

Daily Flash

Asia

Asian markets are again in full 'risk-off' mode on negative news from Europe. The Kospi had the region's largest loss (-3.4%), and after recent losses the index is now flat for all of 2012. The Nikkei also fell noticeably (-3.0%), erasing yesterday's gain on positive Q1 GDP. Meanwhile, currencies in Malaysia, India and Indonesia continue to sell off, with the Indian rupee now down to 54.62 against the USD, though positive earnings results from India's largest lender caused a rise in the SENSEX (+0.2%). While the market's attention clearly is on Europe, next week we will also be watching Taiwan's export orders on Monday as a leading indicator of exports in the region (see Weekly Indicator below).

Housing prices continue to edge down softly in China

Real estate prices continued to fall in April, with the prices of new housing falling in year-on-year terms for 46 out of 70 cities, eight more than in March. Driving housing prices downward are tight curbs on housing implemented by the Chinese government, along with weakening growth momentum in the Chinese economy. We estimate that nation-wide, average prices of new and previously-owned housing declined by -0.20% month-on-month, and -1.86% year-on-year, down from -1.48% in March. We think that because the decline in housing prices has thus far been gradual, it has been manageable for the economy, and moreover it is in line with authorities' efforts to eliminate price bubbles.

Indian rupee hits fresh all time lows

The Indian rupee hit a fresh all time intraday low of 54.85 against the US dollar today due to heightened concerns about Europe. The rupee is heading towards a key psychological level of 55, and it is increasingly likely that this level will be breached in the near term amid a worsening global risk sentiment, coupled with domestic headwinds. Thus far, several administrative measures taken by the RBI have been largely unsuccessful in stemming the rupee's losses and curbing volatility. There has been speculation that the next measure by the RBI will be permitting oil importers to buy spot USD directly from the RBI through a special window.

Briefly noted:

- **Weak rupee contributes to pickup in India's April CPI inflation.** India's CPI rose 10.4% y/y in April from 9.5% in March, driven mainly by a pickup in food prices. Rising food price pressures coupled with pending fuel price hikes and a depreciating rupee present upside risk to India's near term inflation outlook. However, easing demand-side pressures amid a deteriorating growth outlook should keep core inflation in check. While India's CPI is highly informative, it is quite new, having only been released in January. The WPI, on the other hand, remains the benchmark inflation gauge in the country (according to the WPI, inflation edged up in April to 7.2% y/y from 6.9% y/y). Taking all this into account, we expect the RBI to deliver 50 bps in rate cuts over the rest of 2012, although the probability of a cut at the upcoming RBI policy meeting in June has been reduced considerably given the uptick in inflation.
- **Next week's important data outturns:** Thailand 1Q GDP (Mon); Japan – BOJ Target Rate, Singapore CPI, Malaysia 1Q GDP (Wed); Hong Kong exports (Thur)

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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%	3.30%
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%	4.10%
Gross Domestic Product (QoQ)	17-May	1Q P	-0.20%	0.90%	1.00%
Nominal GDP (QoQ)	17-May	1Q P	-0.50%	1.00%	1.00%
GDP Deflator YoY	17-May	1Q P	-1.80%	-1.40%	-1.20%
Capacity Utilization (MoM)	17-May	MAR F	-1.70%	--	1.30%
Industrial Production (MoM)	17-May	MAR F	1.00%	--	1.30%
Industrial Production YOY%	17-May	MAR F	13.90%	--	14.20%
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	--	-\$79M
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%	10.0%
GDP (YoY)	17-May	1Q F	1.60%	1.90%	1.60%
Non-oil Domestic Exports (YoY)	17-May	APR	-4.30%	5.90%	8.30%
Non-oil Domestic Exp SA (MoM)	17-May	APR	-16.80%	5.70%	13.10%
South Korea	Date	Period	Prior	Cons.	Actual
Unemployment Rate (SA)	16-May	APR	3.40%	3.40%	3.40%

Indicator of the Week

Taiwan: Export orders (April, May 21st)

Forecast: -1.96% y/y

Consensus: 0.02% y/y

Prior: -1.58% y/y

Taiwan's export performance is closely watched as a bellwether of regional export trends. April exports contracted by worse-than-expected -6.4% yoy, and production growth trends are declining, as seen in moderating PMI outturns. Looking ahead, we expect that April export orders to show a further decline due to weaker external demand. This is also in line with China's recent disappointing macro outturns and moderation in domestic demand, including a levelling off of processing components imports could weigh on the Taiwan's export orders.

