

Daily Flash

Asia

Chinese PMIs suggest a bottoming out may be at hand

While recent indicators continue to show a slowdown, the latest PMI figures show signs of stabilizing trends. Today, China's non-manufacturing purchasing managers' index for June rose to a three-month high of 56.7% from 55.2% in May, which indicates that the service sector expanded at a faster pace than the previous month. Conversely, China's official manufacturing PMI in June moderated slightly to 50.2% (consensus: 49.9), from 50.4% in May, but critically still remains above the 50 level, signaling expansion. Despite the uncertain global environment, we continue to believe that China's economy is poised for a rebound in the second half due to supportive fiscal and monetary policy measures, keeping full-year GDP growth at close to 8%.

Australia keeps policy rate steady, statement broadly neutral

Today, the Reserve Bank of Australia (RBA) kept its policy rate unchanged at 3.50%, as expected by the market. In its statement the RBA adopted a broadly neutral stance with respect to monetary policy, suggesting that 75 bps in cuts between May and June should help offset the impact of "a more subdued international outlook than a few months ago." The RBA also stated that it expects full-year inflation to be consistent with its target of 2-3%, while growth thus far has been close to trend as a stronger-than-expected domestic environment is offsetting external headwinds. In view of the sluggish global outlook, we expect the RBA to cut its policy rate a further 25 bps before the end of this year.

Hong Kong's retail sales sluggish; outlook remains challenging

Hong Kong's recorded retail sales growth of 8.8% y/y in May, lower than both the consensus (9.4% y/y) and last month's outturn (11.4% y/y). Slowing growth in retail sales can largely be attributed to spillovers from Europe, as consumer sentiment is falling as the crisis continues. Looking ahead, while resilient labor market conditions and steady inbound tourism will continue to render some support for Hong Kong's retail business, the uncertainty created by the European debt crisis will likely keep retail sales subdued.

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Retail Sales s.a. (MoM)	04-Jul	May	-0.20%	0.20%	--
Trade Balance	05-Jul	May	-203M	-500M	--
China	Date	Period	Prior	Cons.	Actual
HSBC Manufacturing PMI	02-Jul	Jun	48.4	--	48.2
HSBC Services PMI	04-Jul	Jun	54.7	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Retail Sales - Value (YoY)	03-Jul	May	11.40%	9.70%	8.80%
Purchasing Managers Index	05-Jul	Jun	49.4	--	--
Indonesia	Date	Period	Prior	Cons.	Actual
Inflation (YoY)	02-Jul	Jun	4.45%	4.38%	4.53%
Core Inflation (YoY)	02-Jul	Jun	4.14%	4.10%	4.15%
Exports (YoY)	02-Jul	May	-3.50%	-9.00%	-8.50%
India	Date	Period	Prior	Cons.	Actual
Exports YoY%	02-Jul	May	3.20%	--	-4.20%
Japan	Date	Period	Prior	Cons.	Actual
Monetary Base (YoY)	03-Jul	Jun	2.40%	--	5.90%
Malaysia	Date	Period	Prior	Cons.	Actual
Exports YoY%	04-Jul	May	-0.10%	4.80%	--
Philippines	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	05-Jul	Jun	2.90%	2.80%	--
Singapore	Date	Period	Prior	Cons.	Actual
Purchasing Managers Index	03-Jul	Jun	50.4	50.1	--
South Korea	Date	Period	Prior	Cons.	Actual
Consumer Price Index (MoM)	02-Jul	Jun	0.20%	0.20%	-0.10%
Consumer Price Index (YoY)	02-Jul	Jun	2.50%	2.50%	2.20%
Taiwan	Date	Period	Prior	Cons.	Actual
CPI YoY%	05-Jul	Jun	1.74%	1.77%	--
Thailand	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	02-Jul	Jun	2.53%	2.60%	2.56%
Core CPI (YoY)	02-Jul	Jun	1.95%	2.00%	1.92%

Calendar Events

Australia - RBA Cash Target, July 3 We expected the benchmark rate to remain unchanged	Current 3.50%	Consensus 3.50%	New 3.50%
Malaysia - Overnight Rate, July 5 We expect the benchmark rate to remain unchanged	Current 3.00%	Consensus 3.00%	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.	2229.2	0.1	0.3	1.4	-19.2
	Hong Kong - Hang Seng	19735.5	1.5	4.4	7.1	-11.9
	Taiwan - Weighted	7418.4	1.0	3.9	4.9	-15.1
	Japan - Nikkei 225	9066.6	0.7	4.6	7.2	-8.1
	Korea - Kospi	1867.8	0.9	2.8	2.3	-12.1
	India - Sensex 30	17417.6	0.1	3.0	12.7	-7.2
	Australia - SPX/ASX 200	4127.2	-0.1	2.8	1.7	-10.1
	Singapore - Strait Times	2945.3	1.2	5.0	11.3	-6.2
	Indonesia - Jakarta Comp	4049.9	1.5	4.3	6.0	3.1
	Thailand - SET	1198.1	0.8	4.1	16.8	15.0
	Malaysia - KLCI	1607.7	0.4	0.9	5.0	1.6
	Philippines - Manila Comp.	5365.7	1.2	3.3	22.7	23.3

