



Daily Flash

Asia

A better-than-expected GDP outturn in Australia provided a welcome lift to sentiment, with the region's stock markets up for a second consecutive day (except for China). Strong gains were seen across the region, most notably in Japan (Nikkei: +1.8%) and India (Sensex: +2.7%). Asian currencies also rebounded. The spotlight this week now moves back to China, where a batch of important economic indicators will be released on Saturday (see Weekly Indicator below) amidst ongoing concerns about an economic slowdown and rising prospects of an interest rate cut.

Australia's GDP surged in Q1 on mining investment and private consumption

Data released today show that Australia's economy expanded by 1.3% q/q s.a, well above market expectations (consensus: 0.6% q/q s.a.) and the second fastest quarterly growth since the 2008/09 global financial crisis. Private investment (mainly in the mining sector) contributed 0.8% to overall growth and household consumption contributed another 0.9%, while net exports subtracted -0.5 percentage points. The better-than-expected growth outturn lifted regional market sentiment and sent Australia's dollar and stock index higher. Looking ahead, Australia's growth is expected to moderate in the coming quarters due to the global slowdown. In anticipation of moderating growth, the RBA yesterday cut interest rates by 25bps.

China announces a new timetable for implementing Basel III regulatory rules

The State Council announced today a postponement of the implementation of Basel III regulatory rules to next year, in line with expectations (see our latest [China Banking Watch](#)). The new timetable remains consistent with the agenda proposed by the Basel Committee (which requires that banks start implementation in 2013, with full implementation reached by 2019). In our view, today's announcement is positive as it removes any uncertainties in this respect and will allow banks to focus on supporting growth.

Briefly noted:

- **India announced a USD 1.8 bn package to boost exports**, which includes the extension of an import-tax waiver on certain capital goods used by exporters. Other measures included a one year extension of a 2% interest subsidy given on loans to handicraft exporters and other SMEs.
- **Vietnam's credit rating outlook has been revised up to stable from negative** by Standard & Poor's today (its long-term rating its BB-, three levels below investment grade).
- **Malaysia's exports declined again in April**, by -0.1% y/y (consensus: +1.6% y/y), the second consecutive drop on a year-on-year basis, as exports to the US and Japan dropped by -1.7% y/y and -3.4% y/y respectively.

Jeffrey Cantwell
Economist
jeffrey.cantwell@bbva.com.hk
+852 2582 3173

William Fitchett
Economist
william.fitchett@bbva.com.hk
+852 2582 3246

Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Current Account Balance	05-Jun	1Q	-8374M	-14650M	-14892M
Gross Domestic Product (QoQ)	06-Jun	1Q	0.40%	0.60%	1.30%
Gross Domestic Product (YoY)	06-Jun	1Q	2.30%	3.30%	4.30%
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	--	54.7
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	--	49.4
India	Date	Period	Prior	Cons.	Actual
India May Markit Services PMI	05-Jun	MAY	52.8	--	54.7
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%	1.10%	-0.1%
Philippines	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	05-Jun	MAY	3.00%	3.00%	2.90%
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%	1.74%
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 expected the benchmark rate to remain unchanged

Current

3.75%

Consensus

3.50%

New

3.50%

South Korea - 7-Day Repo Rate, June 8

We expect the benchmark rate to remain unchanged

Current

3.25%

Consensus

3.25%

New

--

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.	2309.6	-0.1	-3.1	5.0	-15.3
	Hong Kong - Hang Seng	18520.5	1.4	-0.9	0.5	-19.3
	Taiwan - Weighted	7056.2	0.8	-2.8	-0.2	-22.0
	Japan - Nikkei 225	8533.5	1.8	-1.2	0.9	-9.0
	Korea - Kospi	1801.9	1.0	-2.6	-1.3	-14.7
	India - Sensex 30	16454.3	2.7	0.9	6.5	-10.7
	Australia - SPX/ASX 200	4055.3	0.3	-1.0	0.0	-11.2
	Singapore - Strait Times	2760.8	1.8	-0.8	4.3	-11.3
	Indonesia - Jakarta Comp	3841.3	3.3	-2.0	0.5	0.2
	Thailand - SET	1118.0	1.7	-3.1	9.0	6.9
	Malaysia - KLCI	1569.4	0.6	-0.4	2.5	1.1
	Philippines - Manila Comp.	4966.6	0.8	-1.0	13.6	16.6

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)	6.36	0.05	-0.09	6.37	6.42
	Hong Kong (HKD/USD)	7.76	0.00	0.11	7.76	7.75
	Taiwan (TWD/USD)	29.9	0.31	-0.58	29.80	29.53
	Japan (JPY/USD)	79.09	-0.43	-0.03	79.01	78.51
	Korea (KRW/USD)	1175	0.47	0.14	1182	1192
	India (INR/USD)	55.4	0.39	1.45	56.53	58.67
	Australia (USD/AUD)	0.99	1.13	1.53	1.02	1.04
	Singapore (SGD/USD)	1.28	0.58	0.75	1.28	1.27
	Indonesia (IDR/USD)	9329	1.29	2.26	9578	9990
	Thailand (THB/USD)	31.5	0.32	1.18	31.66	32.09
	Malaysia (MYR/USD)	3.17	0.82	-0.39	3.19	3.23
	Philippines (PHP/USD)	43.2	0.75	0.74	43.46	43.93

