

Daily Flash

Asia

In line with global markets, Asian stock markets were lower today due to growing uncertainties in Europe after yesterday's French and Greek elections. Equity markets lost almost 3% in some cases (Nikkei: -2.8%, Hang Seng: -2.6%), and FX was broadly lower as well (KRW now 1,138/USD, down -0.6% on the day). China was an outlier, with Shanghai flat and Shenzhen up by +0.9%, after markets welcomed the decisions made last Friday in the China-US Strategic and Economic Dialogue, including the increase in foreign investment limits in securities companies reported in last Friday's Asia Daily Flash.

Indonesia GDP broadly in line with expectations

Indonesia announced its first quarter GDP today, with growth of 6.3% y/y broadly in line with the consensus, and meeting our own expectations. Sequentially, growth rebounded to 1.3% q/q from a -1.3% q/q contraction in the fourth quarter. Overall the economy has fared well despite the global slowdown, with increased investment supporting the domestic economy. Recent ratings upgrades by Moody's and Fitch, which have raised the sovereign to investment grade, have helped attract foreign investors.

China: evidence of declining export orders?

Despite a record number of purchasers (210,000) attending the semi-annual Canton Fair (China's largest trade fair – held in Guangzhou) the primary takeaway from the Fair appears to be to expect ongoing sluggishness in global trade, as results show the first decline in exports orders since the 2009 spring fair (-2.3% y/y, and -4.8% from the previous Fair). Reports from the fair state that European demand has fallen sharply, though this has been offset somewhat by the rise of emerging markets, namely Brazil, Russia, India, and South Africa. If taken at face value, the results of the Canton fair suggest that China's exports will continue to be under pressure in the coming months.

India provides relief to foreign investors

Today the Indian finance ministry announced less-stringent anti-avoidance tax provisions for foreign investors (known as GAAR), as part of its final amendments to its Finance Bill. The ministry also decided to defer the implementation of GAAR by one year to 2013. The news was received well by the markets, with the SENSEX reversing earlier losses and finishing the day up by 0.5%. Also, the Reserve Bank of India last Friday announced a series of measures to curb further depreciation of the rupee, which lost nearly 2% over last week, including lifting the interest rate ceiling on foreign currency non-resident deposits of banks.

Briefly noted:

- **Taiwan's exports contracted** by a more-than-expected 6.4% y/y in April (consensus: -3.1%), due to sharp declines in electronics shipments, as well as weak demand from the US and China. Imports show signs of recovery, however (+2.0% y/y, consensus: -2.1% y/y), implying a potential improvement in the coming months as some of these are inputs which will be sent on as finished goods.
- **Australia's retail sales show improvement** (+0.9% m/m in March from 0.2% the previous month) ahead of the country's budget announcement tomorrow, which is expected to include a surplus.

Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Retail Sales s.a. (MoM)	07-May	MAR	0.20%	0.20%	0.90%
Building Approvals (MoM)	07-May	MAR	-7.80%	3.00%	7.40%
Unemployment Rate	10-May	APR	5.20%	5.30%	--
China	Date	Period	Prior	Cons.	Actual
Trade Balance (USD)	10-May	APR	\$5.35B	\$9.85B	--
Exports YoY%	10-May	APR	8.90%	8.50%	--
Imports YoY%	10-May	APR	5.30%	10.90%	--
Consumer Price Index (YoY)	11-May	APR	3.60%	3.40%	--
Industrial Production YTD YoY	11-May	APR	11.60%	11.70%	--
Industrial Production (YoY)	11-May	APR	11.90%	12.20%	--
Retail Sales YTD YoY	11-May	APR	14.80%	14.90%	--
Retail Sales (YoY)	11-May	APR	15.20%	15.10%	--
New Yuan Loans	11-15 MAY	APR	1010.0B	780.0B	--
Money Supply - M2 (YoY)	11-15 MAY	APR	13.40%	13.30%	--
Hong Kong	Date	Period	Prior	Cons.	Actual
GDP sa (QoQ)	11-May	1Q	0.30%	1.30%	--
GDP (YoY)	11-May	1Q	3.00%	1.00%	--
Indonesia	Date	Period	Prior	Cons.	Actual
GDP Constant Price (YoY)	07-May	1Q	6.49%	6.31%	6.30%
GDP Constant Price (QoQ)	07-May	1Q	-1.30%	1.47%	1.80%
India	Date	Period	Prior	Cons.	Actual
Industrial Production YoY	11-May	MAR	4.10%	--	--
Japan	Date	Period	Prior	Cons.	Actual
Current Account Total	10-May	MAR	¥1177.8B	¥1431.3B	--
Trade Balance - BOP Basis	10-May	MAR	¥102.1B	-¥42.8B	--
Japan Money Stock M2 YoY	11-May	APR	3.00%	2.90%	--
Malaysia	Date	Period	Prior	Cons.	Actual
Exports YoY%	09-May	MAR	14.50%	3.20%	--
Industrial Production YoY	10-May	MAR	7.50%	3.20%	--
Philippines	Date	Period	Prior	Cons.	Actual
Total Exports (YoY)	10-May	MAR	14.60%	11.00%	--
Taiwan	Date	Period	Prior	Cons.	Actual
CPI YoY%	07-May	APR	1.21%	1.41%	1.44%
Total Exports (YoY)	07-May	APR	-3.20%	-3.10%	-6.40%
Total Imports (YoY)	07-May	APR	-5.80%	-2.00%	2.10%

