



Daily Flash

Asia

China flash PMI signals further weakness in manufacturing

The HSBC flash PMI estimate for June was released today, showing a further moderation, to 48.1% from 48.4% in May, remaining below the 50% expansion threshold for an eighth consecutive month. The export orders component of the PMI weakened significantly, to 45.9% from 48.5% in May. The outturn shows that underlying growth momentum in China remains weak, although we believe that it is likely to bottom out this quarter on supportive monetary and fiscal policies. The final HSBC estimate will be released on July 2, and has consistently been below the official PMI due to its smaller sample size and orientation toward export-oriented firms. We expect the official PMI for June, to be released on July 1, to remain just above 50.

Easing of China's QFII restrictions: latest sign of liberalization

As reported in the Wall Street Journal, the China Security Regulation Commission yesterday published a draft of its *Administrative Rules for Qualified Foreign Institutional Investors*. The new rules would further relax restrictions on QFII investors by lowering entry barriers for QFII investors and expanding the scope of permissible activities, including investment in the interbank market.

Hong Kong's May headline CPI inflation moderated to 4.3% y/y

Hong Kong's May inflation slowed to 4.3% y/y from 4.7% in April, in line with the market's expectation. Although recent inflation outturns have moderated on slowing growth, we expect inflationary pressures to persist in the coming months (BBVA forecast: 4.7% y/y for 2012) due to tight labor markets and still-high housing prices.

Briefly noted:

- **Taiwan's central bank left its benchmark rate unchanged** at its Q2 monetary policy meeting. The decision was based on balancing a deteriorating growth outlook against recent inflationary pressures that are due to rising housing prices.

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Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
China May Property Prices	18-Jun	MAY			
HSBC Flash China Manufacturing PMI	21-Jun	JUN	48.4	--	48.1
Hong Kong	Date	Period	Prior	Cons.	Actual
Unemployment Rate SA	18-Jun	MAY	3.30%	3.40%	3.20%
CPI - Composite Index (YoY)	21-Jun	MAY	4.70%	4.30%	4.30%
India	Date	Period	Prior	Cons.	Actual
Cash Reserve Ratio	18-Jun	18-Jun	4.75%	4.75%	4.75%
Reverse Repo Rate	18-Jun	18-Jun	7.00%	6.75%	7.00%
CPI (YoY)	18-Jun	MAY	10.36%	--	10.36%
Japan	Date	Period	Prior	Cons.	Actual
Merchnds Trade Balance Total	20-Jun	MAY	-¥520.3B	-¥544.4B	-¥907.3B
Merchnds Trade Exports YoY	20-Jun	MAY	7.9	9.7	10.0
All Industry Activity Index (MoM)	20-Jun	APR	-0.30%	0.10%	0.10%
Malaysia	Date	Period	Prior	Cons.	Actual
CPI YoY	22-Jun	MAY	1.90%	1.70%	--
Philippines	Date	Period	Prior	Cons.	Actual
Balance of Payments	19-Jun	MAY	-\$79M	--	\$138M
Taiwan	Date	Period	Prior	Cons.	Actual
Export Orders (YoY)	20-Jun	MAY	-3.52%	-3.70%	-3.04%
Unemployment Rate - sa	22-Jun	MAY	4.19%	4.20%	--
Vietnam	Date	Period	Prior	Cons.	Actual
CPI (YoY)	24-Jun	JUN	8.34%	--	--

Calendar Events

India - India Repo Cutoff Yield, June 18

We expected a 25 bps cut in the benchmark rate

Current	Consensus	New
8.00%	7.75%	8.00%

Taiwan - Benchmark Interest Rate, June 21

We expected the benchmark rate to remain unchanged

Current	Consensus	New
1.88%	1.88%	1.88%

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.	2260.9	-1.4	-1.5	2.8	-14.6
	Hong Kong - Hang Seng	19265.1	-1.3	2.4	4.5	-11.8
	Taiwan - Weighted	7279.1	-0.8	2.9	2.9	-15.3
	Japan - Nikkei 225	8824.1	0.8	3.0	4.4	-6.7
	Korea - Kospi	1889.2	-0.8	0.9	3.5	-7.8
	India - Sensex 30	17006.3	0.6	2.0	10.0	-3.2
	Australia - SPX/ASX 200	4087.6	-1.1	1.1	0.8	-9.3
	Singapore - Strait Times	2830.2	-0.9	2.0	6.9	-7.3
	Indonesia - Jakarta Comp	3901.8	-1.1	2.9	2.1	2.8
	Thailand - SET	1158.3	-1.3	0.5	13.0	12.7
	Malaysia - KLCI	1601.4	-0.2	1.9	4.6	2.6
	Philippines - Manila Comp.	5109.4	-0.7	1.8	16.9	21.3

