

Asia Flash

Asia

Australia central bank head hints at more rate cuts, sending the AUD lower

Just a day after leaving rates on hold, Reserve Bank of Australia Governor Glenn Stevens hinted today at more monetary easing to come. In a speech to the Economics Society of Australia, Stevens pledged that the RBA would continue to do its part to support demand as the mining boom peaks. The economy is in a downward phase of an investment boom. In its policy statement yesterday, the RBA expressed satisfaction at the currency's recent weakness, and today's remarks, together with weaker-than-expected retail data for May, sent the AUD even lower, to 0.91 USD, its weakest level since September 2010. Other regional currencies have been on a weakening trend since May, which could well continue on expectations of QE tapering by the US Fed.

China's Premier seeks to restore confidence in 7.5% growth target

China's Premier Li Keqiang emphasized in a speech yesterday that the government can realize its macroeconomic targets for this year, including 7.5% GDP growth in 2013. The remarks come against a backdrop of weakening economic activity, underscored by today's NBS services PMI for June (53.9 vs. 54.3 in May). The speech may help to alleviate market concerns that the government has abandoned its growth target for the year amidst a campaign to curtail shadow bank lending and contain other domestic financial fragilities. For further cues on the course of government policies and macro targets, we await the State Council's Mid-Year Economic Conference to be held in mid-July, and the Annual Party Conference in October, where the agenda for key reforms is expected to be announced. In the meantime, we expect the slowdown in growth to ease later this year on an improving global economy and a recovery in manufacturing investment, which should keep full-year growth at or above the government's 7.5% official target.

India's government steps up efforts to boost growth and revive sentiment

As Indian rupee continues to weaken - down to a near-record low 60.3 per USD, a depreciation of 12% since May - and GDP growth struggles to rise from its decade lows of 4.8% y/y in Q1, the Indian government has recently announced a spate of policy measures to restore investor confidence. These include measures to improve domestic energy production, including a doubling of natural gas prices and allowing greater pass-thru of imported coal prices, and expansion of highway construction to alleviate infrastructure bottlenecks. In addition, the government plans to ease foreign investment limits across a range of sectors including insurance, media and petroleum refining, and to accelerate the awarding of infrastructure projects under the public-private partnership model. The renewed traction in policy reforms and further monetary easing should help boost India's growth prospects in the second half of the year, in line with our expectations of full-year GDP growth of 5.7% y/y.

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Trade Balance	03 Jul	May	171M	53M	670M
Retail Sales s.a. (MoM)	03 Jul	May	-0.10%	0.30%	0.10%
China	Date	Period	Prior	Cons.	Actual
Manufacturing PMI	01 Jul	Jun	50.8	50.1	50.1
HSBC Manufacturing PMI	01 Jul	Jun	49.2	48.3	48.2
Hong Kong	Date	Period	Prior	Cons.	Actual
Retail Sales - Value (YoY)	02 Jul	May	20.70%	19.40%	12.80%
Purchasing Managers Index	04 Jul	Jun	49.8	--	--
Indonesia	Date	Period	Prior	Cons.	Actual
Exports (YoY)	01 Jul	May	-8.70%	-8.80%	-4.50%
Total Trade Balance	01 Jul	May	-\$1703M	-\$607M	-\$590M
HSBC-Markit Manufacturing PMI	01 Jul	Jun	51.6	--	51.0
Inflation (YoY)	01 Jul	Jun	5.47%	6.02%	5.90%
India	Date	Period	Prior	Cons.	Actual
HSBC-Markit Manufacturing PMI	01 Jul	Jun	50.1	--	50.3
Japan	Date	Period	Prior	Cons.	Actual
Tankan Lge Manufacturers Index	01 Jul	2Q	-8	3	4
Tankan Large All Indust Capex	01 Jul	2Q	-2.00%	2.90%	5.50%
Monetary Base Avg Amount YoY	02 Jul	Jun	31.60%	--	36.00%
Malaysia	Date	Period	Prior	Cons.	Actual
Exports YoY%	05 Jul	May	-3.30%	-2.80%	--
Philippines	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	05 Jul	Jun	2.60%	2.70%	--
Singapore	Date	Period	Prior	Cons.	Actual
Purchasing Managers Index	03 Jul	Jun	51.1	51.0	--
South Korea	Date	Period	Prior	Cons.	Actual
Ext Trade - Export (YoY)	01 Jul	Jun	3.20%	0.10%	-0.90%
Consumer Price Index (YoY)	01 Jul	Jun	1.00%	1.10%	1.00%
HSBC Manufacturing PMI	01 Jul	Jun	51.1	--	49.4
Taiwan	Date	Period	Prior	Cons.	Actual
HSBC Manufacturing PMI	01 Jul	Jun	47.1	--	49.5
CPI YoY%	05 Jul	Jun	0.74%	0.60%	--
Thailand	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	01 Jul	Jun	2.27%	2.39%	2.25%
Vietnam	Date	Period	Prior	Cons.	Actual
HSBC Manufacturing PMI	01 Jul	Jun	48.8	--	46.4

Calendar Events

Australia - RBA Cash Target, Jul 2

We expect the benchmark rate to remain unchanged

Current

2.75%

Cons.

