

Daily Flash

Asia

Ongoing uncertainties surrounding Greece and the euro triggered sharp selloffs in Asian equity and currency markets today. Both the Hang Seng and the Kospi lost over 3% - with the Hang Seng having now lost 8.7% since the start of May [compared with the S&P, which is down 4.8% over the same period]. Asian currencies were also down sharply against the US dollar today, with the Indian rupee reaching a record intraday low. While the focus continues to be on Europe, markets will also watch for Japan's Q1 GDP data release tomorrow to see how the economy is rebounding after last year's earthquake (see Weekly Indicator below).

Indian rupee hits all-time lows on global, twin deficit concerns

The Indian rupee hit an all time intraday low of 54.46/USD today as rising concerns over the global macro environment and India's twin deficits sparked capital outflows. The rupee has slipped more than 10% since February, despite both forex intervention and a spate of administrative measures taken by the Reserve Bank of India. The rupee may remain under pressure unless Indian authorities take decisive steps to rein in the current account, implement critical investment reforms, and provide greater clarity in tax policies.

China's efforts to spur consumption may get a boost

The China Securities Journal reports that a new, nationwide round of subsidies for purchases of home appliances will likely be implemented in the middle of this year. Most of China's previous home appliance subsidy programs, aimed at boosting domestic consumption during the global downturn, expired by the end of 2011. A new round of subsidies may focus specifically on energy-saving appliances, helping reach China's "energy saving and emissions reduction" targets listed in its 12th Five-Year Plan. Such a plan, if implemented, would be in line with our expectations of further fiscal measures this year to boost private consumption.

South Korea's national pension fund to invest in China's equity markets

The Wall Street Journal reports that South Korea's national pension fund (the fourth largest in the world) will seek approval early next year to increase its quota for investing in China's equity markets. The fund received a US\$100 million quota for RMB securities back in March. Though there are as of yet no details regarding the amount Korea will request, today's announcement shows that ties between the two nations are increasing steadily (see May 14th's Flash on China, Korea and Japan discussing a new free-trade agreement) as China continues to gradually open up its capital account.

Briefly noted:

- **Japan posted better-than-expected machinery orders in March.** The reading fell by -2.8% on a monthly basis (consensus: -3.5%), after an abnormally large increase in February. Due to strengthening domestic demand, the general trend in the coming months is likely to be upwards, according to the country's Cabinet Office.

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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%	-2.80%
Machine Orders YOY%	16-May	MAR	8.90%	4.40%	-1.10%
Tertiary Industry Index (MoM)	16-May	MAR	0.00%	-0.40%	-0.60%
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%	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.	2346.2	-1.2	-2.6	6.7	-17.7
	Hong Kong - Hang Seng	19259.8	-3.2	-5.3	4.5	-16.1
	Taiwan - Weighted	7234.6	-2.2	-3.2	2.3	-18.8
	Japan - Nikkei 225	8801.2	-1.1	-2.7	4.1	-7.9
	Korea - Kospi	1840.5	-3.1	-5.6	0.8	-12.5
	India - Sensex 30	16030.1	-1.8	-2.7	3.7	-12.6
	Australia - SPX/ASX 200	4165.5	-2.4	-2.6	2.7	-10.4
	Singapore - Strait Times	2831.2	-1.6	-2.4	7.0	-9.7
	Indonesia - Jakarta Comp	3980.5	-1.6	-3.6	4.1	4.8
	Thailand - SET	1171.2	-1.1	-3.0	14.2	8.0
	Malaysia - KLCI	1536.0	-1.6	-3.1	0.3	0.0
	Philippines - Manila Comp.	4864.2	-2.3	-6.7	11.3	13.1

