68% Prior	5.10% -0.80% 2.80% Cons. 0.50% 2.50% Cons. 4.30% 0.50% Cons. 4.50% Cons.	5.30%
CPI (YoY) Industrial Production MoM SA Industrial Production YoY South Korea GDP (QoQ) GDP (YoY) Current Account in US\$ Million Taiwan Unemployment Rate - sa Industrial Production (YoY) Thailand Customs Exports (YoY)	23-Jul 26-Jul Date 26-Jul 26-Jul 27-Jul Date 23-Jul 23-Jul Date 25-Jul	Jun Jun Period 2Q P 2Q P Jun Period Jun Jun Period Jun Jun Period Jun	5.00% 1.80% 6.60% Prior 0.90% 2.80% \$3611.8M Prior 4.25% -0.21% Prior 7.68%	5.10% -0.80% 2.80% Cons. 0.50% 2.50% Cons. 4.30% 0.50% Cons. 4.50%	5.30% Actual Actual 4.24% -2.44% Actual

Indicator of the Week

Korea: 2Q GDP (July 26)

Forecast: 2.6% y/y Consensus: 2.4% y/y Prior: 2.8% y/y

Being heavily export-dependent, Korea's economy is highly exposed to weakening external demand. With the economy slowing and inflation (2.2% y/y in June) remaining well within the official 2-4% target range, the Bank of Korea cut interest rates on July 12th by 25bps, the first easing move since 2009. The move came against weakening external demand, which resulted in a half percentage point lowering of the BoK's full year forecast to 3.0% y/y (BBVA: 2.9% y/y). We expect a further slowdown in Korea's second quarter GDP. Given recent fiscal stimulus measures and the likelihood of another rate cut during the year, we expect Q2 to reflect a bottoming out of growth momentum, although there are downside risks due to the weak external environment.

Calendar Events

Thailand - Benchmark Interest Rate, July 25 We expect the benchmark rate to remain unchanged	Current 3.00%	Consensus 3.00%	New
Philippines - Overnight Borrowing Rate, July 26	Current 4.00%	Consensus	New
We expect the benchmark rate to remain unchanged		4.00%	

