

# Daily Flash

## Asia

*Global disappointment over the lack of immediate action to address the European debt crisis after yesterday's ECB meeting spilled over into Asia, as equities were down following larger losses in Europe, with the Nikkei the worst performer today (-1.1%). China's stock market was an outlier (Shanghai: +1.0%), as the market regulator cut transaction fees on equity trades. Next week will be heavy on monetary policy, with meetings taking place in Australia (on Tuesday), South Korea, Japan and Indonesia (all on Thursday). The deteriorating external outlook is putting Asian central banks under increased pressure to ease monetary policy; the outcome of these meetings will be closely watched by investors to gauge the response of Asian central banks to external headwinds.*

### China's non-manufacturing sector PMI edges up

China's service sector PMI, compiled by Markit, was released today, and shows an increase in July, to 53.1% from 52.3% in June. The manufacturers' PMI, released two days ago, showed a slight moderation for large enterprises and increase for SMEs. On the balance, the data suggests that, given the recent supportive policy stance, China's growth momentum may be in the process of stabilizing. Looking ahead, more activity indicators, including inflation, industrial production (see Weekly Indicator below), investment, retail sales, and credit, will be released during Aug 9-15, which will be watched closely for more signs of China's underlying growth momentum.

### Briefly noted:

- **Next week, along with the high frequency indicators on China**, the release of regional 2Q GDP outturns continues, with Indonesia (Monday), and Hong Kong (Friday). Also, India and Malaysia will publish industrial production data, inflation will be released in the Philippines and Taiwan, and export data will be posted in Japan, the Philippines and Taiwan.

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

With contributions from the BBVA Research Asia Team

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

## Calendar Indicators

<b>Australia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Trade Balance	02-Aug	Jun	-285M	-375M	9M
Retail Sales s.a. (MoM)	02-Aug	Jun	0.50%	0.70%	1.00%
<b>China</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Manufacturing PMI	01-Aug	Jul	50.2	50.5	50.1
HSBC Manufacturing PMI	01-Aug	Jul	48.2	--	49.3
Non-manufacturing PMI	03-Aug	Jul	56.7	--	55.6
HSBC Services PMI	03-Aug	Jul	52.3	--	53.1
<b>Hong Kong</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Retail Sales - Value (YoY)	02-Aug	Jun	8.80%	9.10%	11.00%
Purchasing Managers Index	03-Aug	Jul	49.8	--	50.3
<b>Indonesia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Inflation (YoY)	01-Aug	Jul	4.53%	4.59%	4.56%
Exports (YoY)	01-Aug	Jun	-8.50%	-7.90%	-16.4%
<b>India</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Reverse Repo Rate	31-Jul	31-Jul	7.00%	7.00%	7.00%
Cash Reserve Ratio	31-Jul	31-Jul	4.75%	4.75%	4.75%
India July Markit Manufacturing PMI	01-Aug	Jul	55.0	--	52.9
Exports YoY%	01-Aug	Jun	-4.20%	--	-5.50%
Imports YoY%	01-Aug	Jun	-7.40%	--	-13.50%
India July Markit Services PMI	03-Aug	Jul	54.3	--	54.2
<b>Japan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
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	--	47.9
Jobless Rate	31-Jul	Jun	4.40%	4.40%	4.30%
<b>Singapore</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Unemployment Rate (sa)	31-Jul	2Q P	2.10%	2.10%	2.0%
Purchasing Managers Index	01-Aug	Jul	50.4	50.4	49.8
<b>South Korea</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Industrial Production (MoM)	31-Jul	Jun	1.10%	0.10%	-0.40%
Industrial Production (YoY)	31-Jul	Jun	2.60%	1.80%	1.60%
Consumer Price Index (MoM)	01-Aug	Jul	-0.10%	0.20%	-0.20%
Consumer Price Index (YoY)	01-Aug	Jul	2.20%	2.00%	1.50%
HSBC Manufacturing PMI	01-Aug	Jul	49.4	--	47.2
Ext Trade - Export (YoY)	01-Aug	Jul	1.30%	-3.70%	-8.80%
<b>Taiwan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
GDP - Constant Prices (YoY)	31-Jul	2Q P	0.39%	0.50%	-0.20%
HSBC Manufacturing PMI	01-Aug	Jul	49.2	--	47.5
<b>Thailand</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Consumer Price Index (YoY)	01-Aug	Jul	2.56%	2.60%	2.73%

## Indicator of the Week

### China: Industrial output for July (August 9)

Forecast: 9.9% y/y

Consensus: 9.7% y/y

Prior: 9.5% y/y

With the government tuning up its stimulus measures to counter the economic slowdown, July industrial production will be watched for further signs of stabilization in the growth outlook. Manufacturing PMI released for July presented a mixed picture, showing a weak outlook for large enterprises but strengthening for SMEs. In line with our expectations of a gradual rebound in growth during the second half of the year, we expect industrial production to pick up slightly from the previous month, as the authorities' recent policy measures boost domestic demand. Similarly, we expect other indicators to be released during the coming week, including credit growth, to show similar trends. Markets will also be watching for data in the coming week on July inflation, retail sales, and investment.

