

# Asia Flash

## Asia

*Equity markets today rose across Asia, led by Japan's Nikkei (+2.57%) as then yen weakened, and as sentiment was lifted by rumors of a possible cut in the corporate tax rate and a better-than-expected machine orders outturn.*

### Japan machine orders lift sentiment amidst talk of a cut in corporate taxes

Japan's widely-watched core machine orders fell by less than expected in June (-2.7% m/m sa vs. consensus: -7.0%; prior: 10.5%). Machinery orders are a leading indicator of capital spending, which has been lagging, as seen in yesterday's disappointing Q2 GDP outturn. Separately, media reports today suggest that the government of Shinzo Abe is considering a corporate tax rate as a way of offsetting the economic drag of a planned consumption tax hike scheduled in 2014-15. The hike in the consumption tax rate - from 5 to 8% in 2014, and from 8 to 10% in 2015 - is a centrepiece of the government's strategy for achieving medium-term fiscal consolidation. Its implementation is in question, however, as the government evaluates whether to proceed in view of near-term risks to the economic recovery.

### India's industrial production growth shrinks in June

India's industrial production growth, reported late yesterday, declined for a second straight month in June by -2.2% y/y (consensus: -1.1%) from a downwardly revised -2.8% in May, led by a contraction in mining and manufacturing activity. On a three month moving average basis, the June IIP (-1.0% y/y) posted its sharpest dip since June 2009 as tighter funding conditions, a weakening currency, and retail inflation (9.6% CPI inflation in July) dampened business and consumer sentiment. Looking ahead, however, we expect the closely watched July WPI inflation, due tomorrow, to remain relatively soft (BBVA: 5.2% y/y; consensus: 5.0%). With most high frequency indicators trending lower, risks to our 5.7% growth projection for 2013 are skewed to the downside. Meanwhile, India's Finance Minister yesterday outlined a new set of measures to contain the current account deficit and boost capital inflows, and help stem downward pressure on the currency.

### Briefly Noted:

**Philippines' exports picked up in June by 4.1% y/y** (consensus: 8.1%) from a contraction of -0.8% y/y in May, registering the strongest growth so far this year. The region's export outturns have been mixed in the recent period, marked by an improving trend for July in China and Korea, but a weakening trend elsewhere.

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## Calendar Indicators

| <b>China</b>                  | <b>Date</b> | <b>Period</b> | <b>Prior</b> | <b>Cons.</b> | <b>Actual</b> |
|-------------------------------|-------------|---------------|--------------|--------------|---------------|
| Foreign Direct Investment YoY | 14-18 AUG   | Jul           | 20.10%       | 14.00%       | --            |
| China Property Prices         | 18 Aug      | Jul           | --           | --           | --            |
| <b>Hong Kong</b>              | <b>Date</b> | <b>Period</b> | <b>Prior</b> | <b>Cons.</b> | <b>Actual</b> |
| GDP YoY                       | 16 Aug      | 2Q            | 2.80%        | 3.20%        | --            |
| GDP SA QoQ                    | 16 Aug      | 2Q            | 0.20%        | 0.40%        | --            |
| <b>India</b>                  | <b>Date</b> | <b>Period</b> | <b>Prior</b> | <b>Cons.</b> | <b>Actual</b> |
| Exports YoY                   | 12 Aug      | Jul           | -4.60%       | --           | 11.60%        |
| Imports YoY                   | 12 Aug      | Jul           | -0.40%       | --           | -6.20%        |
| Industrial Production YoY     | 12 Aug      | Jun           | -2.80%       | -1.10%       | -2.20%        |
| CPI YoY                       | 12 Aug      | Jul           | 9.87%        | 9.71%        | 9.64%         |
| Wholesale Prices YoY          | 14 Aug      | Jul           | 4.86%        | 5.00%        | --            |
| <b>Japan</b>                  | <b>Date</b> | <b>Period</b> | <b>Prior</b> | <b>Cons.</b> | <b>Actual</b> |
| Industrial Production MoM     | 12 Aug      | Jun F         | -3.30%       | --           | -3.10%        |
| GDP SA QoQ                    | 12 Aug      | 2Q P          | 0.90%        | 0.90%        | 0.60%         |
| GDP Annualized SA QoQ         | 12 Aug      | 2Q P          | 3.80%        | 3.60%        | 2.60%         |
| Machine Orders MoM            | 13 Aug      | Jun           | 10.50%       | -7.00%       | -2.70%        |
| <b>Philippines</b>            | <b>Date</b> | <b>Period</b> | <b>Prior</b> | <b>Cons.</b> | <b>Actual</b> |
| Exports YoY                   | 13 Aug      | Jun           | -0.80%       | 8.10%        | 4.10%         |
| Overseas Remittances YoY      | 15 Aug      | Jun           | 5.30%        | 5.50%        | --            |
| <b>Singapore</b>              | <b>Date</b> | <b>Period</b> | <b>Prior</b> | <b>Cons.</b> | <b>Actual</b> |
| GDP YoY                       | 12 Aug      | 2Q F          | 3.70%        | 3.50%        | 3.80%         |
| GDP SAAR QoQ                  | 12 Aug      | 2Q F          | 15.20%       | 14.20%       | 15.50%        |
| Retail Sales YoY              | 15 Aug      | Jun           | 3.20%        | 3.80%        | --            |
| Non-oil Domestic Exports YoY  | 16 Aug      | Jul           | -8.80%       | -3.00%       | --            |
| <b>South Korea</b>            | <b>Date</b> | <b>Period</b> | <b>Prior</b> | <b>Cons.</b> | <b>Actual</b> |
| Unemployment Rate             | 14 Aug      | Jul           | 3.20%        | 3.20%        | --            |
| <b>Taiwan</b>                 | <b>Date</b> | <b>Period</b> | <b>Prior</b> | <b>Cons.</b> | <b>Actual</b> |
| GDP YoY                       | 16 Aug      | 2Q F          | 2.27%        | 2.30%        | --            |

