

Asia Flash

Asia

Asian stock markets closed mixed today ahead of Chairman Bernanke's delivery of the Fed's semi-annual monetary policy report to the U.S. Congress. Despite positive FDI data in China, the Shanghai Composite slid -1.0%, while Korean shares advanced +1.1%. Looking ahead, in addition to digesting the Fed's statement on QE tapering, the focus tomorrow will be on China's June housing prices, and in Hong Kong, June unemployment (consensus: 3.4%, unchanged from May).

Is rising FDI in China a sign of improving overseas confidence?

June FDI inflows jumped by 20.1% y/y (consensus: 0.7%) from 0.3% in May, marking the fifth straight month of gains. For the second quarter, FDI inflows increased by 8.3% y/y, from 1.4% in Q1 and -3.7% for all of 2012. FDI to the service sector (12.4% ytd y/y) has outperformed the manufacturing sector (-2.1% ytd y/y), a further sign of increasing services output as a share of GDP. Outward FDI (non-financial sector) also remains resilient, growing by 28.7% y/y ytd (vs. 12.6% in 2012). China became the world's third largest FDI provider in 2012 (behind the US and Japan).

India eases investment limits in latest efforts to boost inflows

Fresh on the heels of the Reserve Bank of India's efforts to tighten liquidity to support the rupee ([India Flash](#)), the government yesterday eased foreign direct investment (FDI) limits in 12 sectors. This second round of FDI reforms – an easing of limits in multibrand retail, civil aviation and power exchanges undertaken last September – sees higher investment caps across key sectors including defense (100% with caveats), telecom (100%), petroleum (49%), asset reconstruction companies (49%) and courier services (100%). The new FDI limits are in line with our expectations, as flagged in our April 29 [Economic Watch](#): “Steps are needed to ease FDI limits across a broader spectrum of industries including media, insurance, banking, telecom services and transportation. That said, easier FDI limits are not a sufficient condition for attracting stable flows and a step up in infrastructure development and greater ease of doing business is critical [to boost growth prospects].”

Briefly noted:

Singapore's non-oil domestic exports (NODX) disappoint for a second straight month, declining by -8.8% y/y in June from -4.6% the previous month, partly due to a high base effect. Electronic products exports remained weak (-12.4% y/y), while non-electronic products exports softened in June as well (-7.1% y/y). Export growth decelerated in most of Singapore's major export markets, including DMs (EU, US and Japan) and ASEAN countries, suggesting that external headwinds continue to threaten the country's fragile recovery outlook.

Stephen Schwartz
Chief Economist for Asia
stephen.schwartz@bbva.com.hk
+852 2582 3218

Weiwei Liu
Economist
carrie.liu@bbva.com.hk
+852 2582 3243

With contributions from the BBVA Research Asia Team

Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Retail Sales (YoY)	15 Jul	Jun	12.90%	12.90%	13.30%
Fixed Assets Inv Excl. Rural YTD YoY	15 Jul	Jun	20.40%	20.20%	20.10%
Industrial Production (YoY)	15 Jul	Jun	9.20%	9.10%	8.90%
Real GDP (QoQ)	15 Jul	2Q	1.60%	1.80%	1.70%
GDP YoY	15 Jul	2Q	7.70%	7.50%	7.50%
Actual FDI (YoY)	17 Jul	Jun	0.30%	0.70%	20.10%
China June Property Prices	18 Jul	Jun	--	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Unemployment Rate SA	18 Jul	Jun	3.40%	3.40%	--
Composite Interest Rate	18 Jul	Jun	0.26%	--	--
India	Date	Period	Prior	Cons.	Actual
Monthly Wholesale Prices YoY%	15 Jul	Jun	4.70%	4.94%	4.86%
Japan	Date	Period	Prior	Cons.	Actual
All Industry Activity Index (MoM)	19 Jul	May	0.40%	1.20%	--
Malaysia	Date	Period	Prior	Cons.	Actual
CPI YoY	19 Jul	Jun	1.80%	1.90%	--
Philippines	Date	Period	Prior	Cons.	Actual
Overseas Remittances (YoY)	15 Jul	May	6.10%	6.20%	5.30%
Singapore	Date	Period	Prior	Cons.	Actual
Retail Sales (YoY)	15 Jul	May	-0.30%	1.80%	3.20%
Non-oil Domestic Exports (YoY)	17 Jul	Jun	-4.60%	-5.80%	-8.80%
South Korea	Date	Period	Prior	Cons.	Actual
South Korea FDI (YoY)	15 Jul	2Q	44.70%	--	-3.30%

Calendar Events

There are no calendar events scheduled for this week.

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.	2044.9	-1.0	1.8	-9.9	-5.4
Hong Kong - Hang Seng	21371.9	0.3	2.2	-5.7	9.9	
Taiwan - Weighted	8259.0	0.0	3.1	7.3	15.9	
Japan - Nikkei 225	14615.0	0.1	1.0	40.6	66.9	
Korea - Kospi	1887.5	1.1	3.5	-5.5	3.6	
India - Sensex 30	19948.7	0.5	3.4	2.7	16.6	
Australia - SPX/ASX 200	4981.7	-0.1	1.6	7.2	20.3	
Singapore - Strait Times	3208.3	-0.5	0.6	1.3	6.4	
Indonesia - Jakarta Comp	4679.0	0.8	4.5	8.4	14.7	
Thailand - SET	1458.1	0.5	5.0	4.8	19.1	
Malaysia - KLCI	1788.7	0.1	1.1	5.9	9.1	
Philippines - Manila Comp.	6574.7	-0.1	4.2	13.1	24.4	

