

Daily Flash

Asia

Most Asian stock markets ended the day up (Australia: +0.8%; Shanghai: +0.7%) and currencies rebounded (Australian dollar: +0.5%; Philippine peso: +0.4%) on optimism ahead of the crucial ECB meeting later today. Besides developments in Europe, investors will be closely watching for the release of a batch of monthly activity indicators due out this weekend in China, where the growth slowdown has not yet shown signs of turning around (see Weekly Indicator below).

Malaysia keeps interest rates unchanged as expected

Bank Negara Malaysia (BNM) held interest rates steady at 3% today, as expected, for an eighth consecutive month. With a better-than-expected growth outturn of 5.4% y/y in 2Q, the Malaysian economy is so far weathering the global downturn relatively well, along with its other Southeast Asian neighbors. Nevertheless, the BNM said that it will continue to carefully assess "the considerable uncertainties in the global economic and financial conditions" and their implications on the overall outlook for inflation and growth, suggesting that it will stand ready to step in to provide policy support as needed. We expect rates to stay at the current 3% level for the remainder of 2012.

Surprise fall in Australia's unemployment; the outlook remains dim though

Australia's unemployment rate (released quarterly) fell to 5.1% (consensus: 5.3%) in August from 5.2% in July. However, the details in the job report tell a less upbeat story, showing a small increase in full-time jobs and a drop in the participation rate to 65% in August from 65.2% one month earlier. Still, Australia's unemployment rate is one of lowest among developed economies. The Australia dollar and the stock market edged up slightly today after the release of the report. Today's better than expected headline unemployment outturn might delay another rate cut by the RBA (which stayed on hold this past Tuesday), but we still anticipate one more 25 bps rate cut in the coming months in view of slowing growth momentum.

China accelerates infrastructure projects, providing further stimulus

China's National Development and Reform Commission (NDRC) is speeding up the approval process of a number of investment projects, with the approval yesterday of 25 subway projects in various cities. And today the NDRC gave the go-ahead to another 20 infrastructure projects, including over 2,000 km of highway projects and several other container port and waterway projects. These efforts are putting the NDRC back in the spotlight, after the economic planning agency authorized several large steel mill expansion projects worth over RMB 100 bn in a single day on May 25th. These moves are signs of the latest efforts by the government to provide fiscal support to the slowing economy.

Briefly noted:

- **Korea has revised down the previously reported 2Q GDP growth figure** of 0.4% q/q to 0.3% q/q. On an over-year basis, GDP growth was revised to 2.3% y/y from the previous 2.4%. While minor, the revision further builds the case for a rate cut in the BOK's meeting to be held on Thursday next week. Expectations of a soon-to-be-announced fiscal stimulus package are also building up, as reported in last Tuesday's Daily Flash.
- **Vietnam's National Assembly economic committee released a report yesterday suggesting the request of a rescue loan to the IMF** in order to buy bad debt of the

country's troubled banking system, according to Bloomberg. The report recommended an injection of USD 12 billion (around 10% of Vietnam's GDP), in a move that would be the biggest bailout in the region since the Asian financial crisis.