Markets Data

INDEX	Last price	% change over a day	% change over a week	Year to date	% change over 1 Y
China - Shanghai Comp.	2146.6	0.2	-0.7	-2.4	-22.5
Hong Kong - Hang Seng	18903.2	-0.8	-2.8	2.5	-15.8
Taiwan - Weighted	7008.4	-0.3	-1.7	-0.9	-20.0
Japan - Nikkei 225	8488.1	-0.2	-3.0	0.4	-16.2
Korea - Kospi	1793.9	0.3	-1.5	-1.7	-17.4
India - Sensex 30	16918.1	0.2	-1.1	9.5	-9.6
Australia - SPX/ASX 200	4133.2	0.1	-0.2	1.9	-10.2
Singapore - Strait Times	2998.4	0.5	-0.5	13.3	-5.8
Indonesia - Jakarta Comp	3992.1	-0.4	-2.2	4.5	-2.8
Thailand - SET	1187.6	0.2	-3.0	15.8	5.9
Malaysia - KLCI	1632.6	-0.2	-0.4	6.7	4.3
Philippines - Manila Comp.	5159.7	0.4	-2.4	18.C	15.2
	China - Shanghai Comp. Hong Kong - Hang Seng Taiwan - Weighted Japan - Nikkei 225 Korea - Kospi India - Sensex 30 Australia - SPX/ASX 200 Singapore - Strait Times Indonesia - Jakarta Comp Thailand - SET Malaysia - KLCI	China - Shanghai Comp. 2146.6 Hong Kong - Hang Seng 18903.2 Taiwan - Weighted 7008.4 Japan - Nikkei 225 8488.1 Korea - Kospi 1793.9 India - Sensex 30 16918.1 Australia - SPX/ASX 200 4133.2 Singapore - Strait Times 2998.4 Indonesia - Jakarta Comp 3992.1 Thailand - SET 1187.6 Malaysia - KLCI 1632.6	INDEX Last price over a day China - Shanghai Comp. 2146.6 0.2 Hong Kong - Hang Seng 18903.2 -0.8 Taiwan - Weighted 7008.4 -0.3 Japan - Nikkei 225 8488.1 -0.2 Korea - Kospi 1793.9 0.3 India - Sensex 30 16918.1 0.2 Australia - SPX/ASX 200 4133.2 0.1 Singapore - Strait Times 2998.4 0.5 Indonesia - Jakarta Comp 3992.1 -0.4 Thailand - SET 1187.6 0.2 Malaysia - KLCI 1632.6 -0.2	INDEX Last price over a day over a week China - Shanghai Comp. 2146.6 0.2 -0.7 Hong Kong - Hang Seng 18903.2 -0.8 -2.8 Taiwan - Weighted 7008.4 -0.3 -1.7 Japan - Nikkei 225 8488.1 -0.2 -3.0 Korea - Kospi 1793.9 0.3 -1.5 India - Sensex 30 16918.1 0.2 -1.1 Australia - SPX/ASX 200 4133.2 0.1 -0.2 Singapore - Strait Times 2998.4 0.5 -0.5 Indonesia - Jakarta Comp 3992.1 -0.4 -2.2 Thailand - SET 1187.6 0.2 -3.0 Malaysia - KLCI 1632.6 -0.2 -0.4	INDEX Last price over a day over a week date China - Shanghai Comp. 2146.6 0.2 -0.7 -2.4 Hong Kong - Hang Seng 18903.2 -0.8 -2.8 2.5 Taiwan - Weighted 7008.4 -0.3 -1.7 -0.9 Japan - Nikkei 225 8488.1 -0.2 -3.0 0.4 Korea - Kospi 1793.9 0.3 -1.5 -1.7 India - Sensex 30 16918.1 0.2 -1.1 9.5 Australia - SPX/ASX 200 4133.2 0.1 -0.2 1.9 Singapore - Strait Times 2998.4 0.5 -0.5 13.3 Indonesia - Jakarta Comp 3992.1 -0.4 -2.2 4.5 Thailand - SET 1187.6 0.2 -3.0 15.8 Malaysia - KLCI 1632.6 -0.2 -0.4 6.7