Indicator of the Week

China: Industrial output for April (May 11)

Forecast: 10.0%

Consensus: 12.2%

Prior: 11.9%

Following a string of positive PMI readings, markets have grown more confident in China's near-term growth outlook. Nevertheless, the next monthly batch of activity indicators will be closely watched for indications of the pace and sustainability of the pickup in momentum. In the coming week key indicators include inflation, retail sales, investment, and credit aggregates. We focus here on industrial output, where we expect a slight decline in year-on-year growth terms due to largely to base effects. We continue to expect further policy easing in the months ahead to support domestic demand, with room for provided by contained inflation, although we expect a small uptick in headline inflation to 3.7%y/y in April (from 3.6% in March) due to the lingering effect of recent oil price increases (CPI inflation will be released on May 11).

Calendar Events

South Korea - South Korea 7-Day Repo Rate, May 10

We expect the benchmark rate to remain unchanged

Current

3.25%

Consensus

3.25%

New

--

Indonesia - Bank Indonesia Reference Rate, May 10

We expect the benchmark rate to remain unchanged

Current

5.75%

Consensus

5.75%

New

--

Malaysia - Overnight Rate, May 11

We expect the benchmark rate to remain unchanged

Current

3.00%

Consensus

3.00%

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.	2451.9	0.0	2.0	11.5	-14.4
	Hong Kong - Hang Seng	20536.7	-2.6	-1.0	11.4	-11.3
	Taiwan - Weighted	7538.1	-2.1	0.8	6.6	-16.0
	Japan - Nikkei 225	9119.1	-2.8	-4.6	7.9	-8.8
	Korea - Kospi	1956.4	-1.6	-1.0	7.2	-8.9
	India - Sensex 30	16901.3	0.4	-1.4	9.4	-8.7
	Australia - SPX/ASX 200	4301.3	-2.2	-2.2	6.0	-9.3
	Singapore - Strait Times	2925.0	-2.2	-1.9	10.5	-5.6
	Indonesia - Jakarta Comp	4158.9	-1.4	-0.5	8.8	9.5
	Thailand - SET	1227.4	-1.0	1.5	19.7	16.8
	Malaysia - KLCI	1584.9	-0.4	1.1	3.5	4.6
	Philippines - Manila Comp.	5229.5	-1.3	1.2	19.6	23.9

Last update: today, 17.45 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)	6.31	-0.03	-0.45	6.33	6.35
	Hong Kong (HKD/USD)	7.76	-0.03	-0.06	7.76	7.76
	Taiwan (TWD/USD)	29.3	-0.34	-0.56	29.22	28.95
	Japan (JPY/USD)	79.81	0.05	0.01	79.74	79.31
	Korea (KRW/USD)	1139	-0.61	-0.74	1144	1157
	India (INR/USD)	52.9	1.10	-0.30	53.97	55.98
	Australia (USD/AUD)	1.02	0.04	-2.33	0.99	1.01
	Singapore (SGD/USD)	1.25	-0.18	-0.79	1.25	1.24
	Indonesia (IDR/USD)	9228	-0.15	-0.55	9433	9773
	Thailand (THB/USD)	31.0	-0.19	-0.87	31.15	31.57
	Malaysia (MYR/USD)	3.05	-0.44	-0.88	3.07	3.11
	Philippines (PHP/USD)	42.4	-0.09	-0.46	42.71	43.06

