

Daily Flash

Asia

After posting strong gains in recent days, Asian stock markets today reverted to a wait-and-see mode ahead of tomorrow's closely watched ECB meeting. Most major equity markets either posted small gains or were flat on the day. In FX, the rupee has rebounded sharply after reaching a historic intraday low of 57.33/USD on June 22nd, appreciating by 5.0% over the past two weeks; and is now 54.44/USD at the time of this writing – a sign that the recent selloff was overdone if solely based off India's fundamentals.

Taiwan to allow domestic companies to issue RMB bonds overseas

Taiwan's Financial Supervisory Commission announced a rule change that will allow domestic listed companies to issue RMB bonds directly in overseas markets (previously, domestic companies in Taiwan were only permitted to raise RMB via dim sum bonds in Hong Kong through their overseas subsidiaries). However, the rule states that any capital raised overseas must be deployed offshore, and not in Taiwan. Meanwhile, offshore banking units (OBU) in Taiwan will be encouraged to invest in these bonds with their growing CNT funds (which have swelled to RMB 13 billion since July 2011), which in theory will help boost RMB liquidity in Taiwan, as OBUs seek to increase their available amount of RMB for this purpose. The upshot of this decision is that it will expand available channels for CNT investment for OBUs, while also providing Taiwanese companies with new options for raising offshore RMB.

Malaysia's exports data show increase ahead of monetary policy meeting

Malaysia's exports in May rose by 6.7% y/y after two months of declines, better than the consensus (4.5% y/y). The outturn comes one day before Malaysia's central bank holds its monetary policy meeting, where we expect the benchmark interest rate to remain unchanged at its current 3.0%. The central bank governor has stated on prior occasions that current interest rates are at an "appropriate level" which allows domestic demand to be supportive of growth. Today's exports outturn provides further reason for Malaysia to hold off on interest rate cuts.

Briefly noted:

- **Singapore's June PMI remained in expansionary territory for the second straight month** (50.4, unchanged from May), as orders and production increased. The PMI for the electronics sector (a key segment of Singapore's economy) also remained above the critical 50 level (also 50.4), though it was down slightly from last month's 50.8. The outturn serves as a welcome sign that, along with other Asian economies like China, India and Indonesia, manufacturing continues to expand.

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Retail Sales s.a. (MoM)	04-Jul	May	-0.20%	0.20%	0.50%
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%	6.70%
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	Consensus	New
3.50%	3.50%	3.50%

Malaysia - Overnight Rate, July 5

We expect the benchmark rate to remain unchanged

Current	Consensus	New
3.00%	3.00%	--

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.	2227.3	-0.1	0.5	1.3	-20.8
	Hong Kong - Hang Seng	19709.8	-0.1	3.8	6.9	-13.4
	Taiwan - Weighted	7422.6	0.1	3.3	5.0	-15.4
	Japan - Nikkei 225	9104.2	0.4	4.3	7.7	-8.6
	Korea - Kospi	1874.5	0.4	3.1	2.7	-12.6
	India - Sensex 30	17457.3	0.2	2.9	13.0	-7.2
	Australia - SPX/ASX 200	4172.2	1.1	3.2	2.8	-9.5
	Singapore - Strait Times	2948.8	0.1	3.8	11.4	-6.5
	Indonesia - Jakarta Comp	4075.9	0.6	3.6	6.6	3.1
Thailand - SET	1194.2	-0.3	2.4	16.5	9.5	
Malaysia - KLCI	1613.8	0.4	0.7	5.4	2.0	
Philippines - Manila Comp.	5354.7	-0.2	1.8	22.5	21.1	

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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	0.08	0.16	6.35	6.40
	Hong Kong (HKD/USD)	7.75	0.01	0.05	7.75	7.75
	Taiwan (TWD/USD)	29.8	0.09	0.30	29.76	29.46
	Japan (JPY/USD)	79.79	0.00	-0.09	79.70	79.29
	Korea (KRW/USD)	1136	0.23	1.80	1144	1156
	India (INR/USD)	54.4	-0.06	5.02	55.47	57.74
	Australia (USD/AUD)	1.03	-0.04	1.97	0.98	1.00
	Singapore (SGD/USD)	1.26	-0.07	0.97	1.26	1.26
	Indonesia (IDR/USD)	9367	0.13	1.31	9445	9799
Thailand (THB/USD)	31.5	-0.25	1.14	31.64	32.01	
Malaysia (MYR/USD)	3.15	-0.04	1.33	3.17	3.20	
Philippines (PHP/USD)	41.7	-0.12	1.58	41.82	42.25	

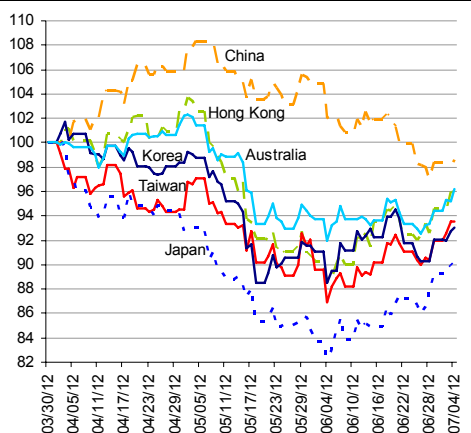
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.87	-0.29	-0.19	1.39
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.67	0.00	0.00	0.01
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.34	0.00	0.00	-0.02
	India (MIBOR/7D)	4.00	-0.17	-0.30	1.09
	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)	2.75	-0.75	-0.94	-0.56	

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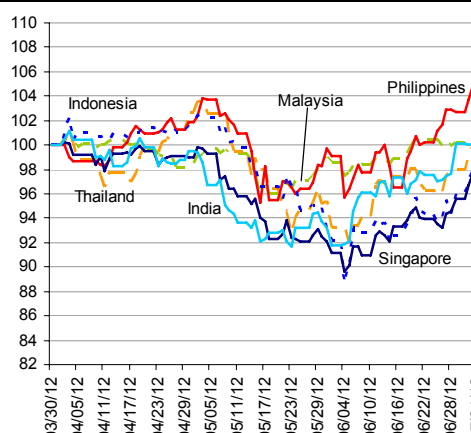
Charts

Chart 9
Stock Markets



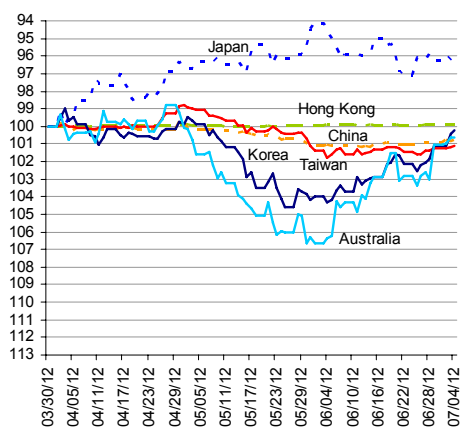
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



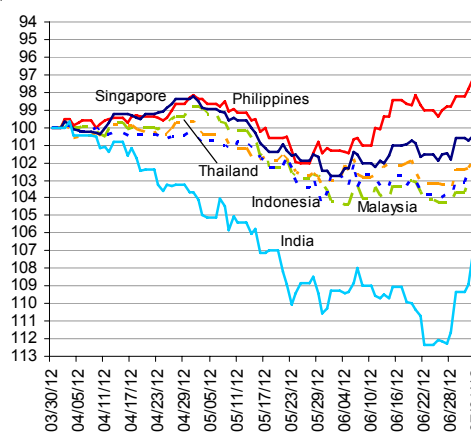
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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