

Asia Flash

Asia

The Bank of Thailand today delivered a 25bp rate cut (see below), joining other regional central banks that have eased over the past month to support growth (India) and reduce currency appreciation pressures (Australia and South Korea). The Thai baht weakened again today (along with other regional currencies), continuing a reversal of its previous strength that had been induced by strong capital inflows (the baht is now up by 1.3% against the USD on the year, compared to 6.3% at its multi-year peak in mid-April).

The Bank of Thailand cuts rates for the first time since October 2012

The BoT today lowered its policy rate by 25 bps to 2.50%. The move was anticipated by many market participants given a recent slowdown in growth and declining inflation, although we had expected the central bank to stay on hold in what we viewed as a close call. Thailand (along with several other ASEAN economies, including the Philippines and Indonesia) has been among the fastest growing economies in Asia, at 6.4% in 2012 on the bounce back from the devastating floods of late 2011. However, in Q1 2013, the economy expanded by less than expected on tepid domestic demand. In its statement today, the BoT cited downside risks to growth from the weaker Q1 outturn and slowing growth in China and the rest of Asia. It noted that, "As inflation remains well within the target, monetary policy has room to further cushion against downside risks to domestic demand." The BoT has been under government pressure to reduce rates, and we would not rule out further rate cuts if domestic demand stays weak and/or the currency appreciation resumes. We expect growth of 4.7% in 2013.

Improving retails sales lift confidence in Japan's growth recovery

Retail sales for April rose at a quicker-than-expected pace of 0.7% m/m sa (consensus: 0.2%), providing a welcome sign that the economy continues to gain pace after GDP growth rose by 0.9% q/q sa in Q1 on stronger exports and private consumption. The outturn comes at a time of growing market volatility and concern about downside risks of the Bank of Japan's aggressive monetary easing, especially in the domestic bond market in which yields have risen in recent weeks. The government announced today it will unveil next week a draft roadmap of much-anticipated structural reforms—the third "arrow" underlying the government's growth strategy, after monetary and fiscal easing. In the meantime, we await a batch of additional April activity indicators this Friday, including inflation and industrial production, which we expect will reaffirm a pickup in growth.

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Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Industrial Profits YTD YoY	27 May	Apr	12.10%	--	11.40%
Hong Kong	Date	Period	Prior	Cons.	Actual
Exports YoY%	27 May	Apr	11.20%	9.60%	9.00%
Retail Sales - Value (YoY)	30 May	Apr	9.80%	14.50%	--
India	Date	Period	Prior	Cons.	Actual
Qtrly GDP YoY%	31 May	1Q	4.50%	4.80%	--
Japan	Date	Period	Prior	Cons.	Actual
Retail Trade YoY	29 May	Apr	-0.30%	-0.40%	-0.10%
Jobless Rate	31 May	Apr	4.10%	4.10%	--
Markit/JMMA Manufacturing PMI	31 May	May	51.1	--	--
Natl CPI YoY	31 May	Apr	-0.90%	-0.70%	--
Tokyo CPI YoY	31 May	May	-0.70%	-0.40%	--
Industrial Production (MoM)	31 May	Apr P	0.90%	0.60%	--
Philippines	Date	Period	Prior	Cons.	Actual
GDP YoY	30 May	1Q	6.80%	6.00%	--
Korea	Date	Period	Prior	Cons.	Actual
Current Account in US\$ Million	29 May	Apr	\$4927.2M	--	\$3972.2M
Industrial Production (YoY)	30 May	Apr	-3.00%	-0.30%	--
Vietnam	Date	Period	Prior	Cons.	Actual
Industrial Production Index YoY	27 May	May	5.80%	--	6.70%
Retail Sales YTD (YoY)	27 May	May	11.80%	--	11.90%

Calendar Events

Thailand - Benchmark Interest Rate, May 29

We expect the benchmark rate to remain unchanged

Current

2.75%

Cons.

2.50%

New

2.50%

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.	2324.0	0.1	0.9	2.4	-2.7
Hong Kong - Hang Seng	22554.9	-1.6	-3.0	-0.5	18.4	
Taiwan - Weighted	8337.9	0.9	-0.7	8.3	13.6	
Japan - Nikkei 225	14326.5	0.1	-8.3	37.8	65.5	
Korea - Kospi	2001.2	0.8	0.4	0.2	8.2	
India - Sensex 30	20131.0	-0.1	0.3	3.6	22.5	
Australia - SPX/ASX 200	4974.7	0.1	-3.7	7.0	20.9	
Singapore - Strait Times	3367.5	-1.1	-2.2	6.3	20.2	
Indonesia - Jakarta Comp	5200.7	0.5	-0.1	20.5	32.7	
Thailand - SET	1601.6	-1.1	-2.5	15.1	38.8	
Malaysia - KLCI	1783.5	0.4	-0.2	5.6	13.9	
Philippines - Manila Comp.	7228.6	1.6	-2.1	24.4	43.9	