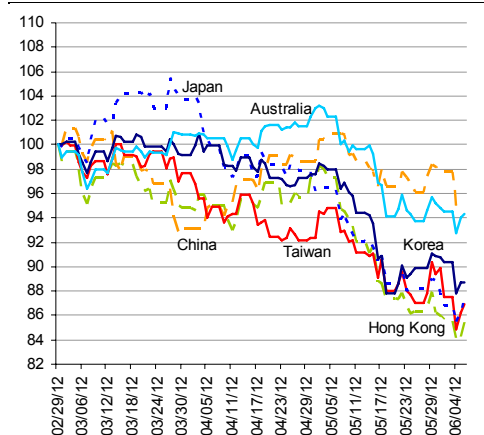
Last update: today, 17.45 Hong Kong time.

INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	2.60	0.00	0.26	-1.25
	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	0.00	-0.01	-0.01
	India (MIBOR/7D)	2.57	-0.08	0.17	-1.38
	Singapore (SIBOR/1W)	0.31	0.00	0.06	0.06
	Indonesia (JIBOR/1W)	4.08	0.03	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	0.13	0.13	0.13

Last update: today, 17.45 Hong Kong time

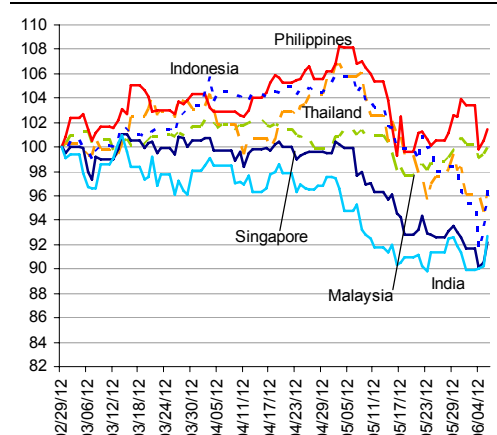
Charts

Chart 9
Stock Markets



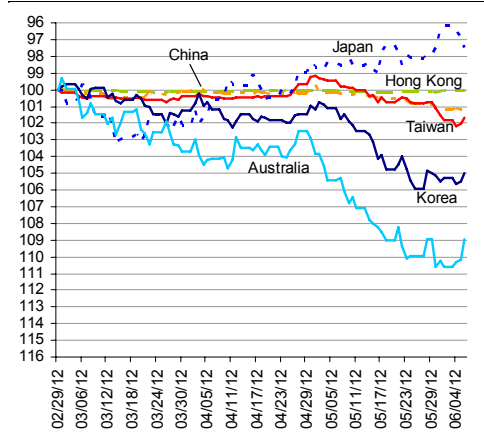
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



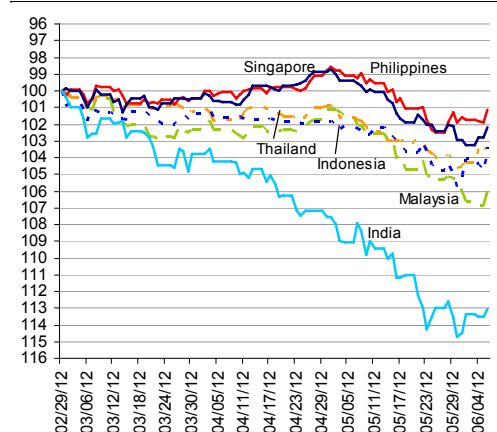
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Stephen Schwartz
Chief Economist for Asia
stephen.schwartz@bbva.com.hk

Fielding Chen
Senior Economist
fielding.chen@bbva.com.hk

Le Xia
Senior Economist (China)
xia.le@bbva.com.hk

Zhigang Li
Senior Economist (China)
zhigang.li@bbva.com.hk

Sumedh Deorukhkar
Senior Economist (India, Mumbai)
sumedh.deorukhkar@grupobbva.com

Jeffrey Cantwell
Economist
jeffrey.cantwell@bbva.com.hk

George Xu
Economist
george.xu@bbva.com.hk

Richard Li
Asian FX Chief Strategist
richard.li@bbva.com.hk

William Fitchett
Economist
william.fitchett@bbva.com.hk

BBVA

RESEARCH



43/F., Two IFC, 8 Finance Street, Central, Hong Kong | Tel.: +852 2582 3111 | www.bbva.com.hk

Before you print this message please consider if it is really necessary.

This email and its attachments are subject to the confidentiality terms established in the corresponding regulations and are intended for the sole use of the person or persons indicated in the header. They are for internal use only and cannot be distributed, copied, conveyed or furnished to third parties without prior written consent from BBVA. If this message has been received erroneously, it is forbidden to read, use or copy any of the contents and you are asked to inform BBVA immediately by forwarding the email to the sender and eliminating it thereafter.

BBVA will continue to provide our readers up-to-date reports by emails, but you can also register directly on our website where you can find a full list of our latest reports & presentations <http://serviciodeestudios.bbva.com/KETD/ketd/ing/index.jsp>

If you wish to be excluded from this mailing list, please write to us on research.emergingmarkets@bbva.com.hk and we shall immediately take you off the list.