## Calendar Events

### **Indonesia - BI Reference Rate, Aug 15**

We expect the benchmark rate to remain unchanged

**Current**  
6.50%

**Cons.**  
6.50%

**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. | 2106.2     | 0.2                 | 2.2                  | -7.2         | -1.4              |
| Hong Kong - Hang Seng      | 22541.1                | 1.2        | 2.8                 | -0.5                 | 12.2         |                   |
| Taiwan - Weighted          | 7986.3                 | 1.0        | -0.7                | 3.7                  | 7.4          |                   |
| Japan - Nikkei 225         | 13867.0                | 2.6        | -3.7                | 33.4                 | 56.1         |                   |
| Korea - Kospi              | 1913.0                 | 1.5        | 0.3                 | -4.2                 | -1.0         |                   |
| India - Sensex 30          | 19229.8                | 1.5        | 0.2                 | -1.0                 | 9.1          |                   |
| Australia - SPX/ASX 200    | 5157.7                 | 1.0        | 1.0                 | 10.9                 | 20.4         |                   |
| Singapore - Strait Times   | 3244.1                 | 0.4        | -0.3                | 2.4                  | 5.9          |                   |
| Indonesia - Jakarta Comp   | 4652.4                 | 1.2        | 1.0                 | 7.8                  | 13.4         |                   |
| Thailand - SET             | 1459.1                 | 1.9        | 2.4                 | 4.8                  | 19.7         |                   |
| Malaysia - KLCI            | 1795.1                 | 0.6        | 0.7                 | 6.3                  | 9.0          |                   |
| Philippines - Manila Comp. | 6554.6                 | 1.7        | 0.7                 | 12.8                 | 24.3         |                   |

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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) | 6.12  | 0.01                | 0.00                 | 6.19            | 6.26             |
| Hong Kong (HKD/USD)      | 7.76            | 0.00  | 0.01                | 7.75                 | 7.75            |                  |
| Taiwan (TWD/USD)         | 30.0            | -0.04 | -0.01               | 29.91                | 29.76           |                  |
| Japan (JPY/USD)          | 98.06           | -1.18 | -0.33               | 98.01                | 97.72           |                  |
| Korea (KRW/USD)          | 1115            | -0.14 | 0.04                | 1122                 | 1132            |                  |
| India (INR/USD)          | 61.2            | 0.20  | -0.57               | 62.58                | 66.11           |                  |
| Australia (USD/AUD)      | 0.91            | -0.13 | 1.68                | 1.10                 | 1.12            |                  |
| Singapore (SGD/USD)      | 1.26            | -0.15 | 0.18                | 1.26                 | 1.26            |                  |
| Indonesia (IDR/USD)      | 10307           | -0.14 | -0.20               | 10687                | 11362           |                  |
| Thailand (THB/USD)       | 31.3            | 0.03  | 0.48                | 31.42                | 31.81           |                  |
| Malaysia (MYR/USD)       | 3.26            | -0.32 | -0.36               | 3.28                 | 3.32            |                  |
| Philippines (PHP/USD)    | 43.7            | -0.14 | -0.46               | 43.76                | 44.02           |                  |