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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)	6.13	-0.08	0.07	6.19	6.24
Hong Kong (HKD/USD)	7.76	0.00	-0.04	7.76	7.75	
Taiwan (TWD/USD)	30.0	-0.17	-0.58	30.03	29.86	
Japan (JPY/USD)	101.74	0.62	1.40	101.69	101.40	
Korea (KRW/USD)	1133	-0.53	-1.69	1141	1149	
India (INR/USD)	56.3	-0.56	-1.43	57.24	59.74	
Australia (USD/AUD)	0.96	-0.40	-1.25	1.05	1.07	
Singapore (SGD/USD)	1.27	-0.06	-0.37	1.27	1.27	
Indonesia (IDR/USD)	9805	0.58	-0.36	10026	10416	
Thailand (THB/USD)	30.2	-0.40	-1.03	30.38	30.73	
Malaysia (MYR/USD)	3.08	-1.17	-1.89	3.10	3.14	
Philippines (PHP/USD)	42.5	-1.29	-2.94	42.78	42.93	

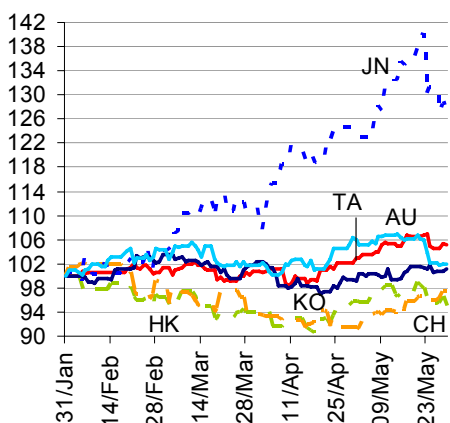
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.63	0.12	-0.57	0.53
Hong Kong (HIBOR/1W)	0.09	0.00	0.00	0.00	
Taiwan (TAIBOR/1W)	0.53	0.00	0.00	-0.01	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.58	0.01	0.01	-0.18	
India (MIBOR/7D)	3.87	0.13	-0.16	0.34	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	4.28	0.00	0.00	-0.01	
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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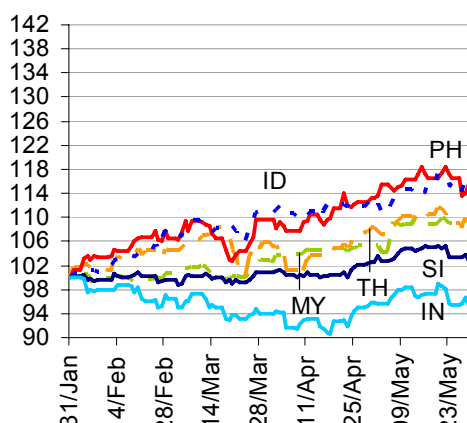
Charts

Chart 1
Stock Markets



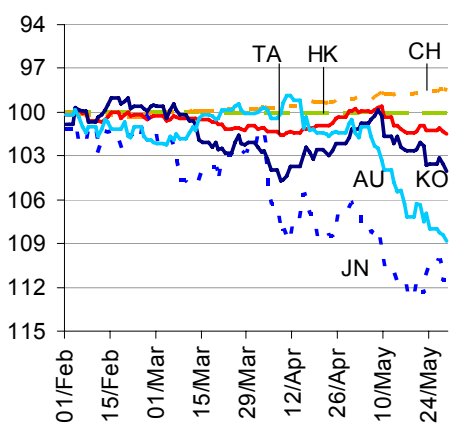
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



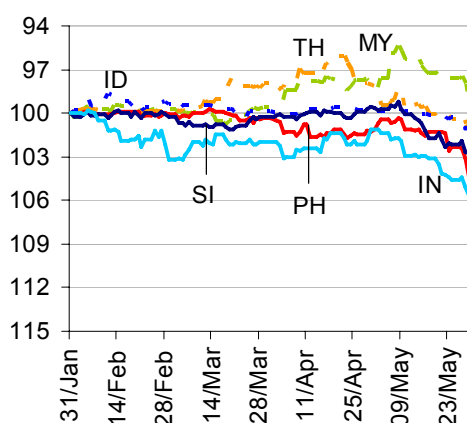
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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