

Daily Flash

Asia

A pair of positive retail sales outturns today in Australia and Hong Kong underscored the robustness of the region's domestic demand and resilience to the weakening global environment (see below). However, equity markets mostly moved lower (Hang Seng: -0.7%, Shanghai: -0.6%) after the Fed's decision to stay on hold yesterday, and before the ECB decides on monetary policy today.

Australia's consumer spending shows resilience...

Australia's retail sales rose by 1% m/m in June (consensus: 0.7% m/m), the biggest increase since April 2011. The pickup in consumer spending is attributed to government subsidies such as carbon rebates and benefit checks, as well as the strong Aussie dollar. The upbeat retail data lifted sentiment regarding the domestic sector, providing a needed boost for the economy as Australia's exports continue to be weighed down by global headwinds. We think in light of the resilience in the economy, the RBA is likely to keep its policy rate unchanged at 3.50% in its monthly policy meeting on August 7th. On the trade front, Australia's posted a better-than-expected trade balance in June, with a surplus of AUD 9 million (Market consensus: a deficit of AUD 375 million), as imports declined 2% m/m in the month, thanks to falling oil prices.

...and Hong Kong also posts better-than-expected retail sales

Hong Kong's retail sales grew by 11.0% y/y in June (consensus: 9.1% y/y), up from a disappointing 8.7% y/y outturn in May. The better-than-expected outturn was mainly attributed to resilient domestic consumption – note that unemployment is remaining low (3.2%) despite a significant slowdown in exports, thereby supporting spending – and strong inbound tourism spending. However, negative spillover effects from the external environment may eventually dampen consumer sentiment, and therefore need to be watched closely in the coming months.

Briefly noted:

- **Yesterday, India reported that PMI moderated to an eight month low in July (52.9)**, driven by a broad based decline in new orders, production, and employment. Despite the significant deterioration in India's growth momentum, further monetary easing by the Reserve Bank of India will likely remain on hold for the time being given still-high inflation, though we expect 50bps in cuts by the end of this year.

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Trade Balance	02-Aug	Jun	-285M	-375M	9M
Retail Sales s.a. (MoM)	02-Aug	Jun	0.50%	0.70%	1.00%
China	Date	Period	Prior	Cons.	Actual
Manufacturing PMI	01-Aug	Jul	50.2	50.5	50.1
HSBC Manufacturing PMI	01-Aug	Jul	48.2	--	49.3
Non-manufacturing PMI	03-Aug	Jul	56.7	--	--
HSBC Services PMI	03-Aug	Jul	52.3	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Retail Sales - Value (YoY)	02-Aug	Jun	8.80%	9.10%	11.00%
Purchasing Managers Index	03-Aug	Jul	49.8	--	--
Indonesia	Date	Period	Prior	Cons.	Actual
Inflation (YoY)	01-Aug	Jul	4.53%	4.59%	4.56%
Exports (YoY)	01-Aug	Jun	-8.50%	-7.90%	-16.4%
India	Date	Period	Prior	Cons.	Actual
Reverse Repo Rate	31-Jul	31-Jul	7.00%	7.00%	7.00%
Cash Reserve Ratio	31-Jul	31-Jul	4.75%	4.75%	4.75%
India July Markit Manufacturing PMI	01-Aug	Jul	55.0	--	52.9
Exports YoY%	01-Aug	Jun	-4.20%	--	-5.50%
Imports YoY%	01-Aug	Jun	-7.40%	--	-13.50%
India July Markit Services PMI	03-Aug	Jul	--	--	--
Japan	Date	Period	Prior	Cons.	Actual
Industrial Production (MoM)	30-Jul	Jun P	-3.40%	1.50%	-0.10%
Industrial Production YOY%	30-Jul	Jun P	6.00%	-0.10%	-2.00%
Markit/JMMA Manufacturing PMI	31-Jul	Jul	49.9	--	47.9
Jobless Rate	31-Jul	Jun	4.40%	4.40%	4.30%
Singapore	Date	Period	Prior	Cons.	Actual
Unemployment Rate (sa)	31-Jul	2Q P	2.10%	2.10%	2.0%
Purchasing Managers Index	01-Aug	Jul	50.4	50.4	49.8
South Korea	Date	Period	Prior	Cons.	Actual
Industrial Production (MoM)	31-Jul	Jun	1.10%	0.10%	-0.40%
Industrial Production (YoY)	31-Jul	Jun	2.60%	1.80%	1.60%
Consumer Price Index (MoM)	01-Aug	Jul	-0.10%	0.20%	-0.20%
Consumer Price Index (YoY)	01-Aug	Jul	2.20%	2.00%	1.50%
HSBC Manufacturing PMI	01-Aug	Jul	49.4	--	47.2
Ext Trade - Export (YoY)	01-Aug	Jul	1.30%	-3.70%	-8.80%
Taiwan	Date	Period	Prior	Cons.	Actual
GDP - Constant Prices (YoY)	31-Jul	2Q P	0.39%	0.50%	-0.20%
HSBC Manufacturing PMI	01-Aug	Jul	49.2	--	47.5
Thailand	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	01-Aug	Jul	2.56%	2.60%	2.73%

Calendar Events

India - India REPO Cutoff Yld, July 31	Current	Consensus	New
We expected the benchmark rate to remain unchanged	8.00%	8.00%	8.00%

