

Daily Flash

Asia

Asian markets trended higher today (Hong Kong: +1.8%), in anticipation that Fed Chairman Bernanke's scheduled testimony before the US Congress on Tuesday might raise prospects of further quantitative easing (QE3). Further QE in the US, should it occur, could boost asset markets in general, and generate capital inflows to emerging economies in particular - especially to Asia, where growth prospects remain relatively robust despite recent downgrades to the outlook (e.g., the IMF's latest WEO update, in which developing Asia's growth in 2012 and 2013 were marked down to 7.1% and 7.5%, respectively, from 7.4% and 7.9%).

Singapore's NODX show resilience, but headwinds persist

An upward spike in exports to the EU (+17.0% y/y) and ongoing resilience in demand from intraregional trade partners (Indonesia: +19.9% y/y; Hong Kong: +41.4% y/y; Korea: +5.1% y/y) resulted in Singapore's non-oil domestic exports (NODX) for the month of June coming in above expectations (+6.8% y/y, consensus: 2.0% y/y). Monthly trade statistics in Singapore are notoriously volatile. Nevertheless, the outturn was welcome, driven by demand for pharmaceuticals (+24.0% y/y), particularly from the EU. While Singapore's market responded favorably to the news (+0.5% on the day, now up 13.9% year-to-date), exports are likely to remain under pressure given the weak external outlook.

China outbound FDI expanding rapidly

Data released today show that FDI inflows to China remain sluggish, contracting by 2.9% y/y through the first six months of 2012 amid the ongoing European crisis and China's moderating growth momentum. However, in sharp contrast, China's outward FDI flows expanded by 48.2% y/y in the first half of 2012. Rapid growth is occurring in OFDI to Hong Kong, ASEAN, LATAM and North America. By sector, OFDI to business services, culture & sports, real estate and scientific research have shown the fastest growth. The improvement of OFDI indicates that China's businesses have ample liquidity and are seeking to invest in strategic industries, including natural resource sectors overseas.

Reserve Bank of Australia minutes point to improving domestic economy

The RBA's minutes from its July 3rd policy meeting, stated that the "domestic economy had a little more momentum than had earlier been indicated." After two consecutive rate cuts in May and June (75bps in total), the RBA in July concluded there was "no need for any further adjustment to the cash rate at the meeting (in July)". The RBA's minutes may dampen expectations of multiple rate cuts in the coming months, in line with our forecast of one more cut in 2012.

Korea downplays expectations of further fiscal stimulus

Korea's Finance Minister Bahk ruled out any further fiscal stimulus for Korea for the time being, saying global conditions remain too weak for any additional spending to have its desired impact. His statement comes a little more than two weeks after Korea announced stimulus spending of around US\$7bn, (around 0.6% of GDP) which is expected to add up to a quarter percentage point to Korea's 2012 GDP. It is likely that policymakers consider 3.0% growth (which is the BoK's current forecast for this year) reasonable, and prefer to wait until next year, after the Presidential elections in December, to see whether economic conditions warrant further stimulus spending.

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Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Actual FDI (YoY)	17-Jul	Jun	0.10%	-2.00%	-6.90%
China June Property Prices	18-Jul	Jun			
Hong Kong	Date	Period	Prior	Cons.	Actual
Unemployment Rate SA	19-Jul	Jun	3.20%	3.30%	--
India	Date	Period	Prior	Cons.	Actual
Monthly Wholesale Prices YoY%	16-Jul	Jun	7.55%	7.61%	7.25%
CPI (YoY)	18-Jul	Jun	10.36%	--	--
Japan	Date	Period	Prior	Cons.	Actual
All Industry Activity Index (MoM)	19-Jul	May	0.10%	-0.30%	--
Malaysia	Date	Period	Prior	Cons.	Actual
CPI YoY	18-Jul	Jun	1.70%	1.70%	--
Philippines	Date	Period	Prior	Cons.	Actual
Overseas Remittances (YoY)	16-Jul	May	5.30%	--	5.10%
Balance of Payments	19-Jul	Jun	\$138M	--	--
Singapore	Date	Period	Prior	Cons.	Actual
Electronic Exports (YoY)	17-Jul	Jun	3.90%	4.00%	1.60%
Non-oil Domestic Exports (YoY)	17-Jul	Jun	3.20%	1.90%	6.80%
Non-oil Domestic Exp SA (MoM)	17-Jul	Jun	-2.10%	2.30%	6.70%
Taiwan	Date	Period	Prior	Cons.	Actual
Export Orders (YoY)	20-Jul	Jun	-3.04%	-2.20%	--
Thailand	Date	Period	Prior	Cons.	Actual
Customs Exports (YoY)	20-23 JUL	Jun	7.68%	0.25%	--

Indicator of the Week

Taiwan: Export Orders (June, July 20th)

Forecast: -2.9% y/y	Consensus: -2.20% y/y	Prior: -3.0% y/y
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As an important leading indicator for the Asia region's export demand, Taiwan's export orders for June will be watched for further signs of a slowdown. Taiwan's semi-conductor and electronics-intensive production place the economy at the forefront of the global supply chain. Due to weakening external demand, Taiwan's exports dropped through the first two quarters of 2012, down -4.0% yoy in Q1 and -5.4% yoy in Q2, resulting in slowing production. PMI fell back to within the contraction zone (below 50) in June, at 49.2. We expect export orders to remain sluggish in June, mainly due to weakening orders from the EU and, increasingly, weaker imports in China.

