

Daily Flash

Asia

Markets ended the week on a down note (Nikkei: -1.5%), but for the week have broadly posted gains (Hang Seng: +2.9%) on expectations of QE from the Fed and strong global earnings reports. Next week presents several important indicators from Asia (see below), but the most important ones will be China's Flash PMI and South Korea's 2Q GDP, which will help shape sentiment over Asia's growth trajectory.

Taiwan export orders fall marginally less than expected

Export orders in June came in slightly better than expectations, but still showed a contraction of 2.6% from a year earlier (BBVA: -2.9%; Consensus: -2.8%), indicating that demand remains weak through the 1st half of this year. Taiwan's export orders are closely watched as an indicator of the regional export outlook, given Taiwan's place in the global supply chain. Orders were weak across key destination markets, despite some marginal improvements in demand from Europe and China. Expectations of an interest rate cut in the second half of 2012 have been rising, especially after the central bank lowered the interbank overnight rate recently. Though not in our baseline, the probability of a rate cut is rising given sluggish growth trends, although the authorities may stay cautious for now given their emphasis on containing inflationary pressures and a buildup in property prices.

Next week: Korea to release 2Q GDP growth, China Flash PMI

Next week's highlight in the region's economic data calendar will be the release of South Korea's 2Q GDP growth, which is due on Thursday – we expect growth slowed to 2.6% y/y in the second quarter (see Weekly Indicator below). Several Asian economies will report inflation, including Australia (note theirs is released on a quarterly basis), Hong Kong, Japan, Singapore and Vietnam. Industrial production data will be published in Singapore, Thailand and Taiwan, while China's HSBC Flash PMI and industrial profits will also be released. On the monetary front, Thailand and the Philippines will hold their regular policy meetings on Wednesday and Thursday respectively, with no change in rates expected.

Briefly noted:

- **Vietnam will not ease monetary policy further**, said the country's central bank governor in a response to calls for more rate cuts at a meeting in Hanoi today, as reported by Bloomberg. The State Bank of Vietnam has cut benchmark rates this year by a combined 500 bps over concerns of a slowdown in growth, while inflation has also trended down.

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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%	3.20%
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%	-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	--	\$14M
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%	-2.62%

Indicator of the Week

Korea: 2Q GDP (July 26)

Forecast: 2.6% y/y	Consensus: 2.4% y/y	Prior: 2.8% y/y
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Being heavily export-dependent, Korea's economy is highly exposed to weakening external demand. With the economy slowing and inflation (2.2% y/y in June) remaining well within the official 2-4% target range, the Bank of Korea cut interest rates on July 12th by 25bps, the first easing move since 2009. The move came against weakening external demand, which resulted in a half percentage point lowering of the BoK's full year forecast to 3.0% y/y (BBVA: 2.9% y/y). We expect a further slowdown in Korea's second quarter GDP. Given recent fiscal stimulus measures and the likelihood of another rate cut during the year, we expect Q2 to reflect a bottoming out of growth momentum, although there are downside risks due to the weak external environment.

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.	2168.6	-0.7	-0.8	-1.4	-22.4
	Hong Kong - Hang Seng	19640.8	0.4	2.9	6.5	-10.7
	Taiwan - Weighted	7164.7	0.2	0.9	1.3	-17.7
	Japan - Nikkei 225	8669.9	-1.4	-0.6	2.5	-13.4
	Korea - Kospi	1822.9	0.0	0.6	-0.2	-15.4
	India - Sensex 30	17153.2	-0.7	-0.4	11.0	-7.3
	Australia - SPX/ASX 200	4199.1	-0.2	2.9	3.5	-7.7
	Singapore - Strait Times	3019.1	-0.3	0.8	14.1	-3.4
	Indonesia - Jakarta Comp	4081.2	-0.4	1.5	6.8	0.8
	Thailand - SET	1208.8	-0.3	-0.1	17.9	9.8
	Malaysia - KLCI	1643.0	-0.1	1.0	7.3	5.1
	Philippines - Manila Comp.	5210.9	0.4	-0.1	19.2	15.6

