

# Asia Flash

## Asia

*India was the outlier again today, as a broad improvement in regional sentiment -- fed by signs of improving growth momentum in China and improved risk appetite -- failed to spill over to Indian markets. The rupee sank to 68.0 per USD after a brief rebound in recent days, and the stock market fell by -3.5 %. The latest market decline may have to do with yesterday's Parliamentary passage of the 'Food Security Bill' which, though admirable for its focus on social equality, renews concerns about fiscal sustainability given its implications for rising food subsidies.*

### **Australia leaves rates unchanged, keeping in line with its "neutral" stance**

At its monthly policy meeting today the Reserve Bank of Australia (RBA) left rates unchanged, as expected, at a record low 2.50%. After today's meeting, the RBA echoed nearly identical comments from its August 6 policy statement, when it last cut rates, saying that it expects the economy to continue growing a "bit below trend" as the mining boom wears off, but that "further effects [of recent interest rate cuts] can be expected over time." Since November 2011 the RBA has cut rates by a cumulative 225 bps, which has supported interest-sensitive sectors such as housing, although the broader domestic economy remains sluggish. On the currency front, the RBA repeated its view that, despite a depreciation of around 15% since early April, the currency remains at "a high level", and that a further depreciation "would help to foster a rebalancing of growth in the economy." The currency appreciated today to 0.903 per USD, as the policy statement was notable for the absence of dovish views. Given the recent improvement in China's growth momentum and pickup in the US and Europe, under our baseline we expect rates to stay on hold during the remainder of 2013.

### **Briefly noted:**

#### **China's official service PMI remains resilient**

Following last Sunday's robust manufacturing PMI outturn (51.0), the official non-manufacturing PMI eased slightly to 53.9 in August from 54.1 in July, still above the 50-expansion threshold. Premier Li today reiterated his confidence that China will meet the official 7.5% growth target for 2013, helping to lift the Shanghai stock market (+1.2% at today's closing).

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## Calendar Indicators

<b>Australia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
BoP Current Account Balance	03 Sep	2Q	-8.7B	-8.5B	-9.4B
Retail Sales MoM	03 Sep	Jul	0.00%	0.40%	0.10%
GDP SA QoQ	04 Sep	2Q	0.60%	0.50%	--
GDP YoY	04 Sep	2Q	2.50%	2.40%	--
Trade Balance	05 Sep	Jul	602M	100M	--
<b>China</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Manufacturing PMI	01 Sep	Aug	50.3	50.6	51.0
HSBC/Markit Manufacturing PMI	02 Sep	Aug	47.7	50.2	50.1
Non-manufacturing PMI	03 Sep	Aug	54.1	--	53.9
HSBC/Markit Services PMI	04 Sep	Aug	51.3	--	--
<b>Hong Kong</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Retail Sales Value YoY	02 Sep	Jul	14.70%	15.00%	9.50%
HSBC/Markit PMI	04 Sep	Aug	49.7	--	--
<b>Indonesia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
HSBC/Markit Manufacturing PMI	02 Sep	Aug	50.7	--	48.5
CPI YoY	02 Sep	Aug	8.61%	8.95%	8.79%
Exports YoY	02 Sep	Jul	-4.50%	-5.40%	-6.10%
Foreign Reserves	04-10 SEP	Aug	\$92.67B	--	--
<b>India</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
HSBC/Markit Manufacturing PMI	02 Sep	Aug	50.1	--	48.5
HSBC/Markit Services PMI	04 Sep	Aug	47.9	--	--
<b>Japan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Capital Spending YoY	02 Sep	2Q	-3.90%	-2.10%	0.00%
Monetary Base YoY	03 Sep	Aug	38.00%	--	42.00%
<b>Malaysia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Exports YoY	06 Sep	Jul	-6.90%	0.30%	--
<b>Philippines</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
CPI YoY	05 Sep	Aug	2.50%	2.40%	--
Foreign Reserves	06 Sep	Aug	\$83.2B	--	--
<b>Singapore</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Purchasing Managers Index	03 Sep	Aug	51.8	51.9	--
<b>South Korea</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Exports YoY	01 Sep	Aug	2.60%	3.80%	7.70%
CPI YoY	02 Sep	Aug	1.40%	1.50%	1.30%
HSBC/Markit Manufacturing PMI	02 Sep	Aug	47.2	--	47.5
GDP SA QoQ	05 Sep	2Q F	1.10%	--	--
GDP YoY	05 Sep	2Q F	2.30%	--	--
<b>Taiwan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
HSBC/Markit Manufacturing PMI	02 Sep	Aug	48.6	--	50.0
CPI YoY	05 Sep	Aug	0.08%	-0.27%	--
Wholesale Price Index YoY	05 Sep	Aug	-2.13%	-2.52%	--
<b>Thailand</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
CPI YoY	02 Sep	Aug	2.00%	1.80%	1.59%
<b>Vietnam</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
HSBC/Markit Manufacturing PMI	03 Sep	Aug	48.5	--	49.4

## Calendar Events

<b>Australia – RBA Cash Target, Sep 3</b>	<b>Current</b>	<b>Cons.</b>	<b>New</b>
We expect the benchmark rate to remain unchanged	2.50%	2.50%	2.50%