## Calendar Events

### India - India REPO Cutoff Yld, July 31

We expected the benchmark rate to remain unchanged

**Current**

8.00%

**Consensus**

8.00%

**New**

8.00%

## 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.	2132.8	1.0	0.2	-3.0	-20.4
	Hong Kong - Hang Seng	19666.2	-0.1	2.0	6.7	-10.6
	Taiwan - Weighted	7217.5	-0.7	3.5	2.1	-15.9
	Japan - Nikkei 225	8555.1	-1.1	-0.1	1.2	-11.2
	Korea - Kospi	1848.7	-1.1	1.1	1.3	-10.5
	India - Sensex 30	17197.9	-0.2	2.1	11.3	-4.1
	Australia - SPX/ASX 200	4221.5	-1.1	0.3	4.1	-2.6
	Singapore - Strait Times	3051.3	0.5	1.8	15.3	-2.5
	Indonesia - Jakarta Comp	4099.8	0.2	0.4	7.3	-0.9
	Thailand - SET	1197.5	-0.3	2.1	16.8	5.1
	Malaysia - KLCI	1635.0	0.1	0.6	6.8	5.8
Philippines - Manila Comp.	5285.9	-0.1	1.3	20.9	17.8	

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	-0.08	0.13	6.36	6.43
	Hong Kong (HKD/USD)	7.75	-0.01	0.03	7.75	7.75
	Taiwan (TWD/USD)	30.0	-0.03	0.33	29.90	29.60
	Japan (JPY/USD)	78.27	-0.04	0.24	78.19	77.82
	Korea (KRW/USD)	1135	-0.28	0.30	1138	1148
	India (INR/USD)	55.8	0.13	-0.76	56.80	59.29
	Australia (USD/AUD)	1.05	0.54	0.36	0.96	0.98
	Singapore (SGD/USD)	1.25	0.29	0.19	1.24	1.24
	Indonesia (IDR/USD)	9476	0.00	0.19	9559	9909
	Thailand (THB/USD)	31.6	0.19	-0.16	31.72	32.15
	Malaysia (MYR/USD)	3.13	-0.09	1.01	3.15	3.18
Philippines (PHP/USD)	41.8	-0.01	0.33	41.86	42.12	

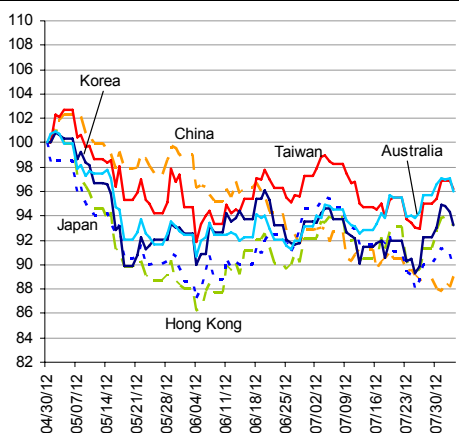
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.40	-0.20	0.30	-0.76
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.64	0.00	0.00	-0.03
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	3.03	0.00	-0.02	-0.31
	India (MIBOR/7D)	3.50	-0.11	0.30	-0.67
	Singapore (SIBOR/1W)	0.31	0.00	0.06	0.06
	Indonesia (JIBOR/1W)	4.20	0.00	0.03	0.04
	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)	1.81	0.19	0.50	-1.69

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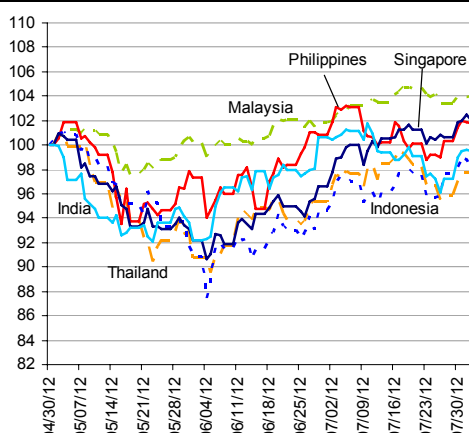
# Charts

Chart 9  
Stock Markets



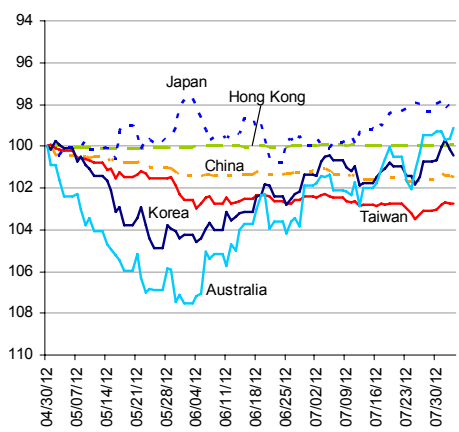
Source: BBVA Research and Bloomberg

Chart 10  
Stock Markets



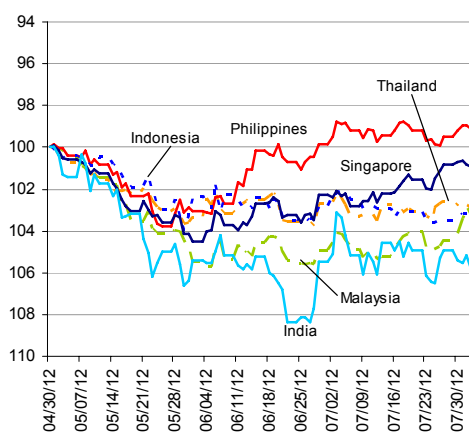
Source: BBVA Research and Bloomberg

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](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)

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