

Daily Flash

Asia

The Bank of Japan's statement at the conclusion of its policy meeting today dovetailed with those of other central banks across Asia this week, expressing caution about developments in the global economy, while also highlighting that risks appear to be increasing, two days ahead of Greece's election. The fears (rightly) being expressed in Asia are mostly over worries about spillover effects into the region, which have so far been buffered by the region's economic strengths, including tight labor markets and GDP growth rates that continue to outpace those of developed economies.

BoJ revises up its economic assessment while holding off on further easing

The Bank of Japan (BoJ) kept its monetary policy unchanged today, as expected, leaving policy rates at 0-0.1% along with no changes to its asset purchase program. Also today, the BoJ, revised up its economic assessment of the domestic outlook, as the post-earthquake recovery continues. That said, the European debt crisis continues to pose a risk to the economy, particularly as the yen strengthens due to its 'safe haven' status during times of heightened tensions. Despite today's positive assessment by the BoJ, looking ahead we expect authorities will ease monetary policy further in order to support Japan's economy amidst the global slowdown.

Rumors circulate of a "gift" policy package for Hong Kong from China

As the 15th anniversary of Hong Kong's handover to China draws near on July 1, people are speculating whether China's leaders will offer a "gift package" during their forthcoming visit to Hong Kong for the celebration. As reported by an influential Chinese media outlet in Hong Kong, Chinese authorities might relax certain restrictions in order to enable further development of Hong Kong as the premier offshore RMB business center and international asset management center. In this respect, the RMB daily conversion limit might be raised to RMB 80 thousand, from the existing RMB 20 thousand limit. There is also speculation that authorities may designate Guangdong Province as a pilot region where residents can open RMB accounts in Hong Kong (subject to certain limits). If implemented, these measures will not only spur growth in Hong Kong's RMB business but would also be a step in furthering China's capital account liberalization.

Vietnam to inject funds to stimulate the economy

Vietnam's deputy PM declared today that Vietnam will inject VND 21 tn (USD 1 bn) each month from the state budget into its economy from July to December this year in order to stimulate the economy (the total amount equal to 5% of GDP). In the same session, Vietnam's deputy PM also said that the government forecasts a 4.3% y/y GDP growth rate for the first half of this year — well below the 6% target for the whole of 2012. Concerns about slowing growth after the dismal 1Q GDP growth figure (4% y/y) and sluggish credit conditions (even with the stimulus, credit growth is expected to be far from the 15-17% growth rate initially projected by the government) are the main reasons behind today's announcement.

Briefly noted:

- **Weak external demand weighed on India's exports growth in May (-4% y/y after 3.0% in April).** India's trade deficit also widened, to USD 16.3 bn in May from USD 13.5 bn in April.
- **Next week will be marked by important events** including the G-20 meeting starting on June 18. Also, on Monday India will hold its monetary policy meeting, and China's May property prices will be published. Taiwan will hold its policy meeting on Thursday, one day after the release of its export orders data (see Weekly Indicator below).

