

Asia Flash

Asia

Asian equity markets were sharply higher today, led by Thailand (+3.6%), China (+3.4%) and Indonesia (+2.9%) on the release of strong economic indicators (see below). In Japan, the Nikkei gained 2.5% as Q2 GDP was revised upward, and on news that Tokyo had won in its bid to host the 2020 Summer Olympics.

Sentiment in China is bolstered by strong Aug. exports and benign inflation

Data released over the weekend confirmed a rising trend in external demand, with August exports beating expectations (7.2% y/y vs. consensus: 5.5%), after a 5.1% y/y increase in July. Exports to most key markets were up, led by ASEAN (30.8% y/y), Hong Kong (6.4% y/y), the US (6.1% y/y), and the EU (2.5% y/y). With imports up by only 7.0% y/y (consensus: 11.3%), the August trade surplus widened to 28.6 bn USD (consensus: 20.0 bn USD). Meanwhile, CPI inflation for August remained stable at 2.6% y/y (consensus: 2.6%; BBVA: 2.7%), well within the government's 3.5% ceiling. We await tomorrow's release of August activity indicators, including industrial production (consensus: 9.9%; BBVA: 10.0%), retail sales, and investment, which we expect to show a further rise in growth momentum, in line with recent PMI outturns. Our full-year growth projection of 7.6% appears to be well within reach.

Improving investment leads to upward revision to Japan Q2 GDP

Q2 GDP was revised up to 3.8% saar (0.9% q/q sa) from the preliminary reading of 2.6% saar (0.6% q/q sa), as capital spending, the missing ingredient until now in Japan's economic revival, posted a strong increase. In particular, private non-residential investment growth was revised up to 1.3% q/q sa in Q2 from a preliminary reading of -0.1%, and public investment growth was revised up to 3.0% q/q sa (1st preliminary reading: 1.8%). Looking ahead, we expect Japan's recovery to continue in H2, and our current 1.7% full-year growth projection for 2013 now looks conservative. Today's data is further evidence that Abenomics is working to revive growth, and should help the government to make its case to proceed with the planned consumption tax hike in 2014-15, which is to be formally decided in early October.

Australia votes in a new government, signaling pro-business orientation

In results announced over the weekend, as expected the opposition Liberal-National coalition, led by Tony Abbott ousted incumbent Prime Minister Kevin Rudd's Labor Party. The Liberal-National coalition won a majority (88 seats) in the 150-seat lower House. The new government has pledged to eliminate the controversial "super profits" mining tax and carbon tax in what it views as a new pro-business approach to economic policy. Australia's growth has been slowing due to a sluggish domestic economy as the mining boom wanes on slower demand from China and the rest of Asia (an astounding 75% of Australia's exports are destined for markets in Asia). The stock market rose by 0.7% and the AUD rose to 0.92 per USD.

Briefly noted:

Taiwan August exports rebound (Aug: 3.6% y/y; consensus: 4.0% y/y) from a softened reading in July (1.6% y/y), thanks to rising demand for electronic products and chemicals. While the outturn is less impressive than Korea's August rise of 7.7% y/y and China's 7.2% y/y, Taiwan is

benefiting from improving external demand across its major export markets (China/HK, ASEAN and the US).

