

Daily Flash

Asia

India: RBI's measures to revive the rupee fall short of expectations

The RBI announced new measures to boost economic growth and support the rupee yesterday. Although the measures were deemed a positive for the rupee over the medium term, they failed to match market expectations, as indicated by the USD/INR depreciating after the announcement (latest: 57.02). The new measures included 1) widening the overall External Commercial Borrowing limit by another US\$10bn, taking the total to US\$40bn, 2) raising the foreign investment limit in India's sovereign debt by US\$5bn to US\$20bn, and 3) Qualified Foreign Investors (QFIs) are now allowed to invest into a mutual scheme that has 25% of AUM invested in India's infrastructure sector.

Japan's lower house passes consumption tax bill

Today, Japan passed a consumption tax bill in the lower house by a vote of 363-96. The tax bill plans to hike the consumption tax from its current 5% to 8% in April 2014 and then to 10% in October 2015. The bill is expected to help alleviate Japan's fiscal deficit, which poses a key risk to Japan's medium growth outlook. The legislation now moves to the upper house, which is controlled by opposition parties who also support the bill. With Japan's fiscal debt already exceeding 200% of GDP and post-quake reconstruction spending adding further debt to Japan's balance sheet, the bill is seen as necessary in order to raise revenues.

Hong Kong exports surprise to the upside

Hong Kong's exports and imports in May grew by 5.2% y/y and 4.6% y/y respectively, well above market expectations (consensus: exports, 0.5%; imports, 2.2%). That said, exports and imports both slowed from the previous month (April: exports, 5.6%; imports: 4.6%), signalling that Hong Kong's economy remains under pressure due to the sluggish global environment. Trade flows held up well for most of Hong Kong's Asian partners, including China, but Hong Kong's exports to Germany fell noticeably, declining by 20% in May.

Briefly noted:

- **Singapore's industrial production rebounded after two consecutive months of contraction**, expanding by a better-than-expected 6.6% y/y in May (consensus: 6.1% y/y). Looking ahead, Singapore's production is expected to remain under pressure due to sluggish demand for exports from the US and EU.
- **The Bank of Thailand (BoT) has brought forward the implementation of Basel III rules to 2013 from 2015**, according to words by the central bank's assistant governor today. Full implementation of Basel III in Thailand is scheduled for 2019. Banks in Thailand will have to meet a common equity ratio of 4.5%; a tier-one capital ratio of 6%; and a total capital ratio 8.5%. The BoT is expected to issue guidelines for the implementation process shortly.

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Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Manufacturing PMI	01-Jul	JUN	50.4	49.8	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Exports YoY%	26-Jun	MAY	5.60%	0.50%	5.20%
Imports YoY%	26-Jun	MAY	5.00%	2.20%	4.60%
India	Date	Period	Prior	Cons.	Actual
Current Account Balance	30-Jun	1Q	--	--	--
Japan	Date	Period	Prior	Cons.	Actual
Retail Trade YoY	28-Jun	MAY	5.80%	2.90%	--
Jobless Rate	29-Jun	MAY	4.60%	4.50%	--
Natl CPI YoY	29-Jun	MAY	0.40%	0.20%	--
Natl CPI Ex-Fresh Food YoY	29-Jun	MAY	0.20%	0.00%	--
Philippines	Date	Period	Prior	Cons.	Actual
Trade Balance	26-Jun	APR	-\$1049M	--	-\$135M
Singapore	Date	Period	Prior	Cons.	Actual
CPI (MOM) - NSA	25-Jun	MAY	0.50%	0.30%	0.20%
CPI (YoY)	25-Jun	MAY	5.40%	5.10%	5.00%
Industrial Production MoM SA	26-Jun	MAY	-3.50%	2.60%	1.80%
Industrial Production YoY	26-Jun	MAY	-0.30%	6.10%	6.60%
South Korea	Date	Period	Prior	Cons.	Actual
Current Account in US\$ Million	28-Jun	MAY	\$1776.6M	--	--
Industrial Production (MoM)	29-Jun	MAY	0.90%	0.50%	--
Industrial Production (YoY)	29-Jun	MAY	0.00%	0.50%	--
Ext Trade - Export (YoY)	01-Jul	JUN	-0.40%	0.10%	--
Thailand	Date	Period	Prior	Cons.	Actual
Customs Exports (YoY)	25-Jun	MAY	-3.67%	0.50%	7.68%
Mfg. Production Index ISIC NSA (YoY)	28-Jun	MAY	0.54	2.2	--
Current Account Balance (USD)	29-Jun	MAY	-\$1516M	-\$900M	--
Vietnam	Date	Period	Prior	Cons.	Actual
GDP Constant Prices YTD (YoY)	28-29 JUN	2Q	4.00%	4.30%	--
Exports YTD (YoY)	24-30 JUN	JUN	24.10%	--	--

Indicator of the Week

China: PMI for June (July 1)

Forecast: 50.1	Consensus: 49.8	Prior: 50.4
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Activity indicators for May showed continued weakness in growth momentum, albeit with mixed signs due to much stronger than expected exports. We expect growth momentum to remain somewhat sluggish in June, as the just released flash estimate for the private sector PMI (Markit) registered a further moderation, to 48.1% from 48.4% in the previous month. We expect the official manufacturing PMI (with a greater focus on larger and domestic-oriented firms) to show moderation as well to 50.1, still above the +50 expansion/contraction threshold. Going forward, increasing monetary and fiscal policy stimulus should lead to a pick up in growth momentum in the second half of the year.

