

Daily Flash

Asia

After four successive days of declines, Asian markets rallied towards the end of the day on some positive news out of Europe (EU 1Q GDP growth, especially in Germany, was better-than-expected). At the same time, however, the release of April FDI data in China, which showed another monthly decline in FDI inflows, added to fears over a slowdown in China after last week's weak April data releases. We expect further monetary easing in China, including additional RRR and interest rate cuts in the coming months.

FDI inflows to China contract for a sixth consecutive month...

According to the Ministry of Commerce, China's inward FDI fell by -0.7% y/y in April (consensus: 2.8% y/y), after a -6.1% y/y contraction in March, the sixth consecutive monthly decline. The FDI outturn follows other recent disappointing data showing weakening growth momentum. Meanwhile, outward FDI grew by 35.2% y/y in April, as the government continues to support domestic companies' strategy of investing overseas, despite slowing global activity.

....as authorities seek to relax rules on foreign investors

The Wall Street Journal reported today that the authorities are considering a new program which would invite overseas pension funds to invest in China's domestic securities markets. It is rumored that the new program may be opened first to pension funds from Taiwan, Hong Kong and Singapore, though no date has yet been set. This news comes after reports earlier this month (in the Wall Street Journal and Financial Times) that authorities are considering including hedge funds in its QFII program, which previously was only open to long-term investors such as banks.

RBA minutes show that lower growth and inflation prompted the rate cut

The Reserve Bank of Australia released the minutes from its May 1st policy meeting today, which echoed its original statement that lower growth and inflation prompted a 50bps cut in the policy rate. However, while the central bank hinted at further rate cuts, no guidance was given regarding the timing, implying that there will be no additional rate cuts forthcoming. This led to the AUD rising by 0.4% for the day (to parity with the USD), as the Aussie may have been oversold by market participants who had expected further rate cuts were imminent. Looking ahead, we expect the RBA to cut rates by at least an additional 25bps in 2012.

Briefly noted:

- **Domestic demand in Singapore remained strong in April as retail sales beat consensus estimates (9.1% y/y, consensus: 7.2% y/y).** Retail sales were boosted by increased spending on food and clothing. Also, sales of new private homes in April rose near a three-year high (2,487 units). A resilient domestic economy is keeping inflation elevated, with authorities warning it may remain above 5% y/y over the next few months.

Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Actual FDI (YoY)	15-May	APR	-6.10%	2.80%	-0.70%
China April Property Prices	18-May	APR			
Hong Kong	Date	Period	Prior	Cons.	Actual
Unemployment Rate SA	17-May	APR	3.40%	3.50%	--
India	Date	Period	Prior	Cons.	Actual
Monthly Wholesale Prices YoY%	14-May	APR	6.89%	6.67%	7.23%
Japan	Date	Period	Prior	Cons.	Actual
Machine Orders (MoM)	16-May	MAR	4.80%	-3.50%	--
Machine Orders YOY%	16-May	MAR	8.90%	4.40%	--
Tertiary Industry Index (MoM)	16-May	MAR	0.00%	-0.40%	--
GDP Annualized	17-May	1Q P	-0.70%	3.50%	--
Gross Domestic Product (QoQ)	17-May	1Q P	-0.20%	0.90%	--
Nominal GDP (QoQ)	17-May	1Q P	-0.50%	1.00%	--
GDP Deflator YoY	17-May	1Q P	-1.80%	-1.40%	--
Capacity Utilization (MoM)	17-May	MAR F	-1.70%	--	--
Industrial Production (MoM)	17-May	MAR F	1.00%	--	--
Industrial Production YOY%	17-May	MAR F	13.90%	--	--
Philippines	Date	Period	Prior	Cons.	Actual
Overseas Remittances (YoY)	15-May	MAR	5.80%	--	5.00%
Overseas Workers Remittances	15-May	MAR	\$1587.4M	--	\$1697.8M
Balance of Payments	18-May	APR	-\$209M	--	--
Singapore	Date	Period	Prior	Cons.	Actual
Retail Sales (YoY)	15-May	MAR	19.00%	7.20%	9.10%
Retail Sales (MoM) sa	15-May	MAR	-2.00%	0.40%	1.60%
GDP (QoQ)	17-May	1Q F	9.90%	10.30%	--
GDP (YoY)	17-May	1Q F	1.60%	1.90%	--
Non-oil Domestic Exports (YoY)	17-May	APR	-4.30%	6.60%	--
Non-oil Domestic Exp SA (MoM)	17-May	APR	-16.80%	6.70%	--
South Korea	Date	Period	Prior	Cons.	Actual
Unemployment Rate (SA)	16-May	APR	3.40%	3.40%	--

Indicator of the Week

Japan: Q1 GDP growth (May 17)

Forecast: 0.7% q/q sa	Consensus: 0.9%q/q sa	Prior: -0.2% q/q sa
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After a disappointing fourth quarter in 2011 on supply disruptions from floods in Thailand, Japan's economy is expected to have rebounded in the first quarter of this year on improving exports and increased capital spending. Recent activity indicators such as industrial production and exports also point to a normalization of supply chains and production from last year's devastating earthquake and tsunami. A succession of four supplementary reconstruction budgets (totalling about 4% of GDP) continues to boost investment, and the BOJ is continuing to ease monetary policy through quantitative easing. Looking ahead, we expect the economy to expand about 2% in 2012 despite ongoing power shortages from the closure of nuclear plants and global headwinds.

