

# Daily Flash

## Asia

*The week opened with strong gains in Asian stock markets - led by the Kospi and Nikkei, both up 2.0% - following Friday's strong rally in Europe and the US. Most Asian currencies also saw gains against the US dollar of between 0.1%-0.5%. More positive news flow came from within the region, with Indonesia's second quarter GDP outturn beating expectations (see below). Looking ahead, the Reserve Bank of Australia's policy meeting tomorrow will kick off a heavy week of monetary meetings, with three more scheduled for Thursday – Japan, Korea and Indonesia. For Australia, Korea and Indonesia we expect no change in monetary policy, though Japan may expand their asset purchase program in light of recent deflation as well as the strength of the yen.*

### **Indonesia posts stronger-than-expected 6.4% GDP growth in 2Q 2012**

Strong consumption and investment offset weak net exports, resulting in a better-than-expected second quarter GDP outturn of 6.4% y/y, (consensus: 6.1% y/y, BBVA: 6.1% y/y). Growth has been supported, in part, by surging foreign investment, which rose by 30.2% y/y in the second quarter (US\$5.9bn). Today's positive outturn will likely cause Bank Indonesia to keep interest rates steady to help keep a lid on inflation and in view of recent currency weakness.

### **Taiwan's July inflation, while still modest at 2.5% y/y, posts a new high**

Headline inflation in July jumped to 2.5% y/y (consensus: 2.0% y/y) from 1.8% y/y in June, the highest year-on-year increase since September 2008, mainly driven by recent hikes in food and oil prices under extreme weather conditions (Taiwan has recently had heavy rain as well as a typhoon). Looking ahead, modest inflationary pressure in Taiwan is likely to continue agricultural disruptions from the recent typhoon. Rising inflation will make it less likely for the central bank to cut interest rates (though this had been an increasing possibility after the central bank recently lowered interbank loan rates in order to boost financial market liquidity) in its quarterly meeting held at the end of September.

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## Calendar Indicators

<b>Australia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Unemployment Rate	09-Aug	Jul	5.20%	5.30%	--
<b>China</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Consumer Price Index (YoY)	09-Aug	Jul	2.20%	1.70%	--
Producer Price Index (YoY)	09-Aug	Jul	-2.10%	-2.60%	--
Industrial Production YTD YoY	09-Aug	Jul	10.50%	10.40%	--
Industrial Production (YoY)	09-Aug	Jul	9.50%	9.70%	--
Fixed Assets Inv Excl. Rural YTD YoY	09-Aug	Jul	20.40%	20.60%	--
Retail Sales (YoY)	09-Aug	Jul	13.70%	13.50%	--
Trade Balance (USD)	10-Aug	Jul	\$31.72B	\$35.00B	--
Exports YoY%	10-Aug	Jul	11.30%	8.00%	--
Imports YoY%	10-Aug	Jul	6.30%	7.40%	--
New Yuan Loans	11-15 AUG	Jul	919.8B	700.0B	--
Money Supply - M2 (YoY)	11-15 AUG	Jul	13.60%	13.80%	--
<b>Hong Kong</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
GDP (YoY)	10-Aug	2Q	0.40%	1.20%	--
<b>Indonesia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
GDP Constant Price (YoY)	06-Aug	2Q	6.30%	6.10%	6.40%
GDP Constant Price (QoQ)	06-Aug	2Q	1.40%	2.51%	2.80%
<b>India</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Industrial Production YoY	09-Aug	Jun	2.40%	--	--
<b>Japan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Current Account Total	08-Aug	Jun	¥215.1B	¥415.2B	--
Trade Balance - BOP Basis	08-Aug	Jun	-¥848.2B	¥120.0B	--
Japan Money Stock M2 YoY	09-Aug	Jul	2.20%	2.20%	--
Machine Orders (MoM)	09-Aug	Jun	-14.80%	11.00%	--
Machine Orders YOY%	09-Aug	Jun	1.00%	-5.30%	--
Machine Tool Orders (YoY)	09-Aug	Jul	-15.50%	--	--
<b>Malaysia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Exports YoY%	08-Aug	Jun	6.70%	3.20%	--
Industrial Production YoY	09-Aug	Jun	7.60%	4.50%	--
<b>Philippines</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Consumer Price Index (YoY)	07-Aug	Jul	2.80%	3.10%	--
<b>South Korea</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Producer Price Index (YoY)	10-Aug	Jul	0.80%	--	--
<b>Taiwan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
CPI YoY%	06-Aug	Jul	1.77%	1.95%	2.46%

## Indicator of the Week

### China: Industrial output for July (August 9)

Forecast: 9.9% y/y

Consensus: 9.7% y/y

Prior: 9.5% y/y

With the government tuning up its stimulus measures to counter the economic slowdown, July industrial production will be watched for further signs of stabilization in the growth outlook. Manufacturing PMI released for July presented a mixed picture, showing a weak outlook for large enterprises but strengthening for SMEs. In line with our expectations of a gradual rebound in growth during the second half of the year, we expect industrial production to pick up slightly from the previous month, as the authorities' recent policy measures boost domestic demand. Similarly, we expect other indicators to be released during the coming week, including credit growth, to show similar trends. Markets will also be watching for data in the coming week on July inflation, retail sales, and investment.

