

Daily Flash

Asia

China's property market rebounds in June, reflecting a turning point

Official data on monthly housing prices released today showed a slight rebound in housing prices, by an average of 0.1% m/m according to our calculations (based on data covering 70 cities nationwide). The price increase follows 10 consecutive months of declines, which resulted in a cumulative fall of 1.8% since the peak in July 2011. The data also showed a strong pickup in sales volumes, after steady declines since last October. The turnaround in the property sector follows recent policy easing measures, including interest rate cuts in June and July and a series of cuts in the RRR. Despite this support, authorities have vowed to maintain measures to curb property prices to prevent asset bubbles and maintain affordability. On the balance, a modest and sustained rise in housing prices would be positive in facilitating a pickup in overall economic growth momentum.

Malaysia's inflation shows further moderation in June

Malaysia's June inflation slowed to 1.6% y/y, below consensus estimates (1.7% y/y), marking the ninth consecutive monthly decline. Food prices, which account for a third of the index, have been relatively contained in recent months and are thus the major contributor to the slowdown in inflation. Today's outturn supports Malaysia's central bank case for keeping rates at the current "accommodative" level of 3%. The bank recently stated that inflation is expected to stay low despite strong domestic demand due to some excess capacity remaining in the economy, but warned that upside risks to inflation may arise should commodity prices go up due to disruptions to global supply.

Briefly noted:

- **Elevated food price pressures kept India's CPI inflation in double digits at 10.0% y/y in June**, slightly lower than the 10.4% y/y rate in May. This marginal decline in price pressures follows Monday's release of the more widely-followed WPI inflation, which also showed a sequential decline in June (to 7.25%, from 7.61% in May). With inflation remaining high, we expect interest rates to be kept unchanged at the Reserve Bank of India's policy meeting on July 31st.
- **Bloomberg reports the Bank of Japan has removed a 0.1% yield requirement for government bond purchases for its asset purchase program**, which may eventually lead to the central bank buying debt with a negative yield. The decision comes after the BoJ failed to attract enough bids for the program for a second straight time on July 6th.

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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%	--	10.02%
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%	1.60%
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%	-2.75%	--
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: -2.8% 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.	2169.1	0.4	-0.3	-1.4	-23.0
	Hong Kong - Hang Seng	19239.9	-1.1	-0.9	4.4	-11.8
	Taiwan - Weighted	7049.1	-1.1	-2.9	-0.3	-17.4
	Japan - Nikkei 225	8726.7	-0.3	-1.5	3.2	-12.5
	Korea - Kospi	1794.9	-1.5	-1.7	-1.7	-15.8
	India - Sensex 30	17181.4	0.4	-1.8	11.2	-7.2
	Australia - SPX/ASX 200	4123.6	-0.4	0.7	1.7	-7.8
	Singapore - Strait Times	3017.2	0.1	0.9	14.0	-2.0
	Indonesia - Jakarta Comp	4081.6	0.0	1.6	6.8	1.2
	Thailand - SET	1219.4	-0.4	0.9	18.9	12.5
	Malaysia - KLCI	1645.0	0.4	1.0	7.5	5.3
	Philippines - Manila Comp.	5220.6	-1.2	-0.3	19.4	16.6

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	0.06	-0.01	6.35	6.42
	Hong Kong (HKD/USD)	7.76	-0.01	-0.03	7.75	7.75
	Taiwan (TWD/USD)	30.0	-0.07	-0.16	29.93	29.64
	Japan (JPY/USD)	79.04	0.03	0.91	78.95	78.58
	Korea (KRW/USD)	1143	0.09	-0.14	1149	1159
	India (INR/USD)	55.4	-0.59	0.35	56.32	58.57
	Australia (USD/AUD)	1.03	-0.19	0.44	0.98	1.00
	Singapore (SGD/USD)	1.26	-0.04	0.22	1.26	1.26
	Indonesia (IDR/USD)	9453	0.03	-0.18	9562	9930
	Thailand (THB/USD)	31.7	-0.38	0.00	31.90	32.29
	Malaysia (MYR/USD)	3.16	0.18	0.67	3.18	3.21
	Philippines (PHP/USD)	41.7	0.08	0.48	41.83	42.11

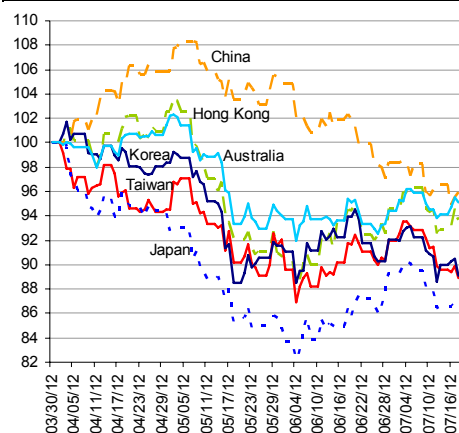
Last update: today, 17.45 Hong Kong time.

INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.44	0.14	0.11	0.84
	Hong Kong (HIBOR/1W)	0.14	-0.02	-0.02	0.01
	Taiwan (TAIBOR/1W)	0.65	0.00	-0.02	-0.02
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	3.09	0.00	-0.24	-0.27
	India (MIBOR/7D)	3.80	0.50	0.43	1.10
	Singapore (SIBOR/1W)	0.25	0.00	0.00	-0.06
	Indonesia (JIBOR/1W)	4.17	0.00	0.00	0.06
	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)	2.88	1.38	0.13	-0.69

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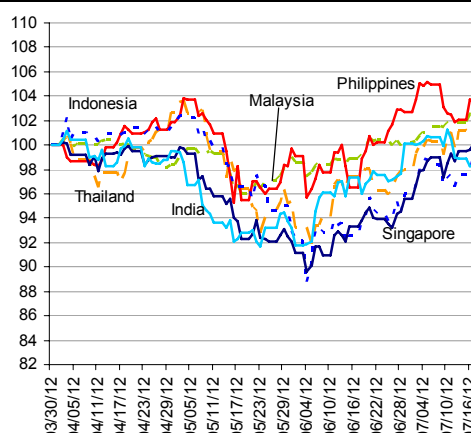
Charts

Chart 9
Stock Markets



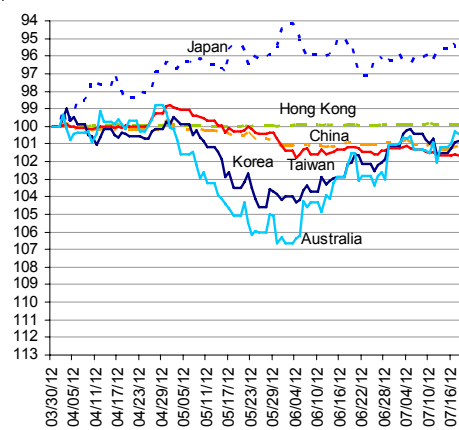
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



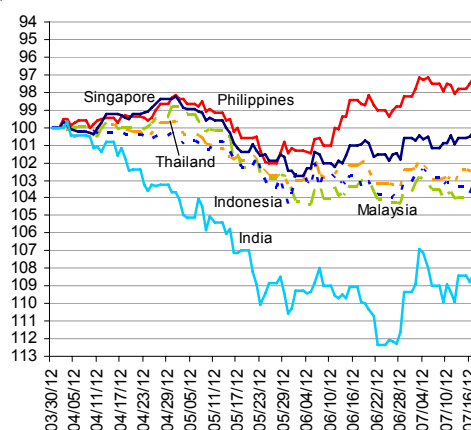
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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