<b>Japan – BoJ Target Target, Sep 5</b>	<b>Current</b>	<b>Cons.</b>	<b>New</b>
We expect the benchmark rate to remain unchanged	0.10%	0.10%	--
<b>Malaysia – Overnight Policy Rate, Sep 5</b>	<b>Current</b>	<b>Cons.</b>	<b>New</b>
We expect the benchmark rate to remain unchanged	3.00%	3.00%	--

## 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.	2123.1	1.2	0.9	-6.4	3.1
Hong Kong – Hang Seng	22394.6	1.0	2.4	-1.2	14.5	
Taiwan – Weighted	8088.4	0.6	3.4	5.1	8.6	
Japan – Nikkei 225	13978.4	3.0	3.2	34.5	59.1	
Korea – Kospi	1933.7	0.5	2.5	-3.2	1.1	
India – Sensex 30	18234.7	-3.4	1.5	-6.1	4.9	
Australia – SPX/ASX 200	5196.6	0.2	1.1	11.8	20.0	
Singapore – Strait Times	3054.8	0.0	0.7	-3.5	1.2	
Indonesia – Jakarta Comp	4164.0	1.5	4.9	-3.5	1.1	
Thailand – SET	1315.4	-0.6	1.7	-5.5	6.5	
Malaysia – KLCI	1724.2	0.4	1.4	2.1	4.3	
Philippines – Manila Comp.	6083.9	0.4	2.8	4.7	16.6	

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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	0.01	6.18	6.24
Hong Kong (HKD/USD)	7.75	-0.01	0.02	7.75	7.75	
Taiwan (TWD/USD)	29.9	-0.20	0.52	29.71	29.50	
Japan (JPY/USD)	99.46	-0.13	-2.44	99.42	99.11	
Korea (KRW/USD)	1098	0.25	1.67	1105	1116	
India (INR/USD)	68.1	-3.03	-2.77	70.28	74.11	
Australia (USD/AUD)	0.90	0.61	0.53	1.11	1.13	
Singapore (SGD/USD)	1.28	-0.21	0.45	1.28	1.28	
Indonesia (IDR/USD)	11445	-0.65	-0.94	12176	13071	
Thailand (THB/USD)	32.1	-0.24	0.13	32.43	32.98	
Malaysia (MYR/USD)	3.29	-0.37	1.29	3.31	3.36	
Philippines (PHP/USD)	44.5	-0.13	0.24	44.54	44.84	

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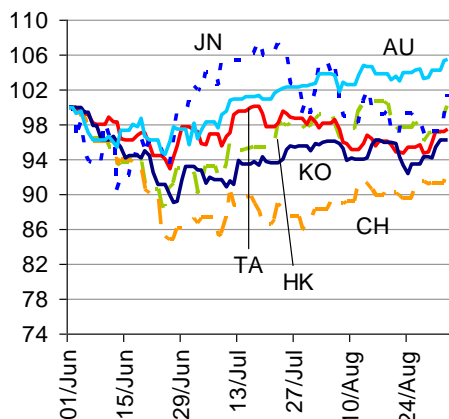
INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.75	0.00	-0.57	-0.60
Hong Kong (HIBOR/1W)	0.12	0.00	0.00	0.00	
Taiwan (TAIBOR/1W)	0.51	0.00	0.00	0.00	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.56	0.00	0.00	0.00	
India (MIBOR/7D)	3.79	-0.06	-0.61	-0.66	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	5.76	-0.04	0.45	0.52	
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

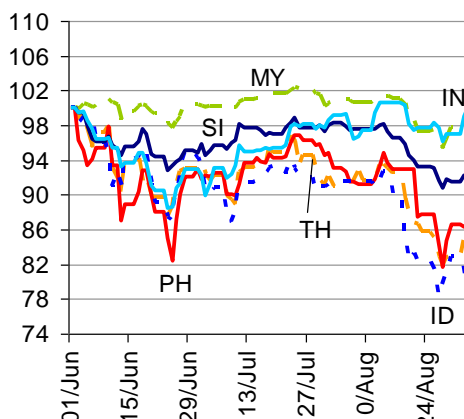
## Stock Markets



Source: BBVA Research and Bloomberg

Chart 2

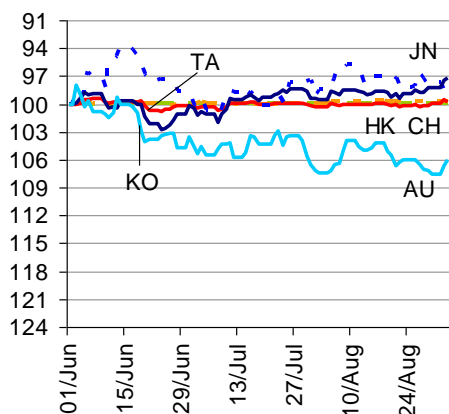
## Stock Markets



Source: BBVA Research and Bloomberg

Chart 3

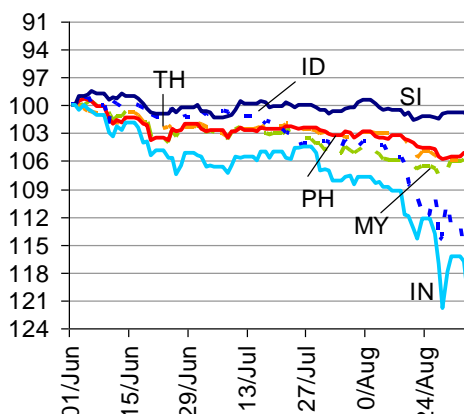
## Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4

## Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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