

# Asia Flash

## Asia

*The market sell-off gripping the region continued and even broadened today, led by declines in the Jakarta Composite (-3.2%, after yesterday's -5.6% selloff), Japan's Nikkei (-2.6%) and the Hang Seng Index (-2.2%). Currency and local bond markets are under pressure, with the rupee trading close to a new record low of around 64 against the USD as capital flows from the region continue on expectations of QE tapering by the Fed. As noted in yesterday's flash, economies such as India, Indonesia, and Thailand are bearing the brunt of the adjustment given the heavy inflows they received earlier in the year and the domestic challenges they face in containing their current account deficits and inflation. Looking ahead to tomorrow, we await the Bank of Thailand's monetary policy meeting, where we expect rates to stay on hold despite slowing growth; we also await Malaysia's Q2 GDP outturn (consensus: 4.7%, prior: 4.1%), followed by Thursday's release of the Flash HSBC PMI outturn in China.*

### RBA minutes reveal central bank's continued focus on the currency

The Reserve Bank of Australia's August 6 policy meeting minutes were released today, shedding light on the central bank's decision to cut rates by another 25 bps to a historic low of 2.50%. As reflected in the statement released at the time, the RBA projected a weaker outlook for activity overall and expected growth to remain below trend for longer, although it judged that the substantial easing of 200 bps in cumulative rate cuts over the previous 18 months were helping interest-rate sensitive sectors such as housing. On the currency front, the RBA said the Australia dollar remained high by historical standards despite the significant fall in the past months, and that the course of the exchange rate would be important (for monetary policy). In response, the currency weakened today to 0.91 against the USD. In the meantime, the RBA has adopted a neutral stance, with further rate cuts possible if incoming growth data fails to revive. At this stage, we expect no further rate cuts for the remainder of 2013 in anticipation of a gradually improving global economy especially in China.

### Briefly noted:

**Hong Kong's July inflation surges on base effects, to 6.9% y/y** (consensus: 4.9% y/y) in July, up from 4.1% in June. The spike was mainly due to the effect of expiring one-off government relief measures, in particular the exemption of public housing rentals. Excluding these effects, inflation edged up only slightly, to 4.2% y/y in July (versus: 4.0% y/y in June). We expect inflation to average 4.2% in 2013, led by rising housing costs. The inflation outturn follows better-than-expected Q2 GDP (3.3% y/y) released last Friday.

**Taiwan export orders surprised to the upside in July, increasing by 0.5% y/y** (consensus: -1.0%) after a contraction in the previous month of -3.5% y/y. The positive outturn ends 5 consecutive months of decline, signaling that external demand may be starting to improve.

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## Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Foreign Direct Investment YoY	21-23 AUG	Jul	20.10%	14.00%	--
HSBC/Markit Flash Mfg PMI	22 Aug	Aug	47.7	48.1	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Composite Interest Rate	19 Aug	Jul	0.32%	--	0.32%
Unemployment Rate SA	19 Aug	Jul	3.30%	3.30%	3.30%
CPI Composite YoY	20 Aug	Jul	4.10%	4.90%	6.90%
Japan	Date	Period	Prior	Cons.	Actual
Exports YoY	19 Aug	Jul	7.40%	12.80%	12.20%
Imports YoY	19 Aug	Jul	11.80%	16.00%	19.60%
Trade Balance	19 Aug	Jul	-¥182.3B	-¥773.5B	-¥1024.0B
All Industry Activity Index MoM	20 Aug	Jun	1.20%	-0.70%	-0.60%
Malaysia	Date	Period	Prior	Cons.	Actual
GDP YoY	21 Aug	2Q	4.10%	4.70%	--
CPI YoY	21 Aug	Jul	1.80%	2.00%	--
Singapore	Date	Period	Prior	Cons.	Actual
CPI YoY	23 Aug	Jul	1.80%	2.10%	--
Taiwan	Date	Period	Prior	Cons.	Actual
Export Orders YoY	20 Aug	Jul	-3.50%	-1.00%	0.50%
Unemployment Rate	22 Aug	Jul	4.17%	4.18%	--
Commercial Sales YoY	23 Aug	Jul	-0.27%	-0.26%	--
Industrial Production YoY	23 Aug	Jul	-0.43%	-0.53%	--
Thailand	Date	Period	Prior	Cons.	Actual
GDP YoY	19 Aug	2Q	5.40%	3.30%	2.80%
GDP SA QoQ	19 Aug	2Q	-1.70%	0.20%	-0.30%
Vietnam	Date	Period	Prior	Cons.	Actual
CPI YoY	24 Aug	Aug	7.29%	--	--