Calendar Events

There are no events scheduled for this week.

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.	2374.8	-0.2	-3.0	8.0	-17.3
	Hong Kong - Hang Seng	19894.3	0.8	-2.9	7.9	-14.5
	Taiwan - Weighted	7395.6	0.3	-2.0	4.6	-17.9
	Japan - Nikkei 225	8900.7	-0.8	-3.1	5.3	-7.8
	Korea - Kospi	1899.0	-0.8	-3.5	4.0	-10.4
	India - Sensex 30	16320.8	0.6	-1.4	5.6	-11.9
	Australia - SPX/ASX 200	4266.3	-0.7	-1.1	5.2	-9.4
	Singapore - Strait Times	2876.7	0.4	-1.9	8.7	-9.1
	Indonesia - Jakarta Comp	4045.6	-0.2	-3.2	5.9	5.6
	Thailand - SET	1182.1	1.4	-4.0	15.3	9.0
	Malaysia - KLCI	1561.1	-0.9	-1.9	2.0	1.3
	Philippines - Manila Comp.	4977.5	-2.1	-5.0	13.8	16.0

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)	6.32	0.05	-0.16	6.34	6.37
	Hong Kong (HKD/USD)	7.77	0.00	-0.05	7.76	7.76
	Taiwan (TWD/USD)	29.5	0.05	-0.53	29.41	29.12
	Japan (JPY/USD)	79.91	-0.08	-0.05	79.84	79.35
	Korea (KRW/USD)	1154	-0.42	-1.59	1160	1172
	India (INR/USD)	53.8	0.33	-1.18	54.79	56.78
	Australia (USD/AUD)	1.00	0.36	-1.25	1.01	1.03
	Singapore (SGD/USD)	1.26	0.20	-0.65	1.26	1.25
	Indonesia (IDR/USD)	9240	0.11	-0.02	9513	9873
	Thailand (THB/USD)	31.3	0.10	-1.05	31.51	31.94
	Malaysia (MYR/USD)	3.08	0.05	-0.78	3.10	3.14
	Philippines (PHP/USD)	42.7	0.11	-1.01	42.96	43.36

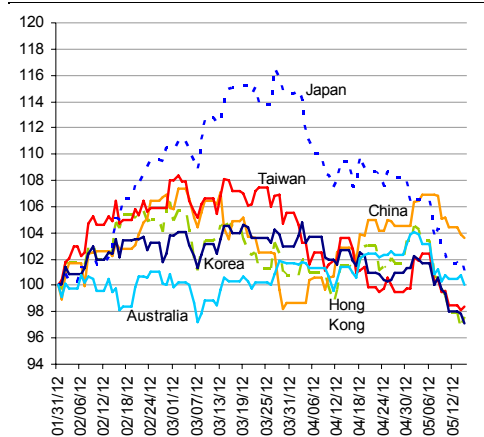
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	2.84	-0.32	-0.42	-0.96
	Hong Kong (HIBOR/1W)	0.13	0.00	-0.02	0.02
	Taiwan (TAIBOR/1W)	0.66	0.00	0.00	0.02
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.37	0.00	0.00	-0.01
	India (MIBOR/7D)	2.86	-0.59	-0.84	-0.89
	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)	3.69	0.00	0.19	0.00

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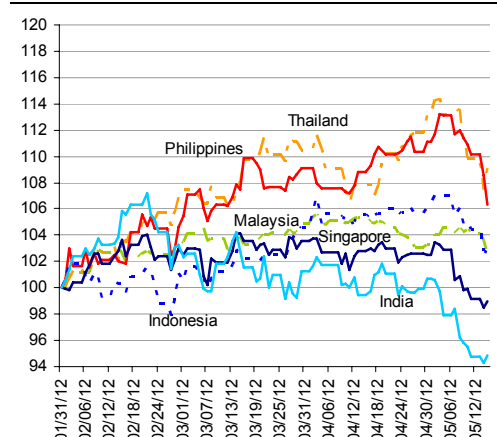
Charts

Chart 9
Stock Markets



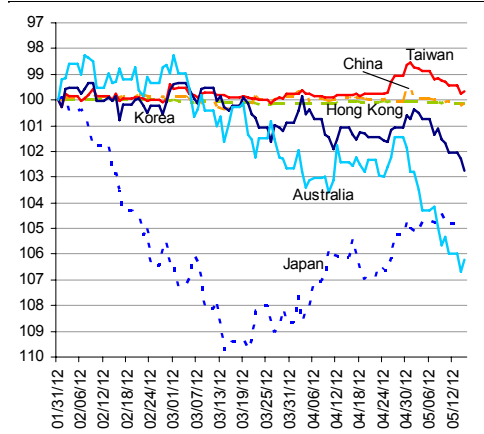
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



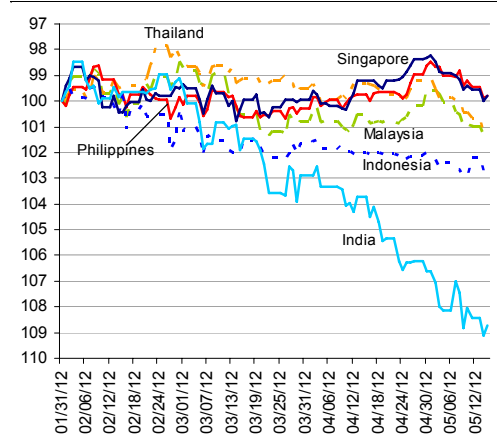
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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