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Retail Sales s.a. (MoM)	03-Sep	Jul	1.00%	0.20%	-0.80%
Current Account Balance	04-Sep	2Q	-14892M	-12200M	-11801M
Gross Domestic Product (QoQ)	05-Sep	2Q	1.30%	0.70%	0.60%
Gross Domestic Product (YoY)	05-Sep	2Q	4.30%	3.70%	3.70%
Unemployment Rate	06-Sep	Aug	5.20%	5.30%	5.10%
Trade Balance	07-Sep	Jul	9M	-300M	--
China	Date	Period	Prior	Cons.	Actual
Non-manufacturing PMI	03-Sep	Aug	55.6	--	56.3
HSBC Manufacturing PMI	03-Sep	Aug	49.3	--	47.6
Consumer Price Index (YoY)	09-Sep	Aug	1.80%	2.00%	--
Producer Price Index (YoY)	09-Sep	Aug	-2.90%	-3.20%	--
Industrial Production YTD YoY	09-Sep	Aug	10.30%	--	--
Industrial Production (YoY)	09-Sep	Aug	9.20%	9.20%	--
Fixed Assets Inv Excl. Rural YTD YoY	09-Sep	Aug	20.40%	20.40%	--
Retail Sales (YoY)	09-Sep	Aug	13.10%	13.00%	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Purchasing Managers Index	05-Sep	Aug	50.3	--	50.5
India	Date	Period	Prior	Cons.	Actual
Exports YoY%	03-Sep	Jul	-5.50%	--	-14.80%
Imports YoY%	03-Sep	Jul	-13.50%	--	-7.60%
India August Markit Services PMI	05-Sep	Aug	54.2	--	55.0
Indonesia	Date	Period	Prior	Cons.	Actual
Inflation (YoY)	03-Sep	Aug	4.56%	4.42%	4.58%
Exports (YoY)	03-Sep	Jul	-16.40%	-9.70%	-7.30%
Malaysia	Date	Period	Prior	Cons.	Actual
Exports YoY%	07-Sep	Jul	5.40%	4.80%	--
Philippines	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	05-Sep	Aug	3.20%	3.50%	3.80%
Singapore	Date	Period	Prior	Cons.	Actual
Purchasing Managers Index	04-Sep	Aug	49.8	--	49.1
South Korea	Date	Period	Prior	Cons.	Actual
Consumer Price Index (MoM)	03-Sep	Aug	-0.20%	0.50%	0.40%
Consumer Price Index (YoY)	03-Sep	Aug	1.50%	1.40%	1.20%
Taiwan	Date	Period	Prior	Cons.	Actual
CPI YoY%	05-Sep	Aug	2.46%	2.60%	3.42%
Total Exports (YoY)	07-Sep	Aug	-11.60%	-2.40%	--
Thailand	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	03-Sep	Aug	2.73%	2.62%	2.69%

Indicator of the Week

China: Industrial output for August (September 9)

Forecast: 8.4% y/y

Consensus: 9.0% y/y

Prior: 9.2% y/y

Recent indicators, including August PMI released on September 1, show that the expected bottoming out of China's growth slowdown is not yet taking place. In particular, manufacturing PMI (49.2 in August) fell into the contraction zone for the first time since November 2011. To gauge the extent of the slowdown, the upcoming batch of monthly indicators will be closely watched, including inflation, industrial production, retail sales, investment, and trade (September 9-15). We expect industrial production to weaken further from the previous month, reflecting sluggish orders. Though the extent of recent policy easing has been somewhat less aggressive than expected, we still expect further cuts in the RRR and interest rates during the remainder of the year, along with stepped up infrastructure spending.

Calendar Events

Australia - RBA Cash Target, September 4

We expected the benchmark rate to remain unchanged

Current

3.50%

Consensus

3.50%

New

3.50%

Thailand - Benchmark Interest Rate, September 5

We expected the benchmark rate to remain unchanged

Current

3.00%

Consensus

3.00%

New

3.00%

Malaysia - Overnight Rate, September 6

We expected the benchmark rate to remain unchanged

Current

3.00%

Consensus

3.00%

New

3.00%

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.	2051.9	0.7	0.0	-6.7	-16.9
	Hong Kong - Hang Seng	19209.3	0.3	-1.8	4.2	-2.5
	Taiwan - Weighted	7326.7	-0.6	-0.6	3.6	-0.5
	Japan - Nikkei 225	8680.6	0.0	-3.4	2.7	1.0
	Korea - Kospi	1881.2	0.4	-1.3	3.0	6.5
	India - Sensex 30	17346.3	0.2	-1.1	12.2	2.9
	Australia - SPX/ASX 200	4312.9	0.8	-0.1	6.3	5.8
	Singapore - Strait Times	2989.3	-0.2	-0.7	13.0	7.7
	Indonesia - Jakarta Comp	4102.9	0.7	1.9	7.3	5.5
	Thailand - SET	1243.9	0.8	2.4	21.3	17.8
	Malaysia - KLCI	1618.0	-1.4	-1.7	5.7	11.3
Philippines - Manila Comp.	5150.1	0.0	0.0	17.8	19.7	