Last update: today, 18:30 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)	6.14	0.00	-0.01	6.20	6.27
Hong Kong (HKD/USD)	7.76	0.00	-0.01	7.76	7.75	
Taiwan (TWD/USD)	29.9	-0.07	0.55	29.84	29.68	
Japan (JPY/USD)	99.68	-0.58	0.00	99.63	99.32	
Korea (KRW/USD)	1122	-0.32	1.28	1125	1133	
India (INR/USD)	59.4	-0.11	0.45	60.65	63.75	
Australia (USD/AUD)	0.92	-0.44	0.44	1.09	1.11	
Singapore (SGD/USD)	1.26	-0.32	0.65	1.26	1.26	
Indonesia (IDR/USD)	10045	0.58	-0.64	10630	11330	
Thailand (THB/USD)	31.1	0.00	0.55	31.23	31.62	
Malaysia (MYR/USD)	3.19	-0.16	-0.40	3.21	3.25	
Philippines (PHP/USD)	43.3	-0.04	0.23	43.31	43.51	

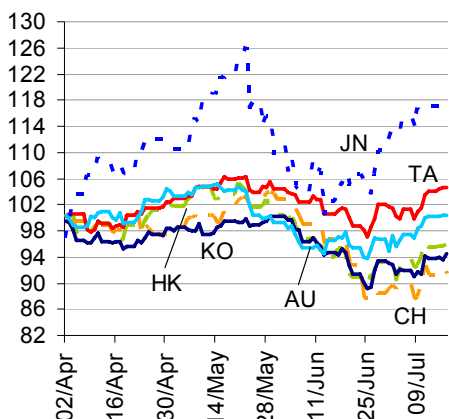
Last update: today, 18:30 Hong Kong time.

INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.60	-0.15	-0.20	-3.40
Hong Kong (HIBOR/1W)	0.12	0.00	0.00	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)	2.56	0.00	0.00	-0.02	
India (MIBOR/7D)	3.70	-0.30	-0.10	-4.95	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	5.15	-0.01	0.60	0.62	
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	

Last update: today, 18:30 Hong Kong time

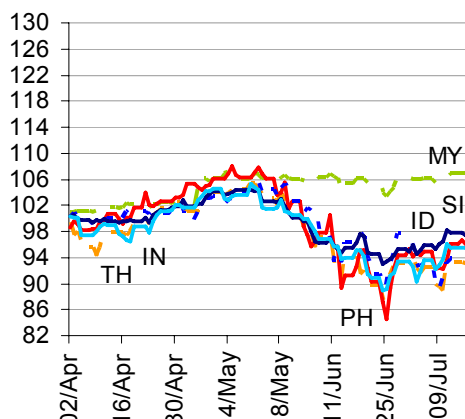
Charts

Chart 1
Stock Markets



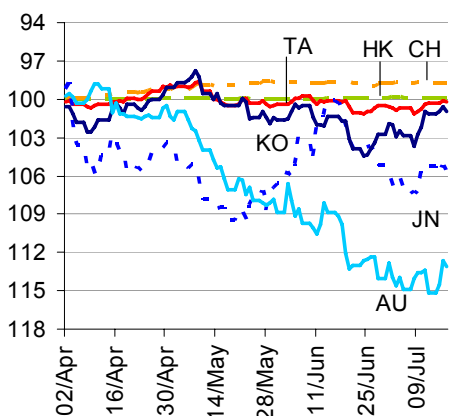
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



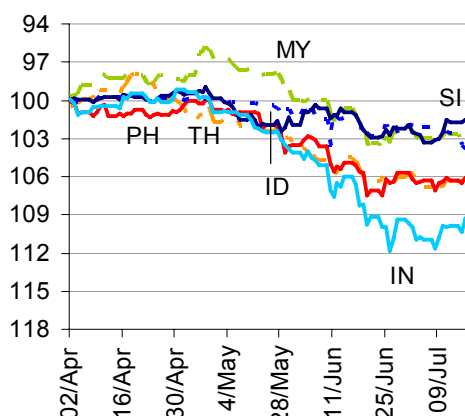
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Stephen Schwartz
Chief Economist for Asia
stephen.schwartz@bbva.com.hk


Fielding Chen
Senior Economist
fielding.chen@bbva.com.hk

Le Xia
Senior Economist
xia.le@bbva.com.hk

Sumedh Deorukhkar
Senior Economist (India, Mumbai)
sumedh.deorukhkar@bbva.com

George Xu
Economist
george.xu@bbva.com.hk

Weiwei Liu
Economist
carrie.liu@bbva.com.hk

BBVA | RESEARCH  | 10/F., Two IFC, 8 Finance Street, Central, Hong Kong | Tel.: +852 2582 3111 | www.bbva.com.hk

Before you print this message please consider if it is really necessary.

This email and its attachments are subject to the confidentiality terms established in the corresponding regulations and are intended for the sole use of the person or persons indicated in the header. They are for internal use only and cannot be distributed, copied, conveyed or furnished to third parties without prior written consent from BBVA. If this message has been received erroneously, it is forbidden to read, use or copy any of the contents and you are asked to inform BBVA immediately by forwarding the email to the sender and eliminating it thereafter.

BBVA will continue to provide our readers up-to-date reports by emails, but you can also register directly on our website where you can find a full list of our latest reports & presentations <http://serviciodeestudios.bbva.com/KETD/ketd/ing/index.jsp>

If you wish to be excluded from this mailing list, please write to us on research.emergingmarkets@bbva.com.hk and we shall immediately take you off the list.