

Daily Flash

Asia

Last Friday's weaker-than-expected US jobs data triggered a selloff in Asian markets today. The Korean and Chinese stock markets were among the biggest decliners, down by -2.8% and -2.7% respectively. A number of Asian stock markets are now negative for the year, including Japan, Korea, Hong Kong, Taiwan and Australia. Meanwhile, several of the region's currencies are trading at yearly lows against the dollar, reflecting heightened risk aversion - though the yen remains a notable exception, having appreciated to 78.1/USD, raising speculation about possible upcoming intervention. Investors are now looking for signs of further policy easing in support of growth, such as prospects for another rate cut in Australia at tomorrow's monetary meeting (see below).

China issues guidelines for further financial system reform

Over the weekend, the State Council issued lengthy guidelines on "strengthening international economic cooperation." The guidelines aim to support the opening of domestic markets to foreign investors and the liberalization of the capital account. While no timetable has been provided, such guidelines include measures to allow foreign enterprises to issue RMB bonds and equities in the domestic market. Separately, Chinese news media outlets are reporting that the authorities will expand a pilot program for bank loan securitizations, aimed at increasing bank liquidity. The pilot program was initiated in 2005 but was halted after the 2008-09 global financial crisis.

Briefly noted:

- **South Korea's Finance Minister Bahk Jae-wan said over the weekend that various state-run funds will be utilized to help stimulate the economy;** the likely beneficiaries will be small and medium enterprises, as well technology and trade-related sectors.
- **Australia will hold its next scheduled monetary policy meeting tomorrow.** Last month the RBA cut rates by a larger-than-expected 50 bps. Given the recent weakening of the external environment and sluggish retail sales, expectations of a further rate cut tomorrow are high.

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Current Account Balance	05-Jun	1Q	-8374M	-14650M	--
Gross Domestic Product (QoQ)	06-Jun	1Q	0.40%	0.50%	--
Gross Domestic Product (YoY)	06-Jun	1Q	2.30%	3.20%	--
Unemployment Rate	07-Jun	MAY	4.90%	5.10%	--
Trade Balance	08-Jun	APR	-1587M	-900M	--
China	Date	Period	Prior	Cons.	Actual
China HSBC Services PMI	05-Jun	MAY	54.1	--	--
Consumer Price Index (YoY)	09-Jun	MAY	3.40%	3.20%	--
Producer Price Index (YoY)	09-Jun	MAY	-0.70%	-1.20%	--
Industrial Production YTD YoY	09-Jun	MAY	11.00%	10.70%	--
Industrial Production (YoY)	09-Jun	MAY	9.30%	9.80%	--
Fixed Assets Inv Excl. Rural YTD YoY	09-Jun	MAY	20.20%	20.00%	--
Retail Sales YTD YoY	09-Jun	MAY	14.70%	14.60%	--
Retail Sales (YoY)	09-Jun	MAY	14.10%	14.20%	--
Trade Balance (USD)	10-Jun	MAY	\$18.43B	\$17.55B	--
Exports YoY%	10-Jun	MAY	4.90%	7.00%	--
Imports YoY%	10-Jun	MAY	0.30%	4.00%	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Purchasing Managers Index	05-Jun	MAY	50.3	--	--
India	Date	Period	Prior	Cons.	Actual
India May Markit Services PMI	05-Jun	MAY	52.8	--	--
Japan	Date	Period	Prior	Cons.	Actual
Monetary Base (YoY)	04-Jun	MAY	-0.30%	--	2.40%
GDP Annualized	08-Jun	1Q F	4.10%	4.40%	--
Gross Domestic Product (QoQ)	08-Jun	1Q F	1.00%	1.10%	--
Trade Balance - BOP Basis	08-Jun	APR	¥4.2B	¥450.7B	--
Current Account Balance YOY%	08-Jun	APR	-8.60%	7.50%	--
Malaysia	Date	Period	Prior	Cons.	Actual
Unemployment Rate	04-Jun	1Q	3.00%	--	3.00%
Exports YoY%	06-Jun	APR	-0.10%	1.60%	--
Philippines	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	05-Jun	MAY	3.00%	3.00%	--
Singapore	Date	Period	Prior	Cons.	Actual
Purchasing Managers Index	05-Jun	MAY	49.7	49.5	--
South Korea	Date	Period	Prior	Cons.	Actual
GDP (QoQ)	07-Jun	1Q F	0.90%	--	--
GDP (YoY)	07-Jun	1Q F	2.80%	--	--
Taiwan	Date	Period	Prior	Cons.	Actual
CPI YoY%	05-Jun	MAY	1.44%	1.40%	--
Total Exports (YoY)	07-Jun	MAY	-6.40%	-5.50%	--

Indicator of the Week

China: Industrial output for May (June 9)

Forecast: 10.5% y/y

Consensus: 9.8% y/y

Prior: 9.3% y/y

China's growth momentum moderated further in April, prompting the government to increase policy support recently. New measures have been geared towards increasing consumption and investment in infrastructure, while the central bank also decided to cut the reserve requirement ratio by 50bps on May 12th. Taking these supportive policies into account, we expect the industrial production index, a key gauge of China's growth momentum, to improve slightly in May to 10.5% in year-on-year terms, up from 9.3% in April. In addition to IP, several other important indicators will also be released next week, including inflation, retail sales, investment, and credit aggregates. Headline inflation is expected to remain low at 3.3%/y/y in May (from 3.4%/y/y in April) due to easing food and fuel prices, providing room for further policy easing in the coming months, if necessary.