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.	2111.2	-0.6	-0.7	-4.0	-21.2
	Hong Kong - Hang Seng	19690.2	-0.7	4.2	6.8	-12.2
	Taiwan - Weighted	7268.0	0.0	4.1	2.8	-15.3
	Japan - Nikkei 225	8653.2	0.1	2.5	2.3	-12.1
	Korea - Kospi	1869.4	-0.6	4.9	2.4	-11.9
	India - Sensex 30	17208.3	-0.3	3.4	11.3	-5.0
	Australia - SPX/ASX 200	4269.5	0.2	2.9	5.3	-3.7
	Singapore - Strait Times	3036.2	-0.5	1.1	14.7	-4.4
	Indonesia - Jakarta Comp	4093.1	-0.9	2.2	7.1	-2.0
	Thailand - SET	1201.1	0.2	1.1	17.1	5.4
	Malaysia - KLCI	1633.5	0.1	0.6	6.7	5.1
	Philippines - Manila Comp.	5293.4	-0.1	2.7	21.1	16.6

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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)	6.37	0.02	0.26	6.36	6.43
	Hong Kong (HKD/USD)	7.76	0.00	0.04	7.75	7.75
	Taiwan (TWD/USD)	30.0	-0.03	0.51	29.88	29.57
	Japan (JPY/USD)	78.23	0.27	-0.03	78.15	77.79
	Korea (KRW/USD)	1132	-0.45	1.34	1137	1146
	India (INR/USD)	55.8	-0.52	-0.45	56.77	59.26
	Australia (USD/AUD)	1.05	0.49	1.11	0.96	0.98
	Singapore (SGD/USD)	1.25	0.10	0.36	1.25	1.24
	Indonesia (IDR/USD)	9476	-0.07	0.28	9557	9937
	Thailand (THB/USD)	31.5	0.22	0.16	31.66	32.06
	Malaysia (MYR/USD)	3.13	-0.40	1.42	3.14	3.17
	Philippines (PHP/USD)	41.8	-0.16	0.78	41.86	42.12

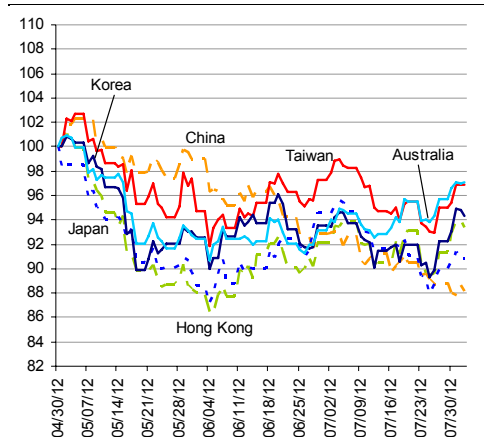
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.60	0.20	0.50	-0.56
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.64	0.00	0.00	-0.03
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	3.03	-0.01	-0.02	-0.31
	India (MIBOR/7D)	3.61	0.19	0.01	-0.59
	Singapore (SIBOR/1W)	0.31	0.00	0.06	0.06
	Indonesia (JIBOR/1W)	4.19	0.01	0.03	0.04
	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)	1.63	0.63	-0.81	-1.75

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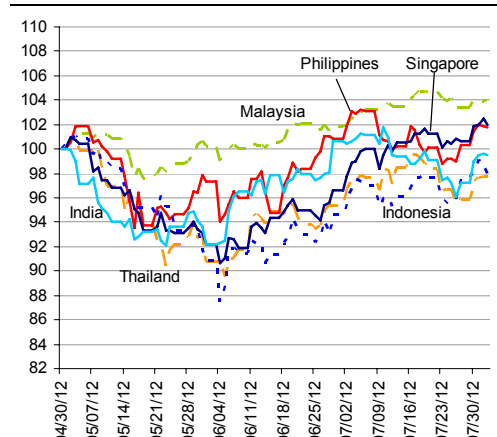
Charts

Chart 9
Stock Markets



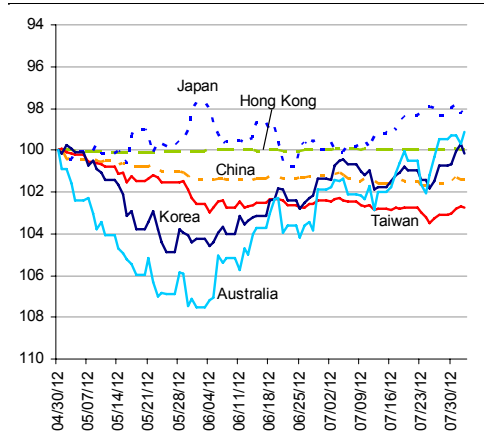
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



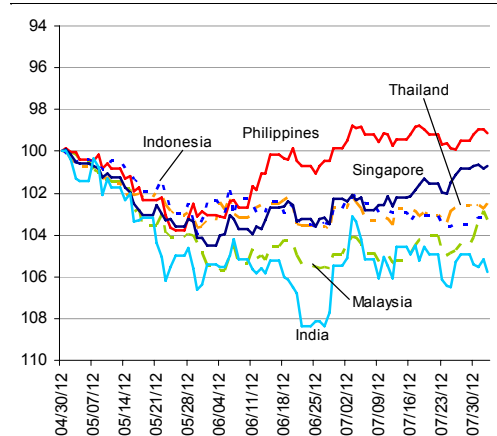
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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