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	-0.06	-0.19	6.35	6.39
	Hong Kong (HKD/USD)	7.77	-0.02	-0.07	7.77	7.76
	Taiwan (TWD/USD)	29.6	-0.46	-0.89	29.58	29.32
	Japan (JPY/USD)	80.50	-0.40	-1.07	80.42	79.88
	Korea (KRW/USD)	1166	-0.99	-2.16	1176	1187
	India (INR/USD)	54.5	-1.28	-1.22	55.63	57.91
	Australia (USD/AUD)	0.99	-0.13	-1.26	1.02	1.04
	Singapore (SGD/USD)	1.27	-0.54	-1.22	1.27	1.26
	Indonesia (IDR/USD)	9244	-0.04	0.16	9614	9987
	Thailand (THB/USD)	31.5	-0.35	-1.05	31.62	32.05
	Malaysia (MYR/USD)	3.12	-1.12	-1.42	3.14	3.18
	Philippines (PHP/USD)	43.0	-0.70	-1.08	43.41	43.81

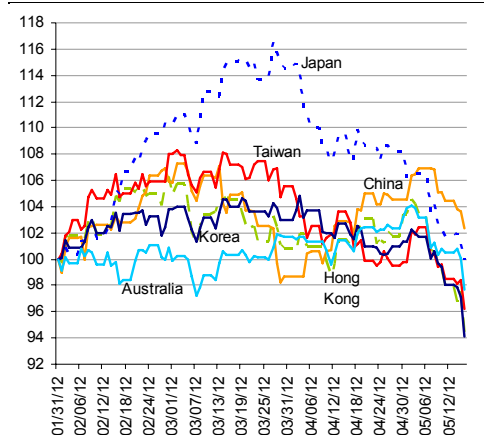
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	2.81	-0.03	-0.39	-0.99
	Hong Kong (HIBOR/1W)	0.13	0.00	-0.02	0.02
	Taiwan (TAIBOR/1W)	0.66	0.00	0.00	0.01
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.37	0.00	0.00	-0.01
	India (MIBOR/7D)	3.51	0.65	0.20	-0.80
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	3.80	-0.01	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)	3.75	0.06	0.31	0.06

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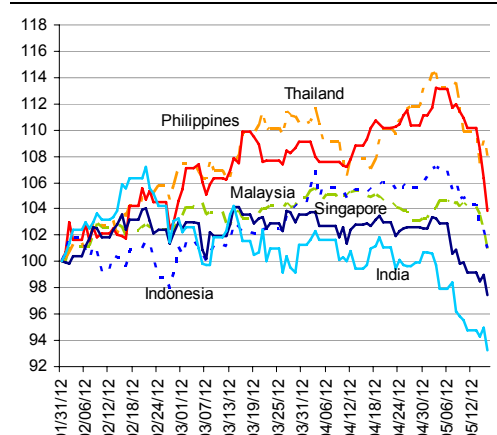
Charts

Chart 9
Stock Markets



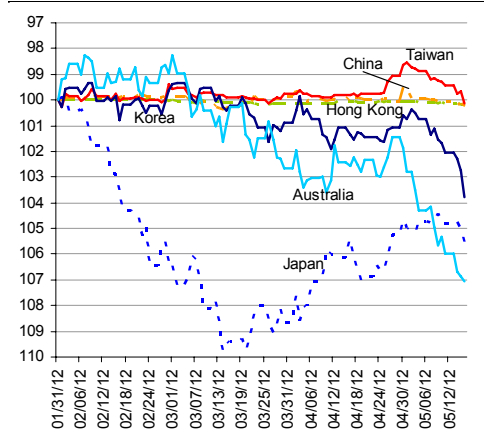
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



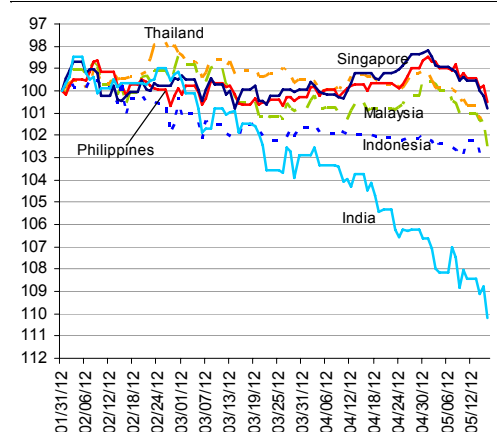
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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