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)	6.34	0.10	0.10	6.37	6.44
	Hong Kong (HKD/USD)	7.76	-0.01	-0.01	7.76	7.75
	Taiwan (TWD/USD)	29.9	0.04	0.33	29.78	29.54
	Japan (JPY/USD)	78.47	-0.10	0.20	78.41	78.09
	Korea (KRW/USD)	1134	0.18	0.02	1138	1149
	India (INR/USD)	55.8	0.23	-0.27	56.74	59.22
	Australia (USD/AUD)	1.02	0.48	-0.46	0.98	1.01
	Singapore (SGD/USD)	1.25	0.19	0.59	1.25	1.24
	Indonesia (IDR/USD)	9591	0.08	-0.09	9721	10126
	Thailand (THB/USD)	31.2	0.10	0.51	31.38	31.80
	Malaysia (MYR/USD)	3.12	0.14	0.29	3.13	3.17
Philippines (PHP/USD)	41.8	0.42	0.94	41.91	42.14	

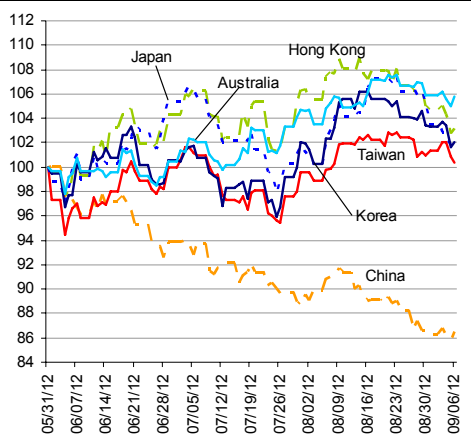
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.43	0.00	-0.02	-0.07
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.63	0.00	0.00	-0.01
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	3.03	0.00	-0.01	0.00
	India (MIBOR/7D)	3.43	-0.35	-0.17	0.02
	Singapore (SIBOR/1W)	0.25	0.00	0.00	-0.06
	Indonesia (JIBOR/1W)	4.26	-0.01	-0.06	0.07
	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	-0.25	-0.63	0.13

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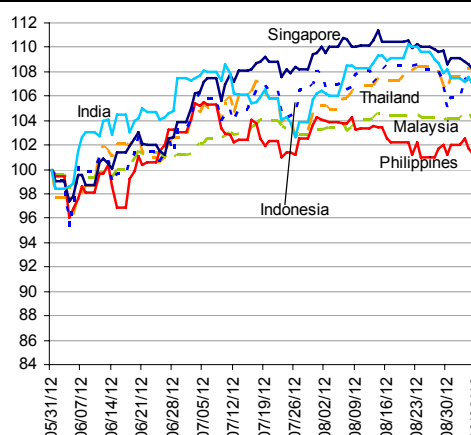
Charts

Chart 9
Stock Markets



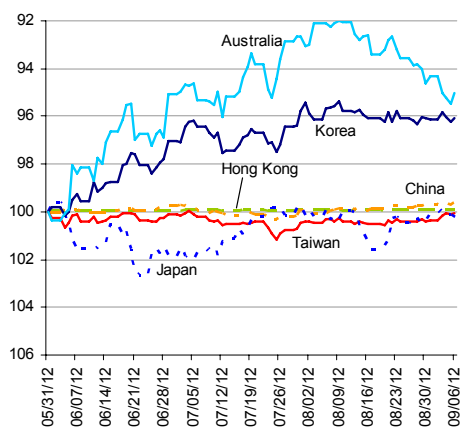
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



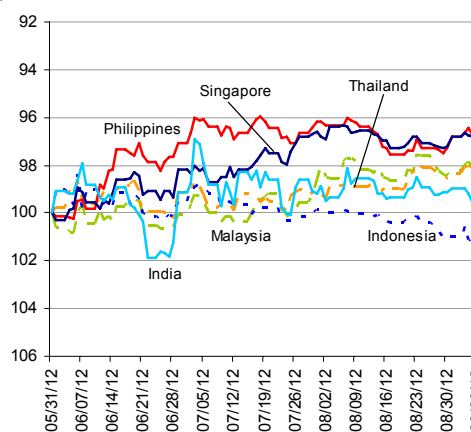
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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