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	-0.01	0.09	6.35	6.41
	Hong Kong (HKD/USD)	7.76	0.00	0.02	7.75	7.75
	Taiwan (TWD/USD)	30.0	0.02	0.10	29.91	29.62
	Japan (JPY/USD)	78.58	0.01	0.76	78.50	78.15
	Korea (KRW/USD)	1141	-0.18	0.79	1146	1156
	India (INR/USD)	55.2	-0.19	-0.17	56.14	58.49
	Australia (USD/AUD)	1.04	-0.07	1.90	0.97	0.99
	Singapore (SGD/USD)	1.25	-0.07	0.83	1.25	1.25
	Indonesia (IDR/USD)	9458	0.02	-0.11	9545	9890
	Thailand (THB/USD)	31.7	-0.16	-0.35	31.85	32.23
	Malaysia (MYR/USD)	3.15	0.13	1.15	3.17	3.20
	Philippines (PHP/USD)	41.9	-0.27	0.22	41.99	42.20

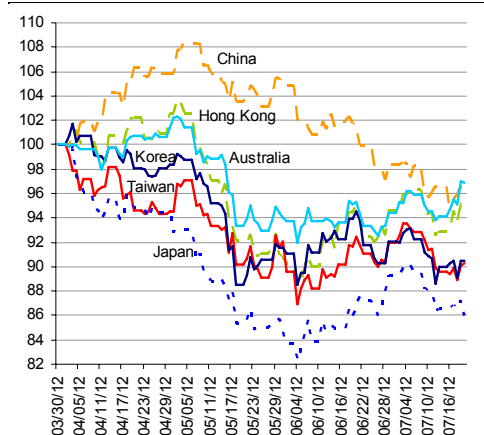
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.55	0.05	0.22	0.05
	Hong Kong (HIBOR/1W)	0.13	0.00	-0.02	0.00
	Taiwan (TAIBOR/1W)	0.64	0.00	-0.03	-0.03
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	3.08	-0.01	-0.05	-0.26
	India (MIBOR/7D)	3.57	0.05	0.23	0.17
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.17	0.00	0.00	0.05
	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)	2.38	-0.50	-0.50	-1.25

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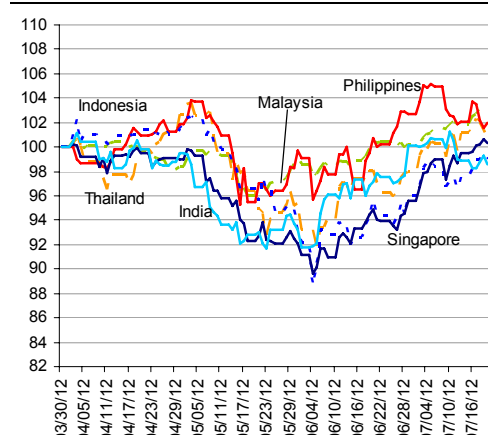
Charts

Chart 9
Stock Markets



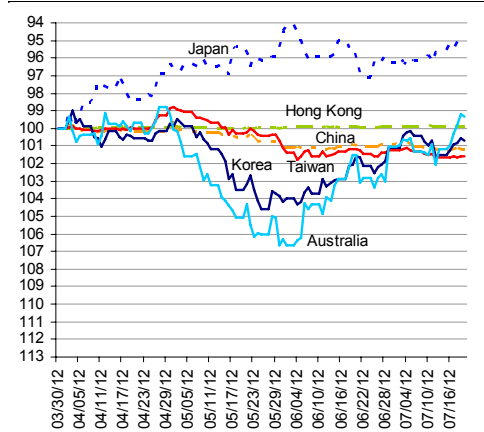
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



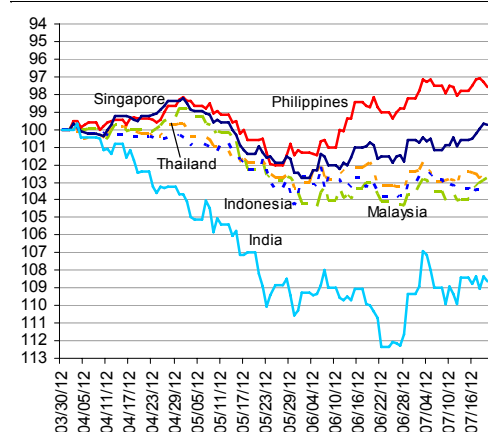
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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