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Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
New Yuan Loans	11-Jun	MAY	681.8B	700.0B	793.2B
Money Supply - M2 (YoY)	11-Jun	MAY	12.80%	12.90%	13.20%
Actual FDI (YoY)	14-18 JUN	MAY	-0.70%	-1.60%	0.10%
Hong Kong	Date	Period	Prior	Cons.	Actual
Industrial Production (YoY)	14-Jun	1Q	-2.20%	--	-1.60%
India	Date	Period	Prior	Cons.	Actual
Industrial Production YoY	12-Jun	APR	-3.50%	1.70%	0.10%
Monthly Wholesale Prices YoY%	14-Jun	MAY	7.23%	7.50%	7.55%
Japan	Date	Period	Prior	Cons.	Actual
Japan Money Stock M2 YoY	11-Jun	MAY	2.60%	2.50%	2.10%
Japan Money Stock M3 YoY	11-Jun	MAY	2.30%	2.20%	1.90%
Machine Tool Orders (YoY)	11-Jun	MAY P	0.40%	--	-2.90%
Tertiary Industry Index (MoM)	12-Jun	APR	-0.60%	0.30%	-0.30%
Machine Orders (MoM)	13-Jun	APR	-2.80%	1.60%	5.70%
Machine Orders YOY%	13-Jun	APR	-1.10%	4.90%	6.60%
Capacity Utilization (MoM)	14-Jun	APR F	1.30%	--	-0.60%
Industrial Production (MoM)	14-Jun	APR F	0.20%	--	-0.20%
Industrial Production YOY%	14-Jun	APR F	13.40%	--	12.90%
Malaysia	Date	Period	Prior	Cons.	Actual
Industrial Production YoY	11-Jun	APR	0.60%	2.00%	3.20%
Philippines	Date	Period	Prior	Cons.	Actual
Total Exports (YoY)	14-Jun	APR	-1.20%	0.50%	7.60%
Unemployment Rate	15-Jun	APR	7.20%	--	6.90%
Overseas Remittances (YoY)	15-Jun	APR	5.00%	--	5.30%
Singapore	Date	Period	Prior	Cons.	Actual
Non-oil Domestic Exports (YoY)	11-Jun	MAY	8.30%	3.00%	3.20%
Retail Sales (YoY)	15-Jun	APR	9.10%	6.10%	2.20%
South Korea	Date	Period	Prior	Cons.	Actual
Unemployment Rate (SA)	13-Jun	MAY	3.40%	3.40%	3.20%

Indicator of the Week

Taiwan: Taiwan Export Orders (June 20)

Forecast: -2.2% y/y

Consensus: -3.0% y/y

Prior: -3.5% y/y

As a 3-month leading indicator of Taiwan's exports, export orders will be watched for further signs of weakening external demand, both for Taiwan and for the region. April export orders were disappointing (-3.5% y/y), and suggest that near-term external demand might remain sluggish, despite a surprisingly encouraging export outturn for China in the month of May (+15.3% y/y). We expect Taiwan's export orders to decline again, but at a decelerating rate. Export orders to China should begin to stabilize, especially following stimulus policies to support growth. The Taiwanese central bank will likely keep its wait-and-see approach to further interest rate cuts at its next quarterly policy meeting, a day after the export orders release.

Calendar Events

Indonesia - Bank Indonesia Reference Rate, June 12

We expected the benchmark rate to remain unchanged

Current

5.75%

Consensus

5.75%

New

5.75%

Thailand - Benchmark Interest Rate, June 13

We expected the benchmark rate to remain unchanged

Current

3.00%

Consensus

3.00%

New

3.00%

Philippines - Overnight Borrowing Rate, June 14

We expected the benchmark rate to remain unchanged

Current

4.00%

Consensus

4.00%

New

4.00%

Japan - Bank of Japan Target Rate, June 15

We expected the benchmark rate to remain unchanged

Current

0.10%

Consensus

0.10%

New

0.10%

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.	2306.9	0.5	1.1	4.9	-14.7
	Hong Kong - Hang Seng	19233.9	2.3	4.0	4.3	-13.9
	Taiwan - Weighted	7155.8	1.1	2.2	1.2	-19.0
	Japan - Nikkei 225	8569.3	0.0	1.3	1.3	-10.5
	Korea - Kospi	1858.2	-0.7	1.2	1.8	-10.9
	India - Sensex 30	16953.2	1.7	1.4	9.7	-6.5
	Australia - SPX/ASX 200	4057.3	0.4	-1.2	0.0	-11.2
	Singapore - Strait Times	2811.0	1.3	2.7	6.2	-8.0
	Indonesia - Jakarta Comp	3818.1	0.7	-0.2	-0.1	0.6
	Thailand - SET	1169.1	1.4	3.7	14.0	13.5
	Malaysia - KLCI	1579.2	0.5	0.5	3.2	1.5
	Philippines - Manila Comp.	4930.6	-1.8	-1.8	12.8	17.4

