

Daily Flash

Asia

China to increase SME financing options by allowing bond issuances

China's authorities will allow small and medium-sized firms (SMEs) to issue bonds through private placements starting next month, supporting SMEs seeking to broaden their sources of financing. According to the Shenzhen Stock Exchange, the first issuance of bonds will be introduced in mid-June under a trial program. This new policy is expected to ease the financial constraints of SMEs, which typically have limited access to bank loans.

Japan leaves monetary policy unchanged as growth picks up

The Bank of Japan left its policy rate unchanged at 0-0.1% today, and also decided not to increase its 70 trillion JPY (880 billion USD) asset purchase and lending program. In its assessment of the economy, the BoJ stated that it expects Japan's economy will continue to rebound from last year's earthquake, but also noted the substantial external risks to the economy. Separately, Japan also announced a trade deficit of 520.3bn yen (USD6.5bn) in April on rising fuel imports. Nevertheless, the current account is expected to remain in surplus (of about 2% of GDP) over the medium term, thanks to expected inflows of overseas income.

HKMA's rule change regarding RMB net open positions a long-term positive

The Hong Kong Monetary Authority (HKMA) has relaxed rules regarding banks' net open positions (NOP) in RMB holdings, effective immediately. Previously banks were restricted to a maximum NOP of 20%, however the new rule allows banks to set their own limits, subject to endorsement by the HKMA. Lenders with less than 100mn RMB will not require any endorsement (previously this requirement was below 50mn RMB). Over the long run, the rule change is expected to boost private sector RMB deposit/lending, stimulate offshore RMB demand, and increase offshore market liquidity, while also furthering Hong Kong's growth as an offshore RMB center.

Malaysia's growth slows less than expected; inflation eases

Malaysia's GDP in Q1 grew by 4.7% y/y (consensus: 4.6%), slowing from 5.2% y/y the previous quarter. The biggest expansion was registered in construction (15.5% y/y). Malaysia's inflation, also released today, eased to a 17-month low of 1.9% y/y (consensus: 2.1%). Malaysia's central bank governor stated that so long as the low inflationary environment continues, rate hikes will remain off the table.

Briefly noted:

- **Inflation remained stubbornly high in Singapore**, rising by 5.4% y/y in April (consensus: 5.2% y/y) due to increases in transportation and housing costs. According to the authorities, inflation may be above 5.0% y/y in the coming months, as housing contracts "continue to be renewed at rentals that are considerably higher than those under existing contracts."
- Citing an unnamed source, **Bisnis Indonesia reported that Indonesia may set limits on ownership of domestic banks at 40%**, and non-financial institutions at 30%. The rule would apply to both foreign and local owners.

Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
HSBC Flash China Manufacturing PMI	24-May	MAY	49.3	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
CPI - Composite Index (YoY)	22-May	APR	4.90%	4.70%	4.70%
Exports YoY%	24-May	APR	-6.80%	6.60%	--
Imports YoY%	24-May	APR	-4.70%	4.10%	--
Japan	Date	Period	Prior	Cons.	Actual
All Industry Activity Index (MoM)	21-May	MAR	-0.10%	-0.10%	-0.30%
Merchnds Trade Balance Total	23-May	APR	-¥82.5B	-¥470.8B	-¥520.3B
Merchnds Trade Exports YoY	23-May	APR	5.90%	11.80%	7.90%
Natl CPI YoY	25-May	APR	0.50%	0.40%	--
Natl CPI Ex-Fresh Food YoY	25-May	APR	--	0.10%	--
Natl CPI Ex Food, Energy YoY	25-May	APR	-0.50%	-0.40%	--
Malaysia	Date	Period	Prior	Cons.	Actual
CPI YoY	23-May	APR	2.10%	2.10%	1.90%
GDP YoY%	23-May	1Q	5.20%	4.60%	4.70%
Singapore	Date	Period	Prior	Cons.	Actual
CPI (MOM) - NSA	23-May	APR	0.80%	0.30%	0.50%
CPI (YoY)	23-May	APR	5.20%	5.20%	5.40%
Industrial Production MoM SA	25-May	APR	2.70%	0.40%	--
Industrial Production YoY	25-May	APR	-3.40%	4.40%	--
Taiwan	Date	Period	Prior	Cons.	Actual
Export Orders (YoY)	21-May	APR	-1.58%	0.50%	-3.52%
Unemployment Rate - sa	22-May	APR	4.14%	4.13%	4.19%
Industrial Production (YoY)	23-May	APR	-3.42%	-1.67%	-2.33%
GDP - Constant Prices (YoY)	25-May	1Q F	0.36%	0.40%	--
Thailand	Date	Period	Prior	Cons.	Actual
Gross Domestic Product SA (QoQ)	21-May	1Q	-10.70%	10.00%	11.00%
Gross Domestic Product (YoY)	21-May	1Q	-9.00%	-0.50%	0.30%
Customs Exports (YoY)	25-May	APR	-6.50%	6.40%	--
Vietnam	Date	Period	Prior	Cons.	Actual
CPI (YoY)	24-May	MAY	10.50%	--	--
Exports YTD (YoY)	24-31 MAY	MAY	22.10%	--	--