2.75%

New

2.75%

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.	1994.3	-0.6	2.2	-12.1	-10.5
Hong Kong - Hang Seng	20147.3	-2.5	1.5	-11.1	2.1	
Taiwan - Weighted	7911.4	-1.3	1.6	2.8	6.6	
Japan - Nikkei 225	14055.6	-0.3	9.5	35.2	55.0	
Korea - Kospi	1824.7	-1.6	2.3	-8.6	-2.3	
India - Sensex 30	19177.8	-1.5	3.4	-1.3	10.1	
Australia - SPX/ASX 200	4744.1	-1.9	0.3	2.0	14.9	
Singapore - Strait Times	3129.5	-1.4	0.8	-1.2	6.3	
Indonesia - Jakarta Comp	4577.2	-3.2	-0.2	6.0	13.0	
Thailand - SET	1443.6	-1.4	4.3	3.7	20.5	
Malaysia - KLCI	1769.2	-0.2	1.6	4.8	10.0	
Philippines - Manila Comp.	6480.1	0.5	5.9	11.5	20.8	

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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	0.05	0.28	6.22	6.31
Hong Kong (HKD/USD)	7.75	-0.01	0.07	7.75	7.75	
Taiwan (TWD/USD)	30.1	-0.24	0.05	30.10	29.96	
Japan (JPY/USD)	99.69	0.94	-1.98	99.64	99.27	
Korea (KRW/USD)	1144	-0.85	0.94	1149	1157	
India (INR/USD)	60.3	-1.09	0.67	61.37	64.02	
Australia (USD/AUD)	0.91	-0.69	-2.08	1.11	1.13	
Singapore (SGD/USD)	1.27	-0.15	0.05	1.27	1.27	
Indonesia (IDR/USD)	9977	-0.42	-0.12	10433	11048	
Thailand (THB/USD)	31.1	-0.35	0.10	31.25	31.64	
Malaysia (MYR/USD)	3.19	-0.60	0.39	3.21	3.25	
Philippines (PHP/USD)	43.5	-0.36	-0.07	43.58	43.76	

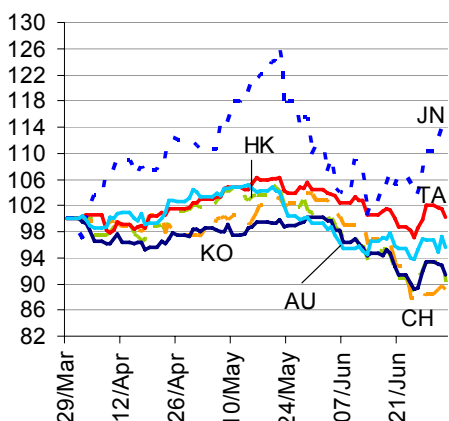
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	4.25	-0.50	-1.90	-0.45
Hong Kong (HIBOR/1W)	0.12	0.00	0.01	0.03	
Taiwan (TAIBOR/1W)	0.53	0.00	0.00	0.00	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.58	0.00	-0.01	0.00	
India (MIBOR/7D)	4.15	-0.61	-3.05	-1.28	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	4.55	-0.01	-0.02	0.28	
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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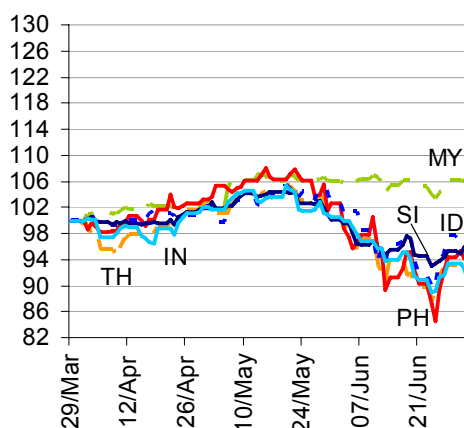
Charts

Chart 1
Stock Markets



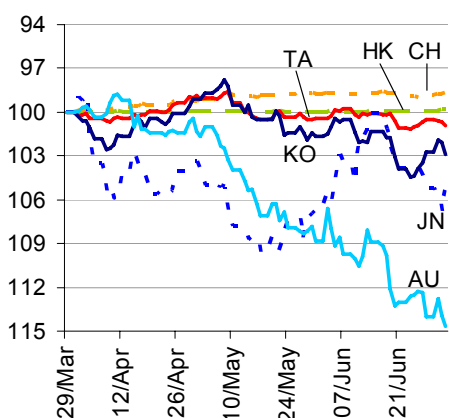
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



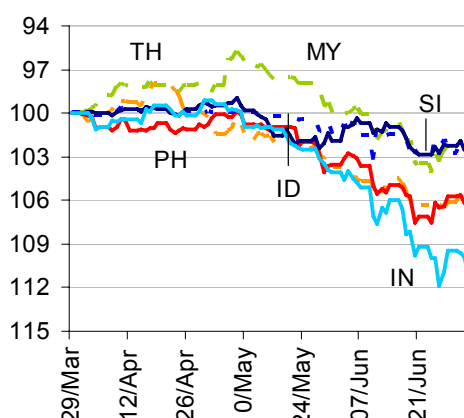
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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