

# Asia Flash

## Asia

*Asian investors today digested a raft of generally weak economic data released during the May 1 holiday, albeit offset by an S&P ratings upgrade for the Philippines to investment grade (see below). Attention for tomorrow will focus on the Reserve Bank of India's rate decision where, despite still-sluggish growth and declining inflation, we expect rates to stay on hold until later this year, following two 25 bp cuts in January and March.*

### China April PMI weakens on external headwinds

According to data released yesterday, China's official NBS manufacturing PMI declined to 50.6 from 50.9 in March, broadly in line with expectations (BBVA: 50.5; consensus: 50.7). While pessimists within the analyst community cited the figure as another sign of slowing growth in China, the outturn was the seventh consecutive reading above the 50-expansion threshold. Among the sub-components new export orders recorded the biggest drop, to 48.6 from 50.9 in March, suggesting that exports will face headwinds in the months ahead (see below on Korea). On the other hand, production and new orders, while lower than previous month, remained above 50, suggesting that domestic demand remains intact. The data were broadly consistent with today's HSBC PMI for China, which fell to 50.4 from 51.6 in March. Despite signs of external weakness, the currency has continued to strengthen, reaching a new high of almost 6.15 per USD today. We expect GDP growth to pick up gradually through the rest of the year on supportive government policies, in line with our full-year GDP growth projection of 8.0%.

### S&P raises the Philippines to investment grade, ahead of Indonesia

S&P today became the second major agency to upgrade the Philippines' to investment grade, following Fitch's move in March. S&P cited "a strengthening external profile, moderating inflation and declining reliance on foreign currency debt." The upgrade is likely to boost capital inflows, and the stock market rallied today by 0.3%, brining its rise to 22.0% year-to-date, second in the region only to Japan. Meanwhile, for Indonesia S&P lowered its outlook from positive to stable citing stalled reforms and a current account deficit, despite sustained growth momentum and record FDI inflows. S&P has so far failed to follow Fitch (December 2011) and Moody's (January 2012) in upgrading Indonesia to investment grade.

### Korea posts lacklustre exports in April, and low inflation

Export growth for April – released yesterday, the region's first monthly export release – registered a disappointing 0.4% y/y (consensus: 2.0% y/y; prior 0.2%). The outturn may be a harbinger of external headwinds for the rest of the region and, despite a better-than-expected Q1 GDP outturn (1.5% y/y), it could raise the likelihood of a rate cut by the Bank of Korea in the coming months (the BoK has stayed on hold since October). Indeed, headline inflation slowed to 1.2% y/y for April (consensus: 1.5%), well below the target range of 2.5-3.5%.

### Briefly noted:

**India's April HSBC PMI softens on slower output and new orders growth** to 51 from 52 in March, its lowest since September 2011, led by slower domestic orders growth.

**Thailand April inflation edges down to 2.4% y/y** (consensus: 2.7%; prior 2.7%) on, due in part to recent baht appreciation. The outturn, released yesterday, raises the chance of a policy rate cut (the next policy meeting is on May 29, and the Bank of Thailand has been on hold since last October). The BOT has been under increasing pressure from the government to lower rates to help stem further capital inflows and currency appreciation. The baht has gained 4% so far this year against the USD, the best performer in the region.

**Hong Kong's retail sales growth moderates in March to 9.8% y/y** (consensus: 14.7% y/y; prior 22.7%). For the first quarter as a whole, total retail sales increased by 13.9% y/y, indicating still robust economic momentum, albeit weaker than expected.

**India cut the withholding tax on rupee denominated Indian debt** (government securities and corporate bonds) from 20% to 5%, in a bid to attract more capital inflows. The new tax rate will be applicable with immediate effect for old as well as new investments through May 31, 2015.

**Indonesia exports in March fell by -13.0% y/y**, (consensus: -6.3%; prior: -4.3%) on falling commodity prices, while imports dropped by -10.0% y/y, helping to turn the trade balance to surplus for the first time since September.