## Calendar Events

### Australia - RBA Cash Target, August 7

We expect the benchmark rate to remain unchanged

Current	Consensus	New
3.50%	3.50%	--

### South Korea - 7-Day Repo Rate, August 9

We expect the benchmark rate to remain unchanged

Current	Consensus	New
3.00%	3.00%	--

### Japan - BOJ Target Rate, August 9

We expect the benchmark rate to remain unchanged

Current	Consensus	New
0.10%	0.10%	--

### Indonesia - Bank Indonesia Reference Rate, August 9

We expect the benchmark rate to remain unchanged

Current	Consensus	New
5.75%	5.75%	--

## 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.	2154.9	1.0	2.1	-2.0	-18.0
	Hong Kong - Hang Seng	19998.7	1.7	2.1	8.5	-4.5
	Taiwan - Weighted	7286.3	1.0	2.3	3.0	-7.2
	Japan - Nikkei 225	8726.3	2.0	1.1	3.2	-6.2
	Korea - Kospi	1885.9	2.0	2.3	3.3	-3.0
	India - Sensex 30	17411.6	1.2	1.6	12.7	0.6
	Australia - SPX/ASX 200	4272.6	1.2	0.6	5.3	4.1
	Singapore - Strait Times	3071.8	0.7	1.3	16.1	2.6
	Indonesia - Jakarta Comp	4105.5	0.1	0.2	7.4	4.7
Thailand - SET	1209.0	1.0	2.6	17.9	10.6	
Malaysia - KLCI	1639.4	0.3	0.4	7.1	7.5	
Philippines - Manila Comp.	5284.2	0.0	0.1	20.9	19.1	

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	-0.02	0.09	6.36	6.43
	Hong Kong (HKD/USD)	7.76	-0.01	0.00	7.75	7.75
	Taiwan (TWD/USD)	29.9	0.12	0.39	29.84	29.53
	Japan (JPY/USD)	78.38	0.11	-0.26	78.30	77.95
	Korea (KRW/USD)	1129	0.50	0.74	1135	1145
	India (INR/USD)	55.5	0.52	0.21	56.43	58.92
	Australia (USD/AUD)	1.05	-0.25	0.38	0.96	0.98
	Singapore (SGD/USD)	1.24	0.00	0.34	1.24	1.24
	Indonesia (IDR/USD)	9469	0.07	0.24	9551	9912
Thailand (THB/USD)	31.5	-0.03	0.32	31.65	32.05	
Malaysia (MYR/USD)	3.11	0.72	1.47	3.12	3.15	
Philippines (PHP/USD)	41.8	0.02	0.11	41.89	42.16	

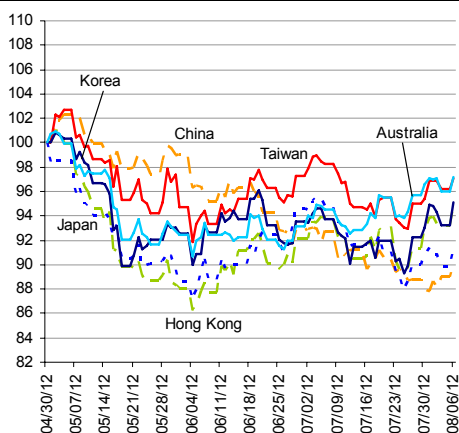
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.50	0.10	0.10	0.08
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	-0.02
	Taiwan (TAIBOR/1W)	0.64	0.00	0.00	-0.03
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	3.03	0.00	-0.02	-0.31
	India (MIBOR/7D)	3.41	-0.09	0.29	-0.32
	Singapore (SIBOR/1W)	0.31	0.00	0.06	0.06
	Indonesia (JIBOR/1W)	4.19	-0.01	0.02	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)	1.69	-0.13	-0.06	-1.44	

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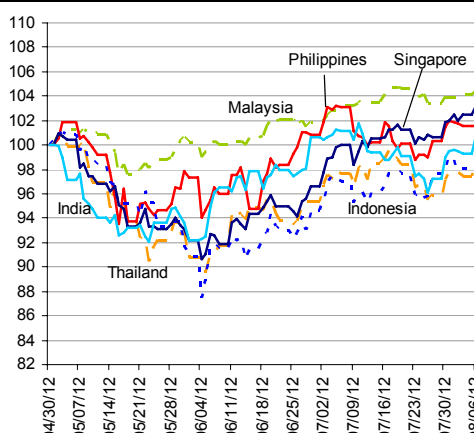
# Charts

Chart 9  
Stock Markets



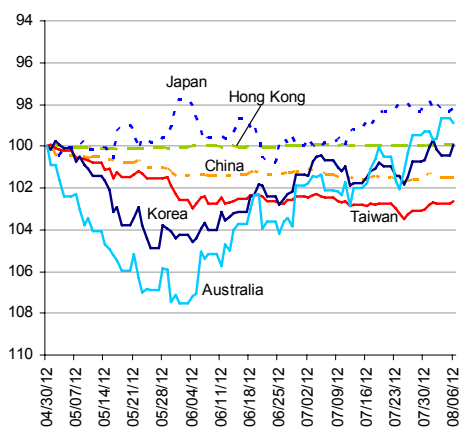
Source: BBVA Research and Bloomberg

Chart 10  
Stock Markets



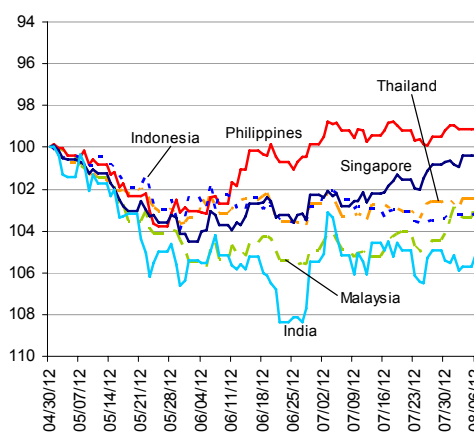
Source: BBVA Research and Bloomberg

Chart 11  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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