Calendar Events

Japan - BOJ Target Rate, May 23 We expected the benchmark rate to remain unchanged	Current 0.10%	Consensus 0.10%	New 0.10%
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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.	2363.4	-0.4	0.7	7.5	-14.8
	Hong Kong - Hang Seng	18786.2	-1.3	-2.5	1.9	-17.3
	Taiwan - Weighted	7147.8	-1.7	-1.2	1.1	-18.3
	Japan - Nikkei 225	8556.6	-2.0	-2.8	1.2	-9.6
	Korea - Kospi	1808.6	-1.1	-1.7	-0.9	-12.0
	India - Sensex 30	15948.1	-0.5	-0.5	3.2	-11.4
	Australia - SPX/ASX 200	4067.0	-1.3	-2.4	0.3	-12.4
	Singapore - Strait Times	2780.4	-1.5	-1.8	5.1	-10.6
	Indonesia - Jakarta Comp	3981.6	-1.0	-1.8	4.2	5.4
	Thailand - SET	1110.7	-1.8	-5.2	8.3	5.4
	Malaysia - KLCI	1539.7	-0.5	0.2	0.6	0.7
	Philippines - Manila Comp.	4928.5	-0.6	1.3	12.7	15.6

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FOREIGN EXCHANGE MARKETS	CURRENCY	Spot	% change over a day	% change over a week	Forward 3-month	Forward 12-month
	China (CNY/USD)	6.33	-0.18	-0.20	6.35	6.39
	Hong Kong (HKD/USD)	7.77	-0.02	0.03	7.76	7.76
	Taiwan (TWD/USD)	29.5	-0.10	0.24	29.46	29.18
	Japan (JPY/USD)	79.37	0.74	1.21	79.30	78.78
	Korea (KRW/USD)	1173	-0.80	-0.61	1183	1192
	India (INR/USD)	56.2	-1.47	-3.07	57.48	59.83
	Australia (USD/AUD)	0.97	-0.66	-1.70	1.03	1.05
	Singapore (SGD/USD)	1.28	-0.41	-0.83	1.28	1.28
	Indonesia (IDR/USD)	9359	-1.06	-1.23	9668	10055
	Thailand (THB/USD)	31.5	-0.41	-0.48	31.70	32.12
	Malaysia (MYR/USD)	3.15	-0.83	-0.95	3.16	3.20
	Philippines (PHP/USD)	43.5	-0.79	-1.10	43.95	44.38

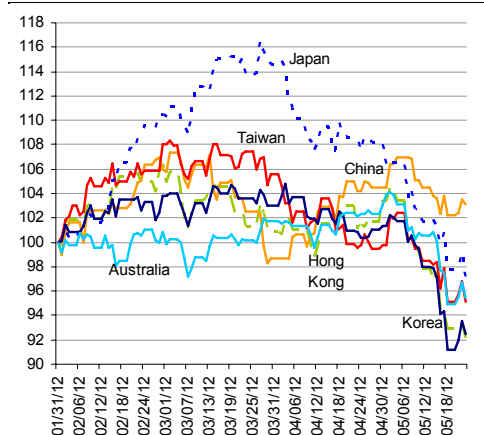
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	2.42	-0.28	-0.28	-1.35
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.02
	Taiwan (TAIBOR/1W)	0.66	0.00	0.00	0.01
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.37	0.00	0.00	-0.01
	India (MIBOR/7D)	3.50	0.80	-0.01	-0.36
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	3.83	0.02	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	0.19	-0.31	-0.13

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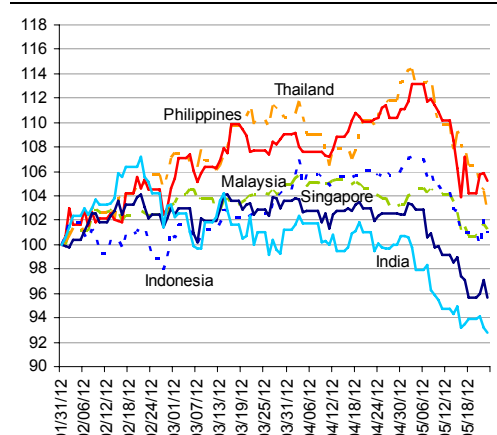
Charts

Chart 9
Stock Markets



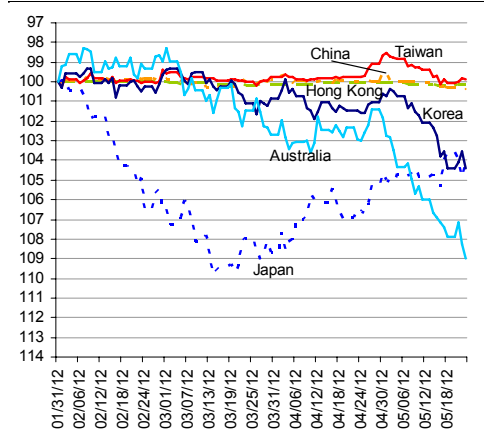
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



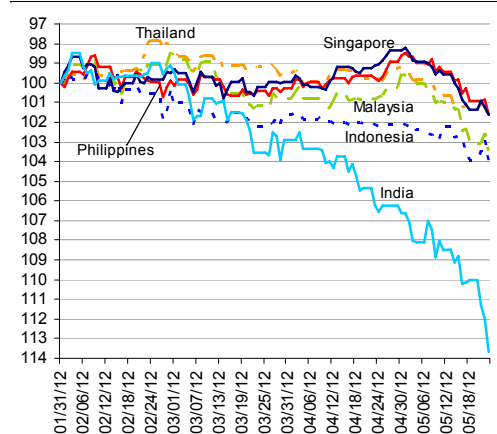
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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