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## Calendar Indicators

<b>Australia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
AiG Performance of Mfg Index	01 May	Apr	44.4	--	36.7
<b>China</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Manufacturing PMI	01 May	Apr	50.9	50.7	50.6
HSBC Manufacturing PMI	02 May	Apr	51.6	50.5	50.4
Non-manufacturing PMI	03 May	Apr	55.6	--	--
<b>Hong Kong</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Retail Sales - Value (YoY)	02 May	Mar	22.70%	14.70%	9.80%
Purchasing Managers Index	03 May	Apr	50.5	--	--
<b>Indonesia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
HSBC-Markit Manufacturing PMI	01 May	Apr	51.3	--	51.7
Inflation (YoY)	01 May	Apr	5.90%	5.67%	5.57%
Exports (YoY)	01 May	Mar	-4.30%	-6.30%	-13.00%
<b>India</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
HSBC-Markit Manufacturing PMI	02 May	Apr	52.0	--	51.0
<b>Japan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Markit/JMMA Manufacturing PMI	30 Apr	Apr	50.4	--	51.1
Retail Trade YoY	30 Apr	Mar	-2.20%	0.40%	-0.30%
Industrial Production (MoM)	30 Apr	Mar P	0.60%	0.40%	0.20%
Jobless Rate	30 Apr	Mar	4.30%	4.20%	4.10%
Monetary Base (YoY)	02 May	Apr	19.80%	--	23.10%
<b>Singapore</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Unemployment Rate (sa)	29 Apr	1Q P	1.80%	1.90%	1.90%
Purchasing Managers Index	02 May	Apr	50.6	50.3	--
<b>South Korea</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Industrial Production (YoY)	30 Apr	Mar	-9.40%	-0.70%	-3.00%
Consumer Price Index (YoY)	01 May	Apr	1.30%	1.50%	1.20%
Ext Trade - Export (YoY)	01 May	Apr	0.20%	2.00%	0.40%
HSBC Manufacturing PMI	02 May	Apr	52.0	--	52.6
<b>Taiwan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
GDP - Constant Prices (YoY)	30 Apr	1Q P	3.72%	3.10%	1.54%
HSBC Manufacturing PMI	02 May	Apr	51.2	--	50.7
<b>Thailand</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Consumer Price Index (YoY)	01 May	Apr	2.69%	2.70%	2.42
<b>Vietnam</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
HSBC Manufacturing PMI	02 May	Apr	50.8	--	51.0

## Calendar Events

### India -REPO Cutoff Yld, May 03

We expect the benchmark rate to remain unchanged

#### Current

7.50%

#### Cons.

7.25%

#### New

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### India - Cash Reserve Ratio, May 03

We expect the benchmark rate to remain unchanged

#### Current

4.00%

#### Cons.

4.00%

#### 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.	2174.1	-0.2	-3.0	-4.2	-9.3
	Hong Kong - Hang Seng	22668.3	-0.3	2.2	0.1	7.5
	Taiwan - Weighted	8128.5	0.4	1.3	5.6	8.4
	Japan - Nikkei 225	13694.0	-0.8	-1.1	31.7	46.0
	Korea - Kospi	1957.2	-0.3	1.1	-2.0	-1.3
	India - Sensex 30	19742.1	1.2	2.9	1.6	14.0
	Australia - SPX/ASX 200	5130.0	-0.7	0.5	10.3	15.6
	Singapore - Strait Times	3402.4	1.0	2.4	7.4	14.2
	Indonesia - Jakarta Comp	4994.0	-1.3	0.0	15.7	18.4
	Thailand - SET	1590.4	-0.5	2.4	14.3	29.5
	Malaysia - KLCI	1713.5	-0.2	0.4	1.5	9.1
	Philippines - Manila Comp.	7093.4	0.3	1.7	22.0	36.3