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

George Xu
Economist
george.xu@bbva.com.hk
+852 2582 3121

With contributions from the BBVA Research Asia Team

Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Unemployment Rate	12 Sep	Aug	5.70%	5.80%	--
China	Date	Period	Prior	Cons.	Actual
Exports YoY	08 Sep	Aug	5.10%	5.50%	7.20%
Imports YoY	08 Sep	Aug	10.90%	11.30%	7.00%
Trade Balance	08 Sep	Aug	\$17.82B	\$20.00B	\$28.52B
CPI YoY	09 Sep	Aug	2.70%	2.60%	2.60%
Fixed Assets Ex Rural YTD YoY	10 Sep	Aug	20.10%	20.20%	--
Industrial Production YoY	10 Sep	Aug	9.70%	9.90%	--
Retail Sales YoY	10 Sep	Aug	13.20%	13.30%	--
New Yuan Loans	09-15 SEP	Aug	699.9B	730.0B	--
Money Supply M2 YoY	09-15 SEP	Aug	14.50%	14.60%	--
Aggregate Financing RMB	09-15 SEP	Aug	808.8B	950.0B	--
Foreign Direct Investment YoY	14-18 SEP	Aug	24.10%	10.00%	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Industrial Production YoY	12 Sep	2Q	0.50%	--	--
India	Date	Period	Prior	Cons.	Actual
Industrial Production YoY	12 Sep	Jul	-2.20%	-1.00%	--
Exports YoY	10-16 SEP	Aug	11.60%	--	--
Wholesale Prices YoY	16 Sep	Aug	5.79%	5.52%	--
Japan	Date	Period	Prior	Cons.	Actual
BoP Current Account Balance	09 Sep	Jul	¥336.3B	¥507.7B	¥577.3B
GDP Annualized SA QoQ	09 Sep	2Q F	2.60%	3.90%	3.80%
GDP SA QoQ	09 Sep	2Q F	0.60%	1.00%	0.90%
Tertiary Industry Index MoM	10 Sep	Jul	-0.30%	-0.50%	--
Machine Orders MoM	12 Sep	Jul	-2.70%	2.40%	--
Industrial Production MoM	13 Sep	Jul F	3.20%	--	--
Malaysia	Date	Period	Prior	Cons.	Actual
Industrial Production YoY	11 Sep	Jul	3.30%	4.90%	--
Philippines	Date	Period	Prior	Cons.	Actual
Unemployment Rate	10 Sep	Jul	7.50%	--	--
Exports YoY	10 Sep	Jul	4.10%	-1.00%	--
Singapore	Date	Period	Prior	Cons.	Actual
Retail Sales YoY	13 Sep	Jul	-4.00%	-1.50%	--
Unemployment rate SA	13 Sep	2Q F	2.10%	--	--
South Korea	Date	Period	Prior	Cons.	Actual
Unemployment rate SA	11 Sep	Aug	3.20%	3.20%	--
Taiwan	Date	Period	Prior	Cons.	Actual
Exports YoY	09 Sep	Aug	1.60%	4.00%	3.60%

Calendar Events

Indonesia – RI Reference Rate, Sep 12	Current	Cons.	New
We expect the benchmark rate to remain unchanged	7.00%	7.00%	--
Philippines – BSP overnight Borrowing Rate, Sep 12	Current	Cons.	New
We expect the benchmark rate to remain unchanged	3.50%	3.50%	--
Korea – BoK 7-day Repo Rate, Sep 12	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.	2212.5	3.4	5.4	-2.5	4.0
Hong Kong – Hang Seng	22750.7	0.6	2.6	0.4	14.9	
Taiwan – Weighted	8192.1	0.3	1.9	6.4	10.3	
Japan – Nikkei 225	14205.2	2.5	4.7	36.7	60.1	
Korea – Kospi	1974.7	1.0	2.6	-1.1	2.3	
India – Sensex 30	19270.1	1.5	3.5	-0.8	9.0	
Australia – SPX/ASX 200	5181.5	0.7	-0.1	11.5	19.8	
Singapore – Strait Times	3088.2	1.3	1.1	-2.5	2.5	
Indonesia – Jakarta Comp	4191.3	2.9	2.2	-2.9	1.1	
Thailand – SET	1384.3	3.6	4.6	-0.5	11.1	
Malaysia – KLCI	1747.0	1.3	1.7	3.4	7.5	
Philippines – Manila Comp.	5997.0	0.4	-1.1	3.2	15.3	

