

# 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 11<sup>th</sup> 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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## Calendar Indicators

<b>Australia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Consumer Prices (QoQ)	25-Jul	2Q	0.10%	0.60%	--
Consumer Prices (YoY)	25-Jul	2Q	1.60%	1.30%	--
<b>China</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
HSBC Flash Manufacturing PMI	24-Jul	Jul	48.2	--	49.5
Industrial Profits YTD YoY	27-Jul	Jun	-2.40%	--	--
<b>Hong Kong</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
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%
<b>Japan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
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	11	--
Natl CPI YoY	27-Jul	Jun	0.20%	0.00%	--
Natl CPI Ex-Fresh Food YoY	27-Jul	Jun	-0.10%	0.00%	--
<b>Philippines</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Trade Balance	25-Jul	May	-\$135M	--	--
<b>Singapore</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
CPI (MOM) - NSA	23-Jul	Jun	0.20%	-0.10%	0.00%
CPI (YoY)	23-Jul	Jun	5.00%	5.10%	5.30%
Industrial Production MoM SA	26-Jul	Jun	1.80%	-0.80%	--
Industrial Production YoY	26-Jul	Jun	6.60%	2.80%	--
<b>South Korea</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
GDP (QoQ)	26-Jul	2Q P	0.90%	0.50%	--
GDP (YoY)	26-Jul	2Q P	2.80%	2.50%	--
Current Account in US\$ Million	27-Jul	Jun	\$3611.8M	--	--
<b>Taiwan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Unemployment Rate - sa	23-Jul	Jun	4.25%	4.30%	4.24%
Industrial Production (YoY)	23-Jul	Jun	-0.21%	0.50%	-2.44%
<b>Thailand</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Customs Exports (YoY)	25-Jul	Jun	7.68%	4.50%	--
<b>Vietnam</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
CPI (YoY)	24-Jul	Jul	6.90%	5.70%	5.35%
Exports YTD (YoY)	24-31 JUL	Jul	22.20%	--	--

## 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	Consensus	New
3.00%	3.00%	--

### Philippines - Overnight Borrowing Rate, July 26

We expect the benchmark rate to remain unchanged

Current	Consensus	New
4.00%	4.00%	--

## 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.	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	18.0	15.2	

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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)	6.39	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	

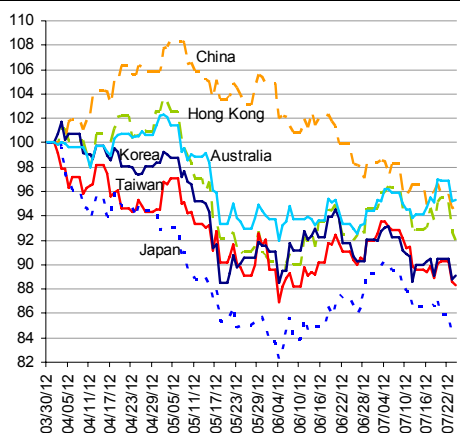
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.35	-0.20	-0.15	-1.15
	Hong Kong (HIBOR/1W)	0.13	0.00	-0.02	0.00
	Taiwan (TAIBOR/1W)	0.64	0.00	-0.01	-0.03
	Japan (TIBOR/1Y)	0.76	0.00	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

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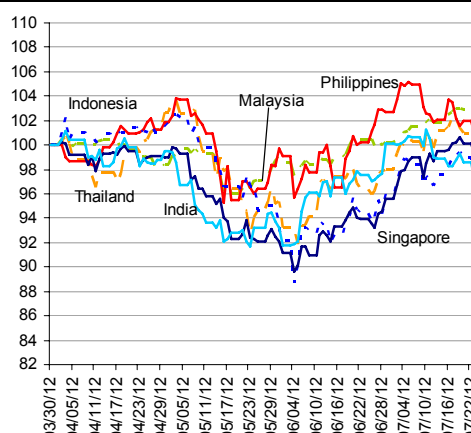
# Charts

Chart 9  
Stock Markets



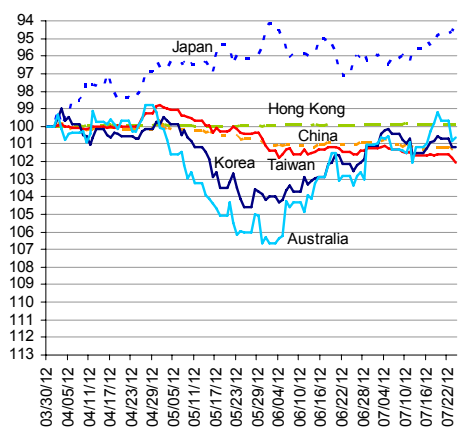
Source: BBVA Research and Bloomberg

Chart 10  
Stock Markets



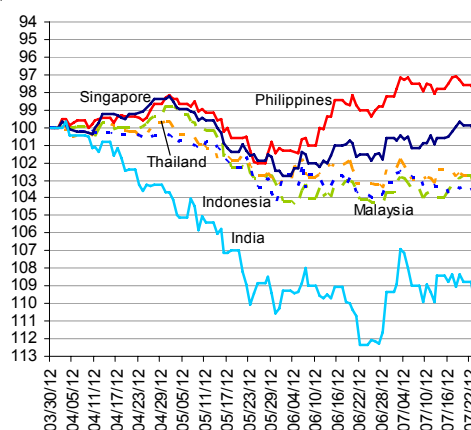
Source: BBVA Research and Bloomberg

Chart 11  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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