

Daily Flash

Asia

On a day with very little in the way of economic news, a majority of Asian stock markets extended their rally which began on last Thursday, driven by the ECB governor's statements regarding saving the euro. Among today's biggest advancers were the Sensex: (+1.8%) and Hang Seng: (+1.6%), with Shanghai a major exception (down -0.9%) on concerns over companies' slowing earnings. Tomorrow, investors will focus on India's monetary policy meeting to see whether the Reserve Bank of India will look to support its economy given its domestic headwinds. We don't expect the RBI to cut rates tomorrow, given its recent hawkish comments and with WPI inflation remaining above 7%. Also, Taiwan will report second quarter GDP (consensus: 0.5% y/y, BBVA: 0.3% y/y), which will likely show ongoing weakness given sluggish exports and industrial production. Looking slightly further ahead, Wednesday will bring the release of China's official PMI, as well as a meeting of the FOMC, setting the tone for the remainder of the week.

Japan's IP fell unexpectedly, adding pressure on BoJ to ease monetary policy

Today, Japan's June industrial production data showed an unexpected decline by -0.1% m/m (consensus: +1.5% m/m; May: -3.4% m/m), due to sluggish external demand for exports and a strong yen, which is undermining the competitiveness of Japan's manufacturing sector. Today's IP data, following last week's disappointing trade data which showed exports contracted by -2.3% y/y in June, along with deflation (now -0.2% y/y), are increasing pressure on the BoJ to ease monetary policy further at its next policy meeting, scheduled for August 9th.

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With contributions from the BBVA Research Asia Team

Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Trade Balance	02-Aug	Jun	-285M	-375M	--
Retail Sales s.a. (MoM)	02-Aug	Jun	0.50%	0.70%	--
China	Date	Period	Prior	Cons.	Actual
Manufacturing PMI	01-Aug	Jul	50.2	50.5	--
HSBC Manufacturing PMI	01-Aug	Jul	48.2	--	--
Non-manufacturing PMI	03-Aug	Jul	56.7	--	--
HSBC Services PMI	03-Aug	Jul	52.3	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Retail Sales - Value (YoY)	02-Aug	Jun	8.80%	9.10%	--
Purchasing Managers Index	03-Aug	Jul	49.8	--	--
Indonesia	Date	Period	Prior	Cons.	Actual
Inflation (YoY)	01-Aug	Jul	4.53%	4.59%	--
Exports (YoY)	01-Aug	Jun	-8.50%	--	--
India	Date	Period	Prior	Cons.	Actual
Reverse Repo Rate	31-Jul	31-Jul	7.00%	7.00%	--
Cash Reserve Ratio	31-Jul	31-Jul	4.75%	4.75%	--
India July Markit Manufacturing PMI	01-Aug	Jul			
Exports YoY%	01-Aug	Jun	-4.20%	--	--
Imports YoY%	01-Aug	Jun	-7.40%	--	--
India July Markit Services PMI	03-Aug	Jul			
Japan	Date	Period	Prior	Cons.	Actual
Industrial Production (MoM)	30-Jul	Jun P	-3.40%	1.50%	-0.10%
Industrial Production YOY%	30-Jul	Jun P	6.00%	-0.10%	-2.00%
Markit/JMMA Manufacturing PMI	31-Jul	Jul	49.9	--	--
Jobless Rate	31-Jul	Jun	4.40%	4.40%	--
Singapore	Date	Period	Prior	Cons.	Actual
Unemployment Rate (sa)	31-Jul	2Q P	2.10%	2.10%	--
Purchasing Managers Index	01-Aug	Jul	50.4	50.4	--
South Korea	Date	Period	Prior	Cons.	Actual
Industrial Production (MoM)	31-Jul	Jun	1.10%	0.10%	--
Industrial Production (YoY)	31-Jul	Jun	2.60%	1.80%	--
Consumer Price Index (MoM)	01-Aug	Jul	-0.10%	0.20%	--
Consumer Price Index (YoY)	01-Aug	Jul	2.20%	2.00%	--
HSBC Manufacturing PMI	01-Aug	Jul	49.4	--	--
Ext Trade - Export (YoY)	01-Aug	Jul	1.30%	-3.70%	--
Taiwan	Date	Period	Prior	Cons.	Actual
GDP - Constant Prices (YoY)	31-Jul	2Q P	0.39%	0.50%	--
HSBC Manufacturing PMI	01-Aug	Jul	49.2	--	--
Thailand	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	01-Aug	Jul	2.56%	2.60%	--

Indicator of the Week

China: PMI for July (August 1)

Forecast: 50.7

Consensus: 50.4

Prior: 50.2

While growth momentum continued to slow in the second quarter, recent indicators suggest that the slowdown may be stabilizing on increasing policy support. Loan growth and the latest flash HSBC PMI (49.5 vs. 48.2 in June) have both improved on rising production, new orders, and new export orders. Official PMI has been trending above 50, but has weakened since April. We expect this trend to reverse in July, with a pick up to 50.7%, from 50.2% in June. Despite the weak external environment, we expect China's overall growth momentum to rise through in the second half of 2012 on increasing monetary and fiscal measures.