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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)	6.37	0.08	0.08	6.36	6.41
	Hong Kong (HKD/USD)	7.76	0.00	-0.01	7.76	7.75
	Taiwan (TWD/USD)	29.9	0.13	0.20	29.83	29.51
	Japan (JPY/USD)	78.83	0.66	0.84	78.74	78.28
	Korea (KRW/USD)	1166	0.05	0.82	1169	1179
	India (INR/USD)	55.7	0.23	-0.42	56.76	58.93
	Australia (USD/AUD)	1.00	0.15	1.24	1.00	1.02
	Singapore (SGD/USD)	1.27	0.33	0.75	1.27	1.27
	Indonesia (IDR/USD)	9398	0.54	-0.11	9590	10015
	Thailand (THB/USD)	31.5	-0.13	0.57	31.68	32.10
	Malaysia (MYR/USD)	3.17	0.65	0.76	3.18	3.21
	Philippines (PHP/USD)	42.3	0.89	2.56	42.40	42.83

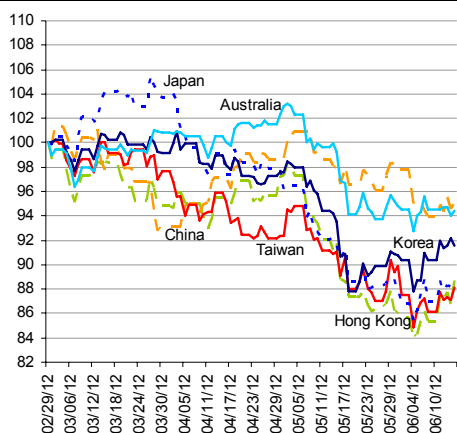
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	2.73	0.03	0.03	-0.11
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.67	0.00	0.00	0.01
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.36	0.00	0.00	-0.01
	India (MIBOR/7D)	2.75	0.06	0.30	-0.11
	Singapore (SIBOR/1W)	0.31	0.00	0.00	0.06
	Indonesia (JIBOR/1W)	4.10	-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)	3.44	0.00	0.00	-0.25

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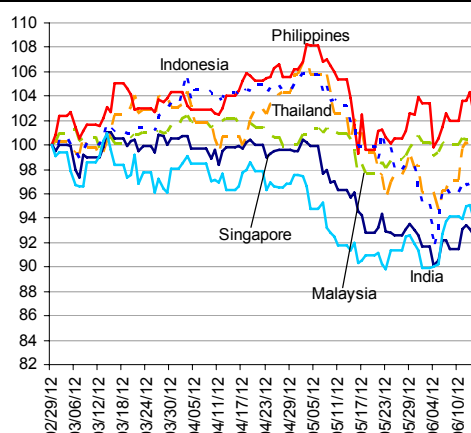
Charts

Chart 9
Stock Markets



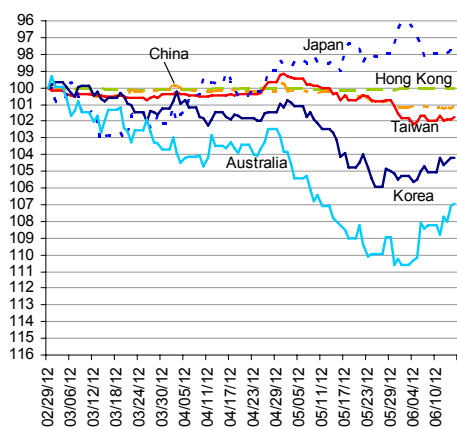
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



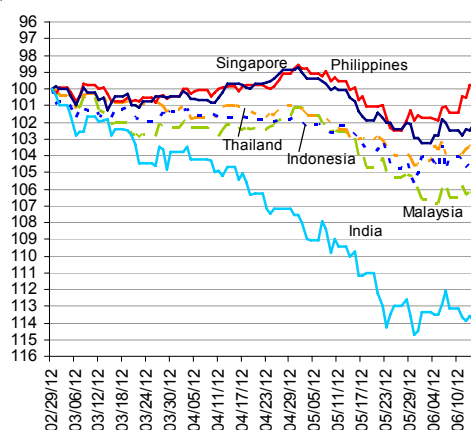
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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