## Calendar Events

Thailand - Benchmark Interest Rate , Aug 21	Current	Cons.	New
We expect the benchmark rate to remain unchanged	2.50%	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.	2072.6	-0.6	-1.6	-8.7	-1.6
	Hong Kong - Hang Seng	21970.3	-2.2	-1.4	-3.0	9.3
	Taiwan - Weighted	7832.7	-0.9	-1.9	1.7	5.4
	Japan - Nikkei 225	13396.4	-2.6	-3.4	28.9	46.1
	Korea - Kospi	1887.9	-1.6	0.2	-5.5	-3.0
	India - Sensex 30	18246.0	-0.3	-3.7	-6.1	3.1
	Australia - SPX/ASX 200	5078.2	-0.7	-1.5	9.2	16.4
	Singapore - Strait Times	3128.8	-1.4	-3.6	-1.2	2.2
	Indonesia - Jakarta Comp	4175.0	-3.2	-10.3	-3.3	0.3
	Thailand - SET	1370.9	-2.0	-6.0	-1.5	11.5
	Malaysia - KLCI	1745.4	-1.9	-2.8	3.3	5.8
	Philippines - Manila Comp.	6526.0	0.0	1.3	12.3	25.3

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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	-0.03	-0.05	6.19	6.25
	Hong Kong (HKD/USD)	7.75	0.00	0.01	7.75	7.75
	Taiwan (TWD/USD)	30.0	-0.08	-0.12	29.95	29.81
	Japan (JPY/USD)	97.29	0.27	0.94	97.24	96.94
	Korea (KRW/USD)	1121	-0.46	-0.51	1124	1135
	India (INR/USD)	63.5	-0.58	-3.62	65.28	69.01
	Australia (USD/AUD)	0.91	-0.44	-0.49	1.11	1.13
	Singapore (SGD/USD)	1.28	0.08	-0.67	1.28	1.28
	Indonesia (IDR/USD)	10723	-1.77	-3.88	11419	12294
	Thailand (THB/USD)	31.6	-0.70	-1.20	31.88	32.22
	Malaysia (MYR/USD)	3.29	-0.02	-0.88	3.31	3.36
	Philippines (PHP/USD)	43.9	-0.16	-0.31	43.95	44.19

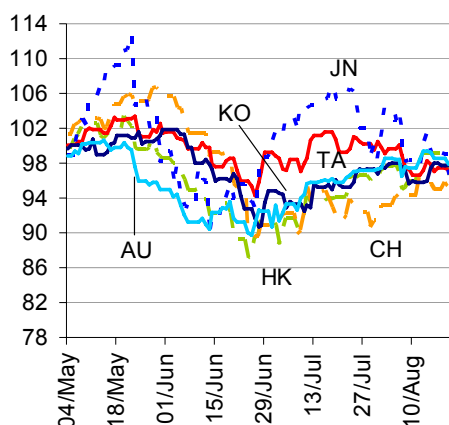
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	4.41	0.31	0.46	0.66
	Hong Kong (HIBOR/1W)	0.12	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.52	0.00	0.00	-0.01
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	2.56	0.00	0.01	0.00
	India (MIBOR/7D)	4.80	-0.15	1.00	1.06
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	5.32	-0.01	0.06	0.17
	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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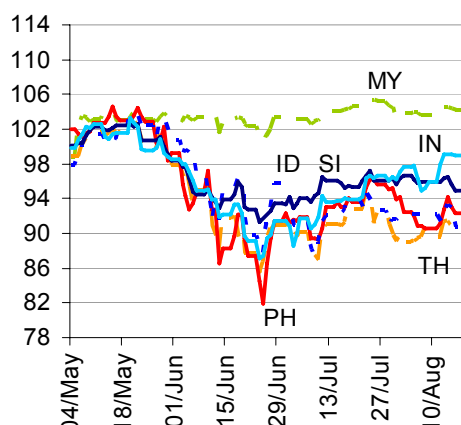
# Charts

Chart 1  
Stock Markets



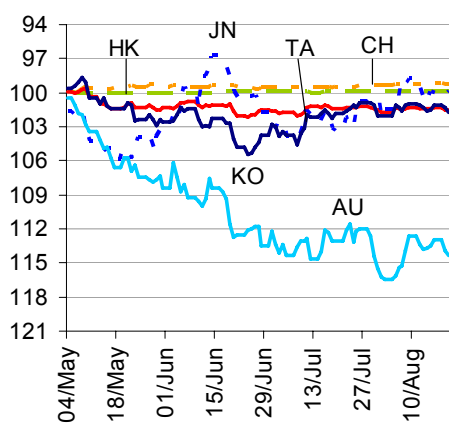
Source: BBVA Research and Bloomberg

Chart 2  
Stock Markets



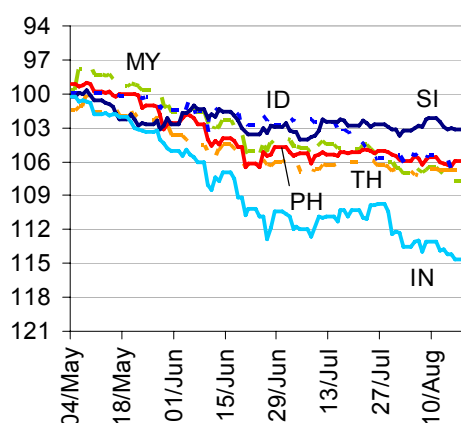
Source: BBVA Research and Bloomberg

Chart 3  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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