Calendar Events

Australia - RBA Cash Target, June 5

We expect the benchmark rate to remain unchanged

Current	Consensus	New
3.75%	3.50%	--

South Korea - 7-Day Repo Rate, June 8

We expect the benchmark rate to remain unchanged

Current	Consensus	New
3.25%	3.25%	--

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.	2308.6	-2.7	-2.2	5.0	-15.4
	Hong Kong - Hang Seng	18185.6	-2.0	-3.3	-1.3	-20.8
	Taiwan - Weighted	6894.7	-3.0	-3.4	-2.5	-23.8
	Japan - Nikkei 225	8295.6	-1.7	-3.5	-1.9	-12.6
	Korea - Kospi	1783.1	-2.8	-2.2	-2.3	-15.6
	India - Sensex 30	15988.4	0.1	-2.6	3.5	-13.0
	Australia - SPX/ASX 200	3985.0	-1.9	-2.0	-1.8	-13.0
	Singapore - Strait Times	2698.9	-1.7	-3.2	2.0	-14.2
	Indonesia - Jakarta Comp	3654.6	-3.8	-6.7	-4.4	-4.9
	Thailand - SET	1115.2	-2.3	-1.6	8.8	5.4
	Malaysia - KLCI	1555.2	-1.2	0.0	1.6	-0.3
Philippines - Manila Comp.	4890.2	-3.4	-1.3	11.9	13.8	

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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)	6.36	0.09	-0.29	6.38	6.43
	Hong Kong (HKD/USD)	7.76	0.00	0.03	7.76	7.75
	Taiwan (TWD/USD)	30.0	-0.39	-1.40	29.96	29.70
	Japan (JPY/USD)	78.12	-0.13	1.73	78.02	77.50
	Korea (KRW/USD)	1182	-0.36	-0.75	1187	1196
	India (INR/USD)	55.5	0.18	-0.54	56.65	58.74
	Australia (USD/AUD)	0.97	0.04	-1.49	1.04	1.06
	Singapore (SGD/USD)	1.29	0.47	-0.75	1.29	1.28
	Indonesia (IDR/USD)	9427	-0.39	-1.00	9602	10034
	Thailand (THB/USD)	31.6	0.63	0.22	31.73	32.16
	Malaysia (MYR/USD)	3.20	-0.21	-1.66	3.22	3.25
Philippines (PHP/USD)	43.5	-0.07	0.09	43.76	44.19	

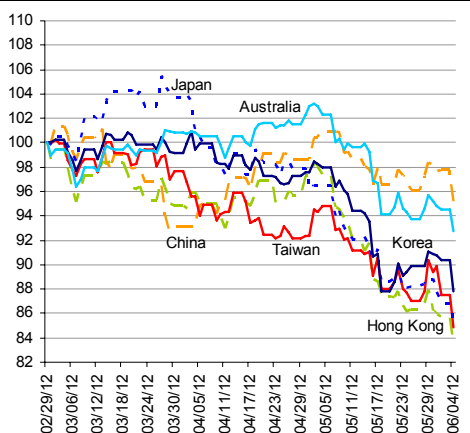
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	2.48	0.14	0.16	-1.37
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	-0.02
	Taiwan (TAIBOR/1W)	0.67	0.00	0.00	0.00
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.36	-0.01	-0.01	-0.01
	India (MIBOR/7D)	2.91	0.06	-0.09	-1.04
	Singapore (SIBOR/1W)	0.31	0.06	0.06	0.06
	Indonesia (JIBOR/1W)	4.01	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)	3.31	0.06	0.06	0.00

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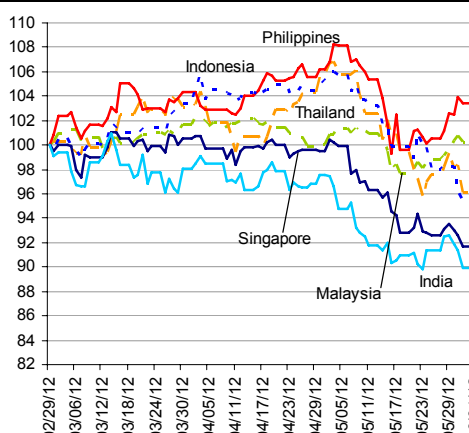
Charts

Chart 9
Stock Markets



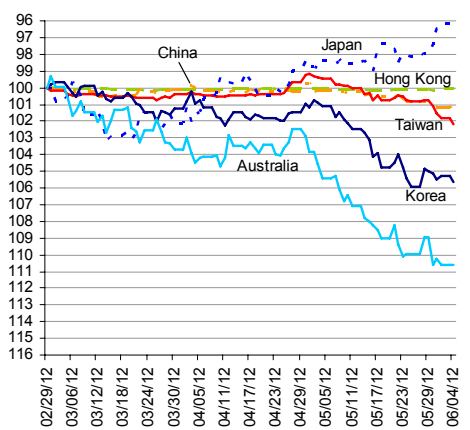
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



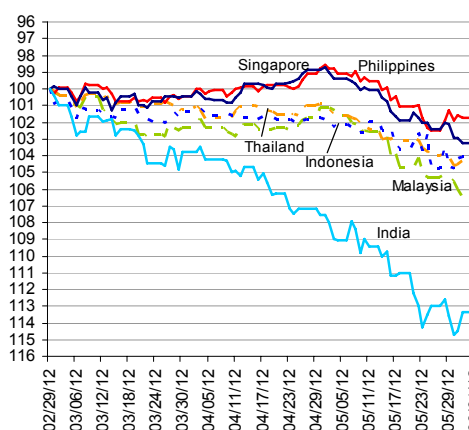
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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