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.	2344.5	-1.4	-2.1	6.6	-18.4
	Hong Kong - Hang Seng	18951.9	-1.3	-5.1	2.8	-17.6
	Taiwan - Weighted	7151.2	-2.8	-3.4	1.1	-20.1
	Japan - Nikkei 225	8611.3	-3.0	-3.8	1.8	-10.9
	Korea - Kospi	1782.5	-3.4	-7.0	-2.4	-16.5
	India - Sensex 30	16055.2	-0.1	-1.5	3.9	-11.2
	Australia - SPX/ASX 200	4046.5	-2.7	-5.6	-0.2	-13.8
	Singapore - Strait Times	2779.1	-1.5	-3.6	5.0	-11.5
	Indonesia - Jakarta Comp	3980.5	-1.6	-3.6	4.1	4.8
	Thailand - SET	1153.1	-1.7	-3.2	12.5	7.2
	Malaysia - KLCI	1532.5	-0.8	-3.3	0.1	-0.6
Philippines - Manila Comp.	4879.4	-2.7	-5.4	11.6	13.4	

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)	6.33	-0.05	-0.28	6.35	6.39
	Hong Kong (HKD/USD)	7.77	0.05	-0.01	7.76	7.76
	Taiwan (TWD/USD)	29.6	-0.23	-0.67	29.53	29.28
	Japan (JPY/USD)	79.33	-0.06	0.76	79.25	78.72
	Korea (KRW/USD)	1173	-0.83	-2.23	1176	1185
	India (INR/USD)	54.7	-0.42	-1.97	55.85	57.91
	Australia (USD/AUD)	0.98	-0.47	-1.78	1.02	1.04
	Singapore (SGD/USD)	1.27	-0.14	-1.66	1.27	1.27
	Indonesia (IDR/USD)	9350	-0.28	-1.63	9641	10056
	Thailand (THB/USD)	31.4	-0.10	-0.57	31.54	31.96
	Malaysia (MYR/USD)	3.13	-0.75	-2.01	3.15	3.19
Philippines (PHP/USD)	43.2	-0.59	-1.45	43.49	43.92	

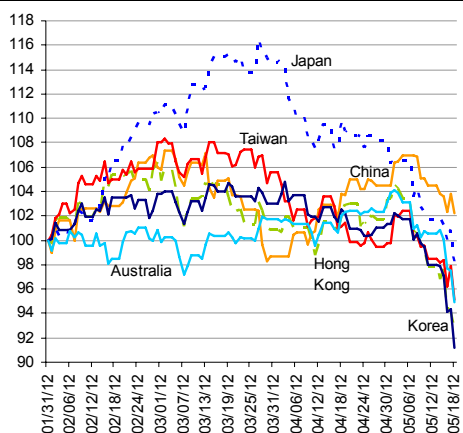
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	2.70	0.02	-0.50	-1.00
	Hong Kong (HIBOR/1W)	0.13	0.00	-0.02	0.02
	Taiwan (TAIBOR/1W)	0.66	0.00	0.00	0.01
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.37	0.00	0.00	-0.01
	India (MIBOR/7D)	2.75	0.03	0.11	-1.25
	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)	3.38	-0.25	-0.13	-0.31

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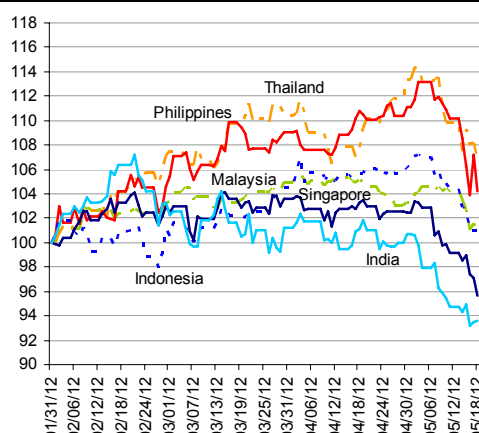
Charts

Chart 9
Stock Markets



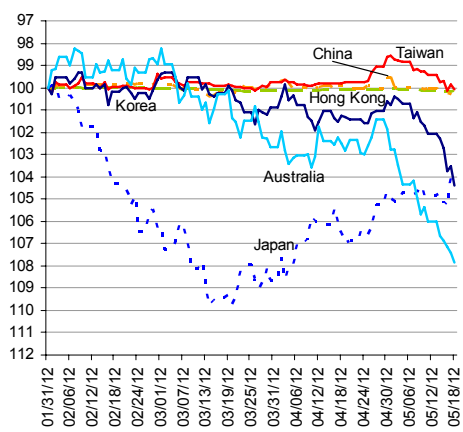
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



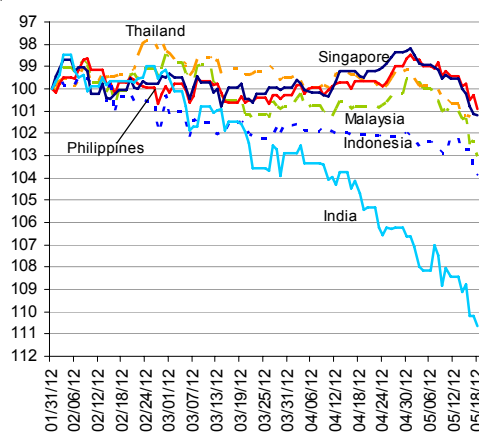
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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