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.	2161.2	0.6	-0.2	-1.7	-23.4
	Hong Kong - Hang Seng	19455.3	1.7	0.3	5.5	-11.1
	Taiwan - Weighted	7127.0	0.5	-1.7	0.8	-16.9
	Japan - Nikkei 225	8755.0	0.4	-1.6	3.5	-12.2
	Korea - Kospi	1822.0	0.2	-0.4	-0.2	-15.1
	India - Sensex 30	17086.4	-0.1	-3.0	10.6	-7.9
	Australia - SPX/ASX 200	4140.8	0.9	1.0	2.1	-7.4
	Singapore - Strait Times	3014.8	0.5	1.7	13.9	-2.3
	Indonesia - Jakarta Comp	4080.7	0.8	1.8	6.8	1.4
	Thailand - SET	1224.2	0.8	1.6	19.4	13.4
	Malaysia - KLCI	1639.2	0.2	0.9	7.1	3.9
	Philippines - Manila Comp.	5285.1	-0.2	0.9	20.9	18.5

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)	6.37	0.09	-0.12	6.35	6.42
	Hong Kong (HKD/USD)	7.76	0.02	-0.03	7.75	7.75
	Taiwan (TWD/USD)	30.0	0.10	-0.03	29.90	29.60
	Japan (JPY/USD)	79.01	-0.18	0.53	78.92	78.54
	Korea (KRW/USD)	1144	0.30	0.01	1149	1159
	India (INR/USD)	55.1	0.47	0.60	55.89	58.24
	Australia (USD/AUD)	1.03	0.34	0.90	0.98	1.00
	Singapore (SGD/USD)	1.26	0.13	0.52	1.26	1.26
	Indonesia (IDR/USD)	9456	0.35	-0.24	9559	9913
	Thailand (THB/USD)	31.6	0.03	0.41	31.74	32.13
	Malaysia (MYR/USD)	3.16	0.40	0.53	3.18	3.21
	Philippines (PHP/USD)	41.7	0.36	0.32	41.79	42.06

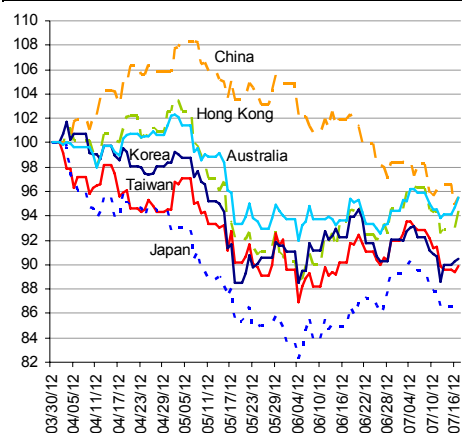
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.30	-0.04	0.11	0.57
	Hong Kong (HIBOR/1W)	0.15	0.00	0.00	0.02
	Taiwan (TAIBOR/1W)	0.65	-0.01	-0.02	-0.02
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	3.09	-0.01	-0.24	-0.27
	India (MIBOR/7D)	3.30	-0.05	-0.05	0.55
	Singapore (SIBOR/1W)	0.25	0.00	0.00	-0.06
	Indonesia (JIBOR/1W)	4.17	0.00	0.00	0.07
	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)	1.50	-0.19	-1.19	-1.94

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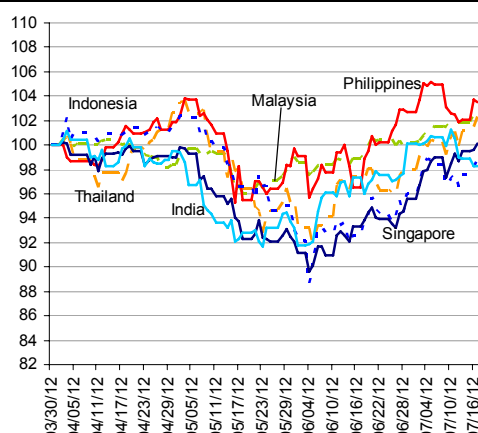
Charts

Chart 9
Stock Markets



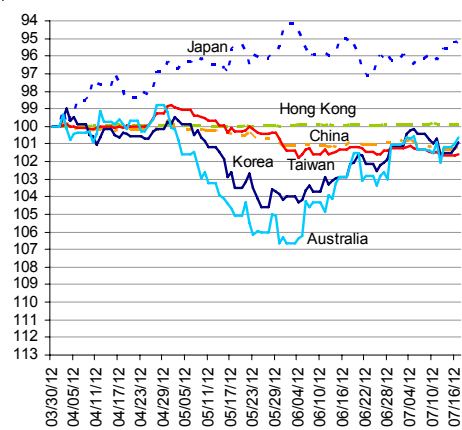
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



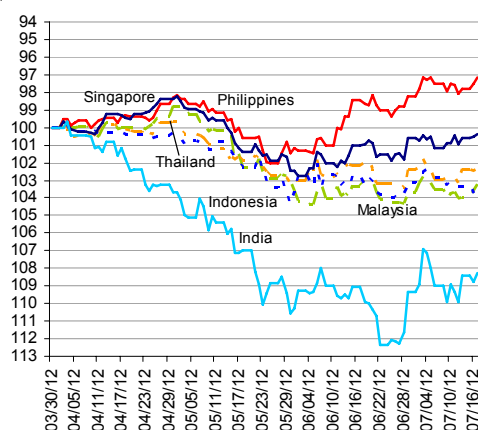
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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