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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)	6.35	-0.06	0.16	6.35	6.40
	Hong Kong (HKD/USD)	7.75	0.05	0.07	7.75	7.75
	Taiwan (TWD/USD)	29.9	0.07	0.35	29.78	29.48
	Japan (JPY/USD)	79.83	-0.40	-0.39	79.72	79.32
	Korea (KRW/USD)	1138	0.68	1.77	1142	1153
	India (INR/USD)	54.8	1.14	4.07	55.86	58.15
	Australia (USD/AUD)	1.03	0.15	1.99	0.98	1.00
	Singapore (SGD/USD)	1.26	0.39	1.17	1.26	1.26
	Indonesia (IDR/USD)	9379	0.03	1.38	9462	9831
	Thailand (THB/USD)	31.5	0.22	1.11	31.64	32.04
	Malaysia (MYR/USD)	3.15	0.37	1.42	3.16	3.20
	Philippines (PHP/USD)	41.7	0.67	1.94	41.83	42.21

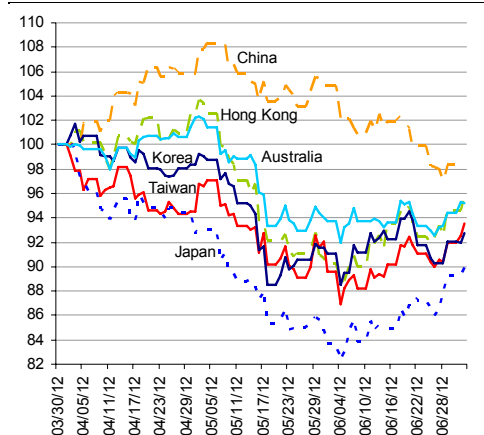
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	4.16	0.00	0.32	1.82
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.67	0.00	0.00	0.00
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.34	0.00	0.00	-0.02
	India (MIBOR/7D)	4.17	-0.03	-0.31	1.32
	Singapore (SIBOR/1W)	0.25	0.00	0.00	-0.06
	Indonesia (JIBOR/1W)	4.15	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)	3.50	0.13	-0.19	0.25

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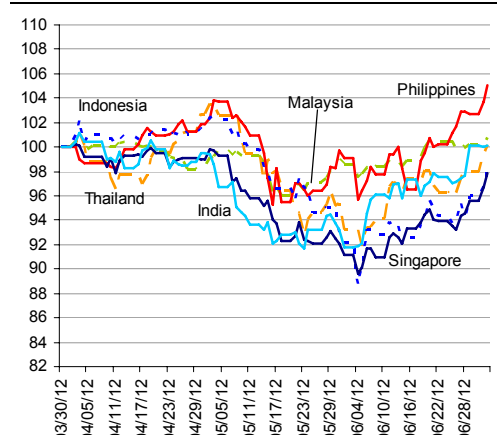
Charts

Chart 9
Stock Markets



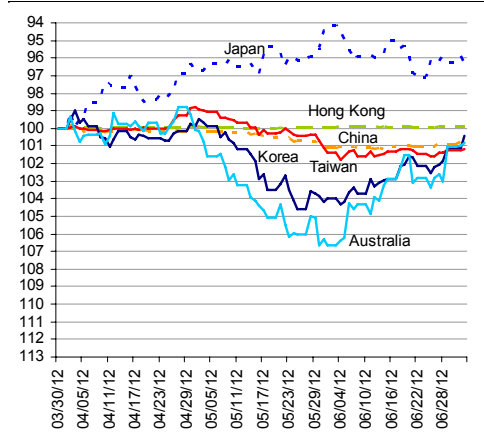
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



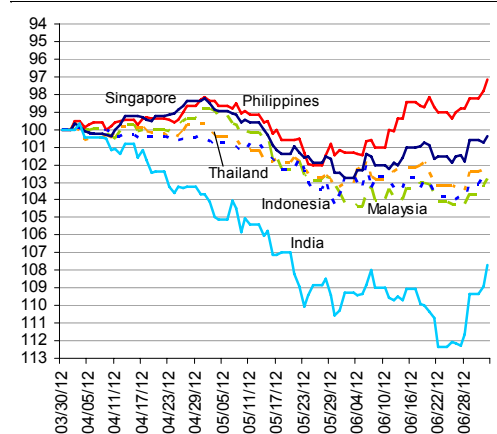
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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