

Daily Flash

Asia

The rally in Asian equities continued today with almost all stock markets rising, notably in India (Sensex: +1.1%), sustained by the positive market trends in Europe and the US. In currency markets, the recent rise in the Australian dollar has been notable, and it continued to appreciate today (+0.1% to 1.06 AUD/USD) after the RBA's decision to hold interest rates (see below), finishing at its highest level versus the US dollar since mid-March. Meanwhile, news regarding the real economy is less upbeat, as evidenced by a disappointing July exports outturn in Taiwan (see below).

Australia keeps policy rate unchanged on resilient domestic economy

The Reserve bank of Australia left its policy rate unchanged today at 3.50%, as expected, at its monthly policy meeting. The central bank stated that most indicators suggest growth is currently close to trend, and labor market data suggests moderate employment growth despite the challenging external environment. The RBA has already cut the policy rate twice this year, in May and June, by a total of 75 bps to counter global headwinds. The domestic economy has shown signs of resilience in both consumer spending and the housing market - that said, global uncertainties still pose a risk to the economy. We maintain our view that the RBA will announce one more rate cut of 25 bps by the end of this year given low inflation and external headwinds.

Taiwan's July exports fall by more than expected

Taiwan's exports contracted by -11.6% y/y in July (consensus: -7.7% y/y), compared to -3.2% in June, the fifth consecutive month of decline. The weak outturn was again driven by information and communications products (-34.5% y/y). By country, demand fell most sharply to the US and Europe. Meanwhile, imports were slightly better than expected (-3.2% y/y vs. consensus -7.0% y/y). The outturn is a further sign that Taiwan's growth momentum has stalled (second quarter GDP growth was -0.2%, below expectations), as Taiwan finds its exports stuck in a similar malaise as other open economies in the region, like Korea and Hong Kong. As a result, Taiwan's government plans to boost exports by launching more supportive policies in the H2 2012 (which would include measures to stimulate emerging market demand for exports, as well as improving overseas trade offices), but in the short term growth momentum is likely to remain subdued.

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Unemployment Rate	09-Aug	Jul	5.20%	5.30%	--
China	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	09-Aug	Jul	2.20%	1.70%	--
Producer Price Index (YoY)	09-Aug	Jul	-2.10%	-2.50%	--
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%	--
Hong Kong	Date	Period	Prior	Cons.	Actual
GDP (YoY)	10-Aug	2Q	0.40%	1.20%	--
Indonesia	Date	Period	Prior	Cons.	Actual
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%
India	Date	Period	Prior	Cons.	Actual
Industrial Production YoY	09-Aug	Jun	2.40%	--	--
Japan	Date	Period	Prior	Cons.	Actual
Current Account Total	08-Aug	Jun	¥215.1B	¥415.4B	--
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%	-4.60%	--
Machine Tool Orders (YoY)	09-Aug	Jul	-15.50%	--	--
Malaysia	Date	Period	Prior	Cons.	Actual
Exports YoY%	08-Aug	Jun	6.70%	3.10%	--
Industrial Production YoY	09-Aug	Jun	7.60%	4.50%	--
Philippines	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	08-Aug	Jul	2.80%	3.10%	--
South Korea	Date	Period	Prior	Cons.	Actual
Producer Price Index (YoY)	10-Aug	Jul	0.80%	--	--
Taiwan	Date	Period	Prior	Cons.	Actual
CPI YoY%	06-Aug	Jul	1.77%	1.95%	2.46%
Total Exports (YoY)	07-Aug	Jul	-3.20%	-7.70%	-11.60%

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 expected the benchmark rate to remain unchanged

Current

3.50%

Consensus

3.50%

New

3.50%

South Korea - 7-Day Repo Rate, August 9

We expect the benchmark rate to remain unchanged

Current

3.00%

Consensus

3.00%

New

--

Japan - BOJ Target Rate, August 9

We expect the benchmark rate to remain unchanged

Current

0.10%

Consensus

0.10%

New

--

Indonesia - Bank Indonesia Reference Rate, August 9

We expect the benchmark rate to remain unchanged

Current

5.75%

Consensus

5.75%

New

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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.	2157.6	0.1	2.6	-1.9	-17.8
	Hong Kong - Hang Seng	20072.6	0.4	1.4	8.9	-4.2
	Taiwan - Weighted	7295.5	0.1	1.9	3.2	-7.1
	Japan - Nikkei 225	8803.3	0.9	1.2	4.1	-5.3
	Korea - Kospi	1886.8	0.0	0.3	3.3	-2.9
	India - Sensex 30	17601.8	1.1	2.1	13.9	1.7
	Australia - SPX/ASX 200	4291.6	0.4	0.5	5.8	4.5
	Singapore - Strait Times	3067.7	-0.1	1.0	15.9	2.4
	Indonesia - Jakarta Comp	4085.6	-0.5	-1.4	6.9	4.2
	Thailand - SET	1208.2	0.0	1.2	17.8	10.5
	Malaysia - KLCI	1631.1	-0.5	0.0	6.6	7.0
	Philippines - Manila Comp.	5284.2	0.0	0.1	20.9	19.1