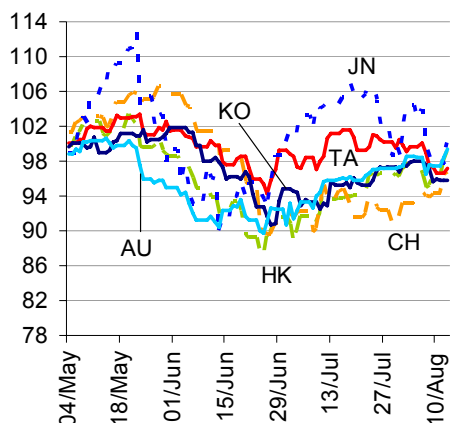
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| INTERBANK RATES         | INDEX             | Rate  | net change over a day | net change over a week | net change over a month |
|-------------------------|-------------------|-------|-----------------------|------------------------|-------------------------|
|                         | China (SHIBOR/7D) | 3.70  | 0.05                  | -0.05                  | -0.10                   |
| Hong Kong (HIBOR/1W)    | 0.12              | 0.00  | 0.00                  | 0.00                   |                         |
| Taiwan (TAIBOR/1W)      | 0.52              | 0.00  | 0.00                  | -0.01                  |                         |
| Japan (TIBOR/1Y)        | 0.76              | 0.00  | 0.01                  | 0.01                   |                         |
| Korea (KORIBOR/1M)      | 2.55              | -0.01 | -0.01                 | -0.02                  |                         |
| India (MIBOR/7D)        | 3.80              | -0.28 | -0.37                 | 0.00                   |                         |
| Singapore (SIBOR/1W)    | 0.25              | 0.00  | 0.00                  | 0.00                   |                         |
| Indonesia (JIBOR/1W)    | 5.27              | 0.02  | -0.05                 | 0.10                   |                         |
| 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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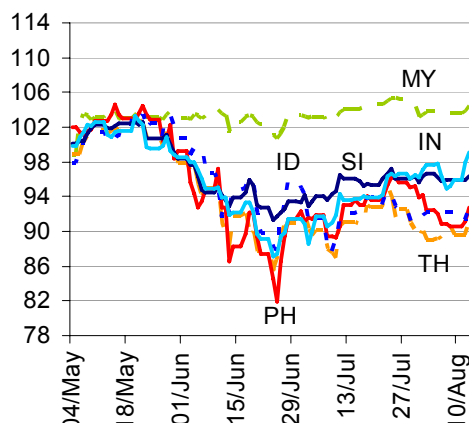
# Charts

Chart 1  
Stock Markets



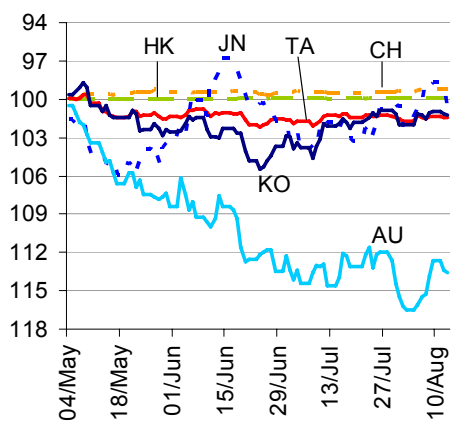
Source: BBVA Research and Bloomberg

Chart 2  
Stock Markets



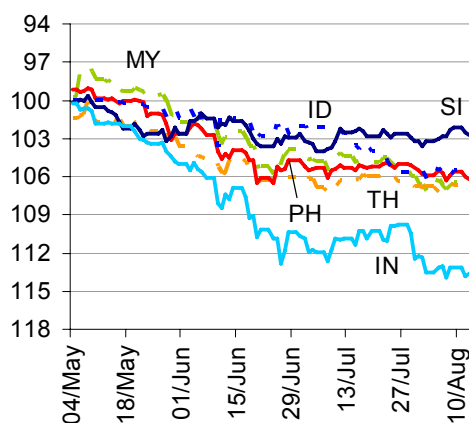
Source: BBVA Research and Bloomberg

Chart 3  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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