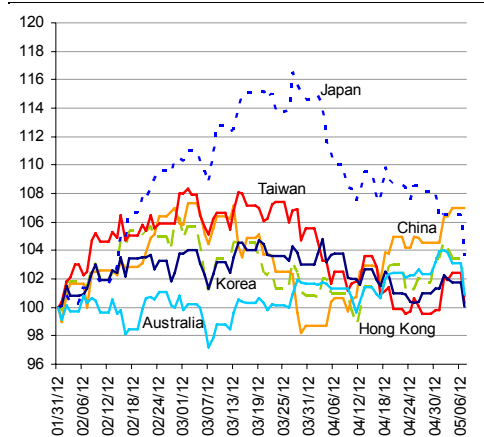
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.75	-0.10	-0.05	-0.35
	Hong Kong (HIBOR/1W)	0.15	0.00	0.04	0.04
	Taiwan (TAIBOR/1W)	0.66	0.00	0.00	0.02
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.37	0.00	-0.01	-0.01
	India (MIBOR/7D)	3.96	0.01	-0.01	-0.21
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	3.81	0.00	0	0
	Thailand (BIBOR/1W)	3.02	0.00	0.00	0.00
	Malaysia (KLIBOR/1W)	2.90	0.00	0.00	0.00
	Philippines (PHIBOR/1W)	3.44	0.13	0.00	-0.38

Last update: today, 17.45 Hong Kong time

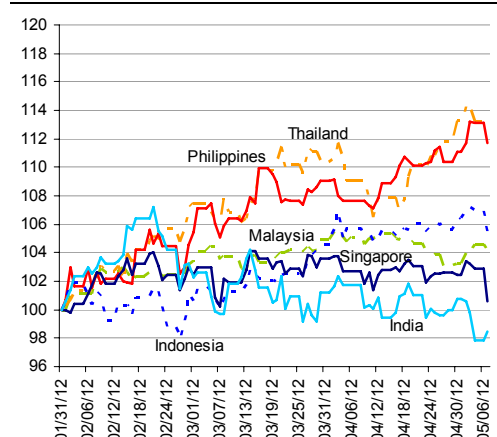
Charts

Chart 9
Stock Markets



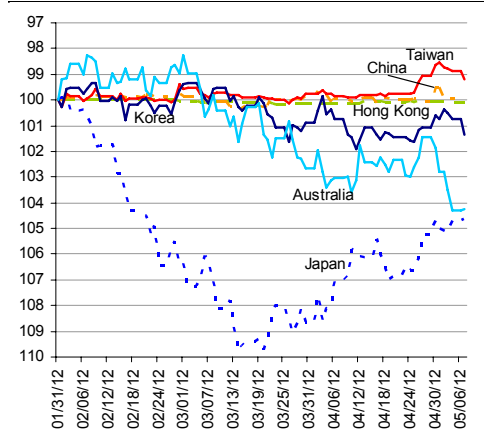
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



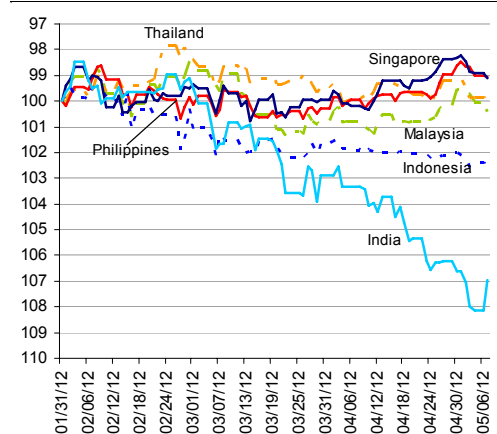
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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