Calendar Events

There are no calendar events scheduled for this week.

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.	2222.1	-0.1	-4.1	1.0	-19.1
	Hong Kong - Hang Seng	18981.8	0.4	-2.2	3.0	-14.4
	Taiwan - Weighted	7137.9	-0.4	-1.9	0.9	-16.3
	Japan - Nikkei 225	8664.0	-0.8	0.1	2.5	-10.5
	Korea - Kospi	1817.8	-0.4	-3.9	-0.4	-13.1
	India - Sensex 30	16906.6	0.1	0.3	9.4	-7.3
	Australia - SPX/ASX 200	4013.3	-0.4	-2.7	-1.1	-11.0
	Singapore - Strait Times	2805.6	-0.3	-1.3	6.0	-8.5
	Indonesia - Jakarta Comp	3881.4	0.6	0.0	1.6	0.9
	Thailand - SET	1151.1	0.3	-1.9	12.3	12.5
	Malaysia - KLCI	1594.1	-0.6	-0.1	4.1	1.9
	Philippines - Manila Comp.	5193.8	0.5	2.2	18.8	21.0

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	0.01	-0.13	6.37	6.42
	Hong Kong (HKD/USD)	7.76	0.02	0.00	7.76	7.75
	Taiwan (TWD/USD)	30.0	0.01	-0.34	29.88	29.58
	Japan (JPY/USD)	79.34	0.40	-0.49	79.24	78.84
	Korea (KRW/USD)	1158	0.28	-0.17	1164	1175
	India (INR/USD)	57.0	0.03	-1.81	58.19	60.50
	Australia (USD/AUD)	1.01	0.42	-1.33	1.00	1.02
	Singapore (SGD/USD)	1.28	0.10	-1.05	1.28	1.28
	Indonesia (IDR/USD)	9508	0.01	-1.05	9673	10105
	Thailand (THB/USD)	31.8	0.00	-1.26	31.97	32.37
	Malaysia (MYR/USD)	3.20	-0.02	-1.21	3.21	3.24
	Philippines (PHP/USD)	42.5	0.36	-0.29	42.64	43.08

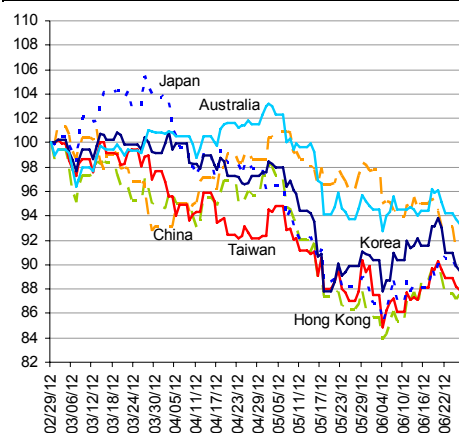
Last update: today, 17.45 Hong Kong time.

INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	4.29	-0.08	-0.08	1.78
	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	-0.01	-0.03
	India (MIBOR/7D)	4.48	0.28	1.78	2.01
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.14	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)	3.69	-0.06	0.06	0.31

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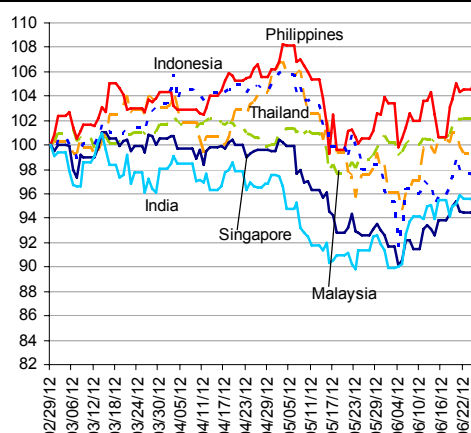
Charts

Chart 9
Stock Markets



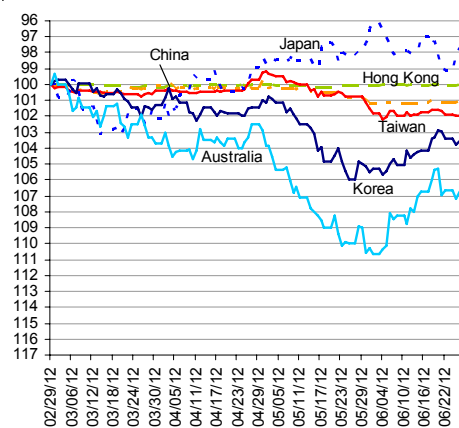
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



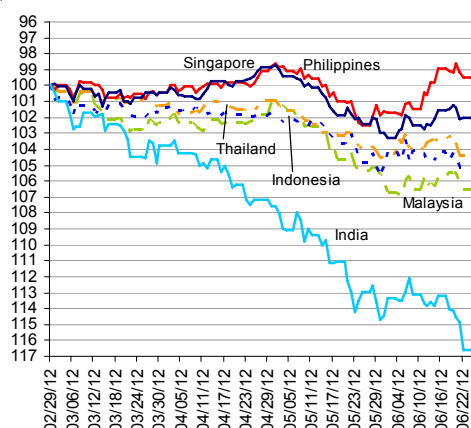
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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