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)	6.12	-0.02	-0.02	6.17	6.23
Hong Kong (HKD/USD)	7.75	0.00	-0.01	7.75	7.75	
Taiwan (TWD/USD)	29.8	0.28	0.15	29.57	29.36	
Japan (JPY/USD)	99.53	-0.42	-0.20	99.48	99.18	
Korea (KRW/USD)	1087	0.56	1.27	1090	1101	
India (INR/USD)	65.2	1.33	0.71	66.64	69.90	
Australia (USD/AUD)	0.92	0.19	2.50	1.09	1.11	
Singapore (SGD/USD)	1.27	0.13	0.14	1.27	1.27	
Indonesia (IDR/USD)	11384	-1.83	-0.11	11903	12753	
Thailand (THB/USD)	31.9	0.95	0.35	32.23	32.84	
Malaysia (MYR/USD)	3.29	1.14	-0.53	3.31	3.36	
Philippines (PHP/USD)	44.2	0.53	0.41	44.29	44.57	

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

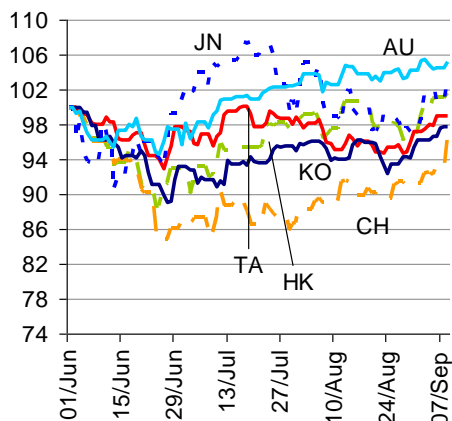
INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.56	0.09	0.06	-0.07
Hong Kong (HIBOR/1W)	0.12	0.00	0.00	0.00	
Taiwan (TAIBOR/1W)	0.51	0.00	0.00	0.00	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.56	0.00	0.00	0.00	
India (MIBOR/7D)	3.30	-0.19	-0.55	0.00	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	5.71	-0.01	-0.08	0.39	
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

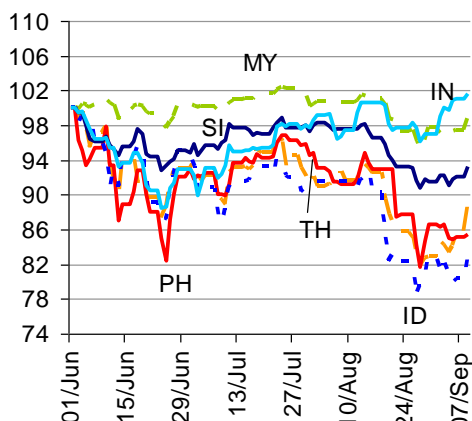
Stock Markets



Source: BBVA Research and Bloomberg

Chart 2

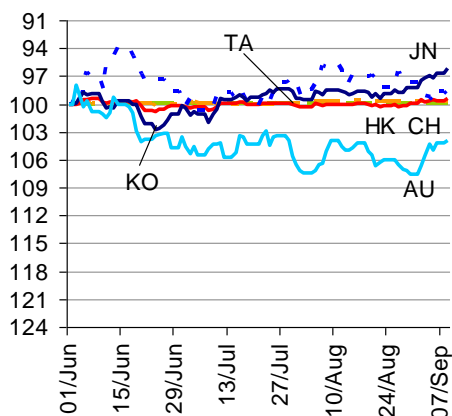
Stock Markets



Source: BBVA Research and Bloomberg

Chart 3

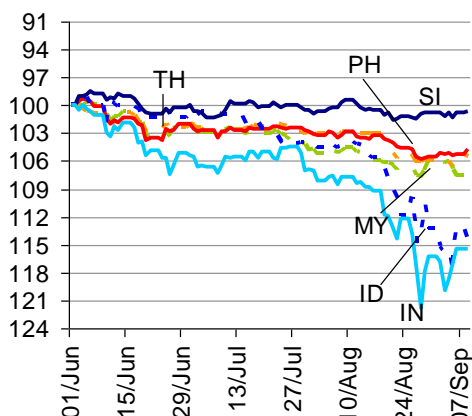
Foreign Exchange Markets



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

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.