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CURRENCY	Spot	% change over a day			
China (CNY/USD)	6.39	0.00	-0.20	6.36	6.43
Hong Kong (HKD/USD)	7.76	0.01	-0.01	7.75	7.75
Taiwan (TWD/USD)	30.1	-0.21	-0.46	30.09	29.80
Japan (JPY/USD)	78.18	0.28	1.13	78.09	77.71
Korea (KRW/USD)	1146	0.03	-0.22	1154	1163
India (INR/USD)	56.1	-0.20	-1.73	57.17	59.50
Australia (USD/AUD)	1.03	0.21	-0.34	0.98	1.00
Singapore (SGD/USD)	1.26	0.14	0.06	1.26	1.26
Indonesia (IDR/USD)	9509	-0.06	-0.56	9640	10017
Thailand (THB/USD)	31.8	-0.16	-0.60	31.98	32.38
Malaysia (MYR/USD)	3.18	-0.22	-0.49	3.20	3.23
Philippines (PHP/USD)	42.0	0.04	-0.79	42.13	42.42
	China (CNY/USD) Hong Kong (HKD/USD) Taiwan (TWD/USD) Japan (JPY/USD) Korea (KRW/USD) India (INR/USD) Australia (USD/AUD) Singapore (SGD/USD) Indonesia (IDR/USD) Thailand (THB/USD) Malaysia (MYR/USD)	China (CNY/USD) 6.39 Hong Kong (HKD/USD) 7.76 Taiwan (TWD/USD) 30.1 Japan (JPY/USD) 78.18 Korea (KRW/USD) 1146 India (INR/USD) 56.1 Australia (USD/AUD) 1.03 Singapore (SGD/USD) 1.26 Indonesia (IDR/USD) 9509 Thailand (THB/USD) 31.8 Malaysia (MYR/USD) 3.18	CURRENCY Spot over a day China (CNY/USD) 6.39 0.00 Hong Kong (HKD/USD) 7.76 0.01 Taiwan (TWD/USD) 30.1 -0.21 Japan (JPY/USD) 78.18 0.28 Korea (KRW/USD) 1146 0.03 India (INR/USD) 56.1 -0.20 Australia (USD/AUD) 1.03 0.21 Singapore (SGD/USD) 1.26 0.14 Indonesia (IDR/USD) 9509 -0.06 Thailand (THB/USD) 31.8 -0.16 Malaysia (MYR/USD) 31.8 -0.22	CURRENCY Spot over a day over a week China (CNY/USD) 6.39 0.00 -0.20 Hong Kong (HKD/USD) 7.76 0.01 -0.01 Taiwan (TWD/USD) 30.1 -0.21 -0.46 Japan (JPY/USD) 78.18 0.28 1.13 Korea (KRW/USD) 1146 0.03 -0.22 India (INR/USD) 56.1 -0.20 -1.73 Australia (USD/AUD) 1.03 0.21 -0.34 Singapore (SGD/USD) 1.26 0.14 0.06 Indonesia (IDR/USD) 9509 -0.06 -0.56 Thailand (THB/USD) 31.8 -0.16 -0.60 Malaysia (MYR/USD) 3.18 -0.22 -0.49	CURRENCY Spot over a day over a week 3-month China (CNY/USD) 6.39 0.00 -0.20 6.36 Hong Kong (HKD/USD) 7.76 0.01 -0.01 7.75 Taiwan (TWD/USD) 30.1 -0.21 -0.46 30.09 Japan (JPY/USD) 78.18 0.28 1.13 78.09 Korea (KRW/USD) 1146 0.03 -0.22 1154 India (INR/USD) 56.1 -0.20 -1.73 57.17 Australia (USD/AUD) 1.03 0.21 -0.34 0.98 Singapore (SGD/USD) 1.26 0.14 0.06 1.26 Indonesia (IDR/USD) 9509 -0.06 -0.56 9640 Thailand (THB/USD) 31.8 -0.16 -0.60 31.98 Malaysia (MYR/USD) 3.18 -0.22 -0.49 3.20

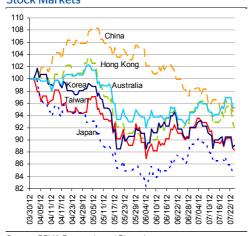
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	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.35	-0.20	-0.15	-1.15
INTERBANK RATES	Hong Kong (HIBOR/1W)	0.13	0.00	-0.02	0.00
	Taiwan (TAIBOR/1W)	0.64	0.00	-0.01	-0.03
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	3.07	0.00	-0.02	-0.27
	India (MIBOR/7D)	3.38	-0.19	0.08	-0.96
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.17	0.00	0.00	0.05
	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)	1.75	-0.38	0.25	-2.00
_		1.73	0.50	0.23	2.0

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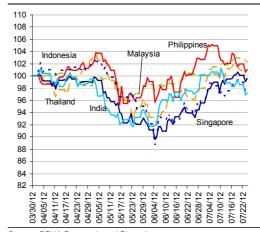
Charts

Chart 9
Stock Markets



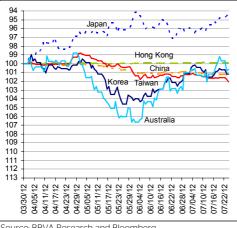
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



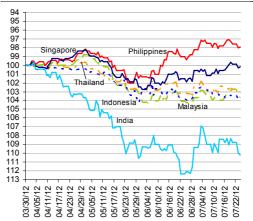
Source: BBVA Research and Bloomberg

Chart 11 Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12 Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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