Calendar Events

India - India REPO Cutoff Yld, July 31

We expect the benchmark rate to remain unchanged

Current
8.00%

Consensus
8.00%

New
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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.	2109.9	-0.9	-1.5	-4.1	-21.9
	Hong Kong - Hang Seng	19585.4	1.6	2.8	6.2	-12.7
	Taiwan - Weighted	7158.9	0.5	1.9	1.2	-17.2
	Japan - Nikkei 225	8635.4	0.8	1.5	2.1	-12.2
	Korea - Kospi	1843.8	0.8	3.0	1.0	-13.6
	India - Sensex 30	17143.7	1.8	1.6	10.9	-5.8
	Australia - SPX/ASX 200	4245.7	0.9	2.8	4.7	-4.0
	Singapore - Strait Times	3032.8	1.1	1.7	14.6	-4.9
	Indonesia - Jakarta Comp	4099.1	0.4	2.2	7.3	-0.8
	Thailand - SET	1193.3	1.3	0.7	16.4	5.3
	Malaysia - KLCI	1632.4	0.5	-0.2	6.6	5.4
Philippines - Manila Comp.	5277.9	1.1	2.7	20.7	17.2	

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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)	6.38	0.02	0.10	6.36	6.43
	Hong Kong (HKD/USD)	7.76	0.03	0.03	7.75	7.75
	Taiwan (TWD/USD)	30.1	0.06	-0.04	30.00	29.69
	Japan (JPY/USD)	78.23	0.29	0.22	78.15	77.79
	Korea (KRW/USD)	1138	0.06	0.79	1141	1151
	India (INR/USD)	55.4	-0.19	0.95	56.36	58.73
	Australia (USD/AUD)	1.05	0.10	2.29	0.96	0.98
	Singapore (SGD/USD)	1.25	0.04	1.15	1.25	1.24
	Indonesia (IDR/USD)	9492	0.02	0.12	9589	9982
	Thailand (THB/USD)	31.6	-0.19	0.54	31.75	32.16
	Malaysia (MYR/USD)	3.15	0.26	0.60	3.17	3.20
Philippines (PHP/USD)	41.9	0.25	0.44	41.96	42.24	

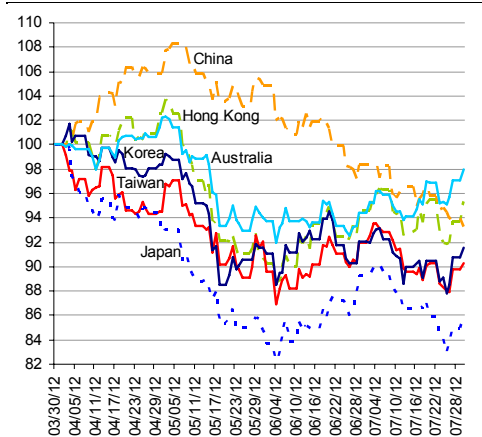
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.15	0.05	-0.20	-0.91
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.64	0.00	0.00	-0.03
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	3.05	0.00	-0.02	-0.29
	India (MIBOR/7D)	3.12	-0.08	-0.45	-0.98
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.17	0.01	0.01	0.02
	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	0.44	-0.38	-1.44

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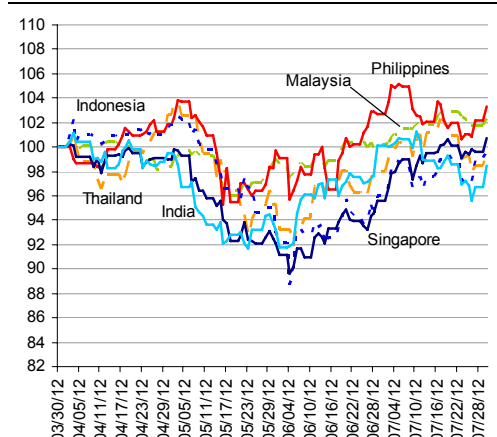
Charts

Chart 9
Stock Markets



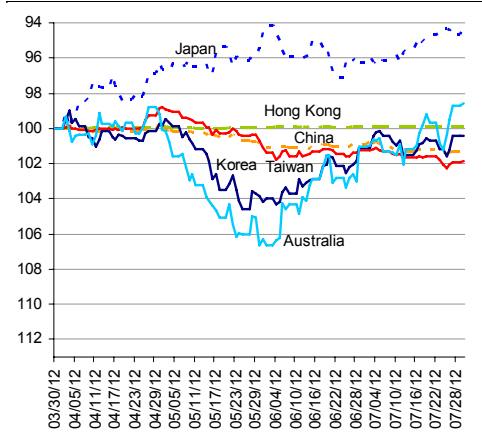
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



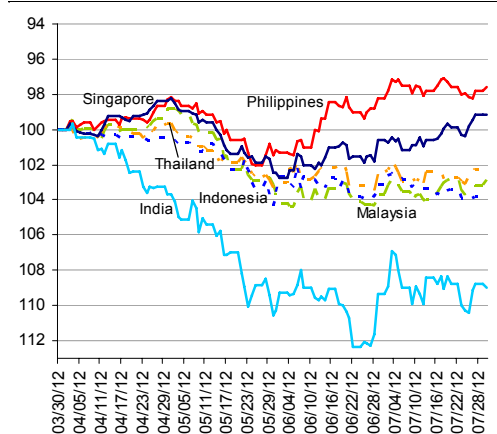
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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