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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	-0.08	0.09	6.36	6.40
	Hong Kong (HKD/USD)	7.76	-0.01	-0.01	7.76	7.75
	Taiwan (TWD/USD)	29.9	-0.03	0.25	29.80	29.51
	Japan (JPY/USD)	79.90	-0.45	-0.69	79.81	79.39
	Korea (KRW/USD)	1152	-0.04	1.28	1159	1170
	India (INR/USD)	56.4	-0.36	-0.95	57.51	59.86
	Australia (USD/AUD)	1.02	-0.20	1.50	0.99	1.01
	Singapore (SGD/USD)	1.27	-0.13	0.58	1.27	1.27
	Indonesia (IDR/USD)	9482	-0.55	-0.35	9668	10094
	Thailand (THB/USD)	31.7	-0.41	-0.66	31.85	32.27
	Malaysia (MYR/USD)	3.18	-0.58	0.26	3.19	3.23
	Philippines (PHP/USD)	42.4	-0.57	0.61	42.53	42.96

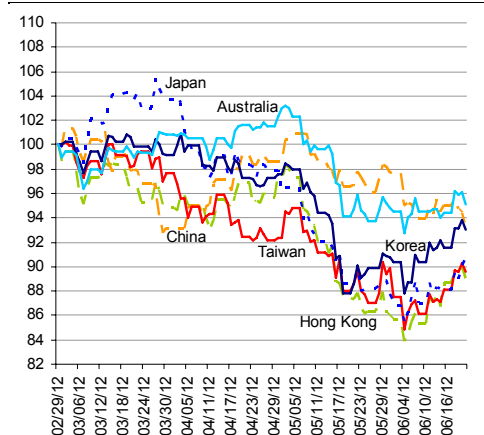
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	4.50	1.00	1.77	1.82
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.67	0.00	0.00	0.00
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.34	0.00	-0.02	-0.03
	India (MIBOR/7D)	4.34	0.94	1.65	1.26
	Singapore (SIBOR/1W)	0.25	0.00	-0.06	0.00
	Indonesia (JIBOR/1W)	4.12	0.00	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)	3.63	0.00	0.19	0.31

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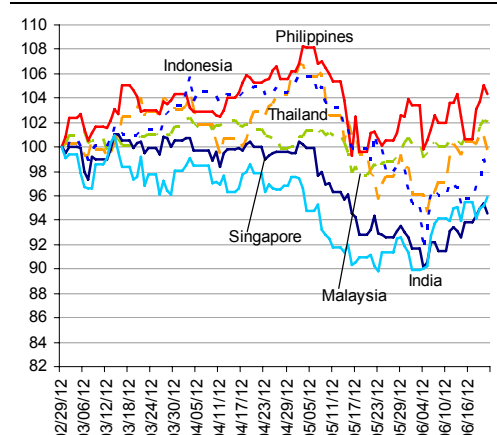
Charts

Chart 9
Stock Markets



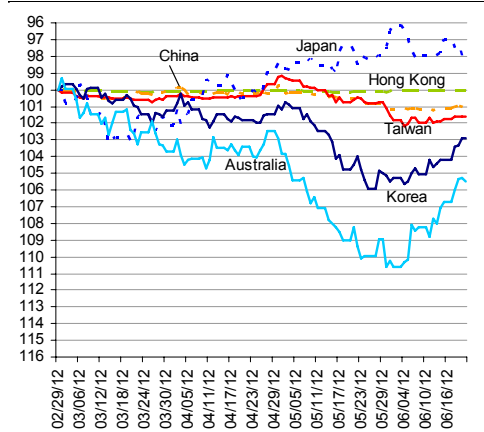
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



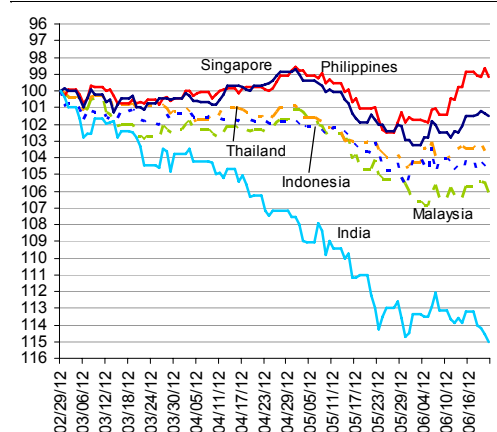
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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