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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	0.11	-0.08	6.36	6.43
	Hong Kong (HKD/USD)	7.75	0.02	0.00	7.75	7.75
	Taiwan (TWD/USD)	29.9	0.00	0.15	29.84	29.54
	Japan (JPY/USD)	78.30	-0.06	-0.23	78.22	77.88
	Korea (KRW/USD)	1129	0.04	0.16	1134	1144
	India (INR/USD)	55.2	0.63	0.87	56.08	58.54
	Australia (USD/AUD)	1.06	0.21	0.84	0.95	0.97
	Singapore (SGD/USD)	1.24	-0.01	0.31	1.24	1.24
	Indonesia (IDR/USD)	9472	-0.03	-0.05	9552	9913
	Thailand (THB/USD)	31.5	-0.06	0.16	31.64	32.04
	Malaysia (MYR/USD)	3.10	0.17	0.92	3.11	3.15
	Philippines (PHP/USD)	41.7	0.31	0.16	41.81	42.06

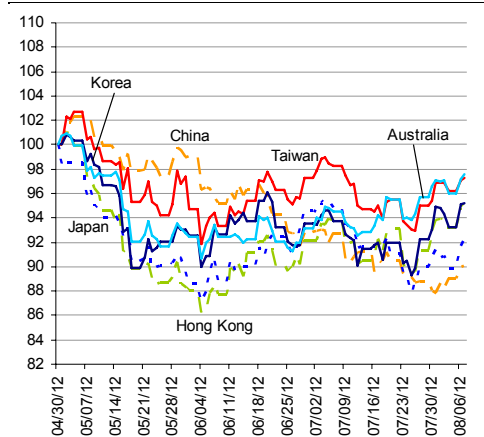
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.25	-0.25	-0.35	-0.17
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	-0.02
	Taiwan (TAIBOR/1W)	0.64	0.00	0.00	-0.03
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	3.03	0.00	-0.02	-0.31
	India (MIBOR/7D)	3.36	-0.05	0.01	-0.37
	Singapore (SIBOR/1W)	0.25	-0.06	-0.06	0.00
	Indonesia (JIBOR/1W)	4.20	0.01	0.01	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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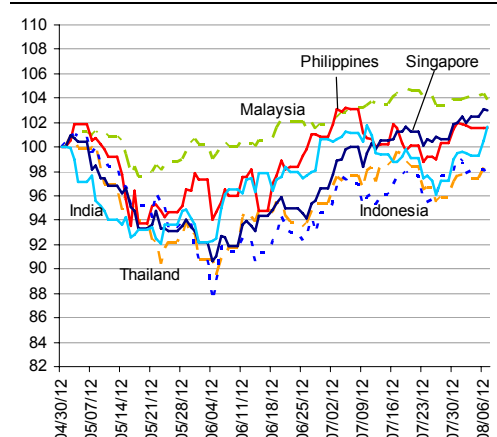
Charts

Chart 9
Stock Markets



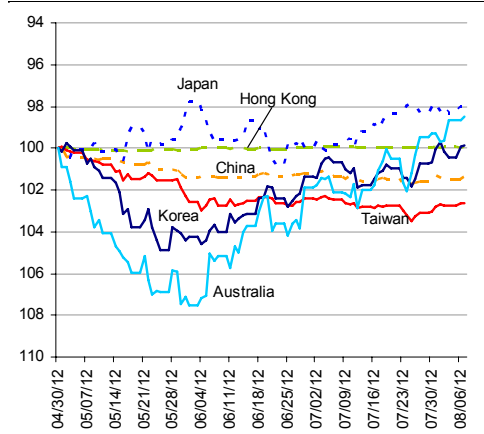
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



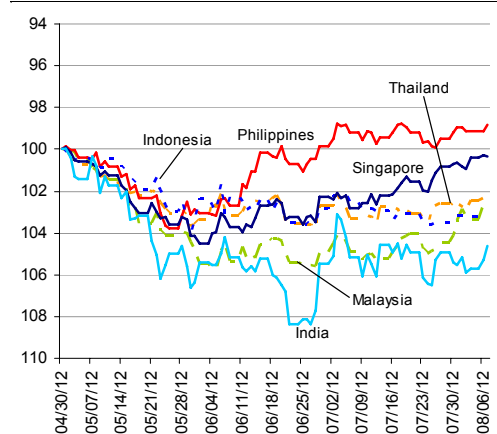
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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