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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)	6.16	0.17	0.24	6.21	6.22
	Hong Kong (HKD/USD)	7.76	0.01	0.07	7.76	7.75
	Taiwan (TWD/USD)	29.6	-0.21	0.45	29.50	29.20
	Japan (JPY/USD)	97.27	0.12	2.05	97.22	96.95
	Korea (KRW/USD)	1102	-0.04	0.96	1105	1114
	India (INR/USD)	53.8	-0.05	0.72	54.48	56.97
	Australia (USD/AUD)	1.02	-0.54	-0.67	0.98	1.00
	Singapore (SGD/USD)	1.23	-0.03	0.45	1.23	1.23
	Indonesia (IDR/USD)	9738	-0.14	-0.21	9841	10218
	Thailand (THB/USD)	29.4	-0.31	-0.85	29.59	29.99
	Malaysia (MYR/USD)	3.05	-0.27	-0.42	3.07	3.11
	Philippines (PHP/USD)	40.9	0.48	0.75	40.94	40.87

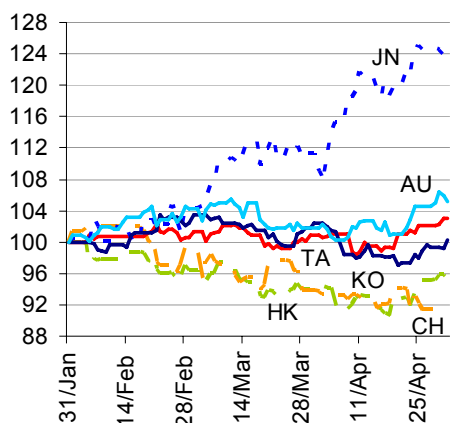
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.00	-0.10	-0.52	-0.40
	Hong Kong (HIBOR/1W)	0.10	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.54	0.00	0.00	-0.01
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	2.76	0.00	0.00	0.01
	India (MIBOR/7D)	3.50	0.50	0.08	0.18
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.28	0.00	0.00	0.00
	Thailand (BIBOR/1W)	2.77	0.00	0.00	0.00
	Malaysia (KLIBOR/1W)	2.90	0.00	0.00	0.00
	Philippines (PHIBOR/1W)	1.25	0.00	-0.31	0.31

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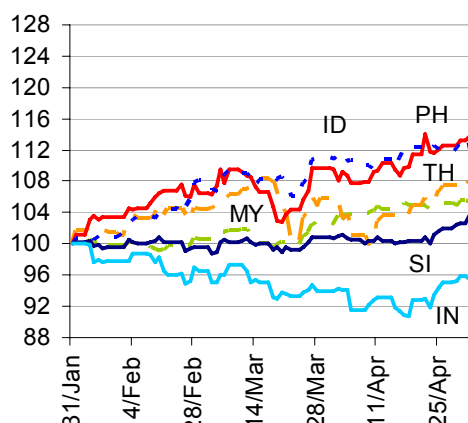
# Charts

Chart 1  
Stock Markets



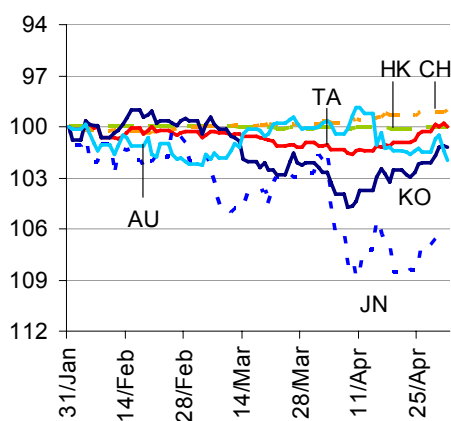
Source: BBVA Research and Bloomberg

Chart 2  
Stock Markets



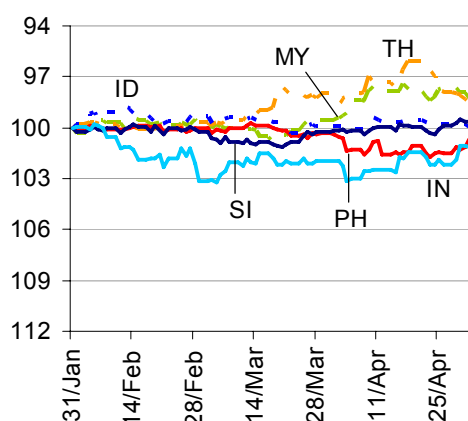
Source: BBVA Research and Bloomberg

Chart 3  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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