

# Daily Flash

## Asia

*Asian markets gained for a third consecutive day, with Korea and Japan each up by 0.9%, just a day ahead of their respective monthly monetary policy meetings, along with Indonesia. We expect the three central banks to stay pat for the time being, with further policy easing likely to continue in Japan and Korea in September. Markets tomorrow will also move in response to China's monthly activity and inflation outturns for July (see Weekly Indicator below), where we expect headline inflation to decline to below 2% on strong base effects and slowing domestic demand indicators to show some signs of stabilizing following recent fiscal and monetary support measures.*

### Japan's current account stays in surplus in June due to lower oil prices

Japan's current account posted a surplus in June for the fifth consecutive month (433 billion yen, or US\$5.5 billion), thanks to lower oil prices. Current account inflows are being sustained by recurring income flows from overseas business operations, and the current account is expected to remain at about 2% of GDP in the medium term despite being under downward pressure in the near term on global headwinds. Looking ahead, we expect the current account surplus to come under increased pressure should the European debt crisis deteriorate further. The surplus could support further yen strength (now 78.3/USD) despite the authorities' efforts to weaken the currency.

### Malaysia's export growth slows less-than-expected

Malaysia's exports in June grew 5.4% y/y from 6.7% y/y the month before, a smaller-than-expected slowdown (consensus: 3.2%). By destination, exports to the EU declined by 8.4% y/y while exports to ASEAN, which account for over 25% of Malaysia's total, increased by 4.2% y/y. The outturn is being viewed as a positive amid a slowdown in exports in the region's economies such as in Taiwan, which posted disappointing July data yesterday.

### The Philippines' inflation ticks up, but within target range

Inflation rose in the Philippines to 3.2% y/y in July (consensus: 3.1% y/y) from 2.8% y/y in June, as increasing housing prices (5.0% y/y) support the story that the Philippines' growth momentum remains intact. July's headline outturn remains well within policymakers' 3%-5% target range, and is expected to remain so in the coming months, though recent weather-related supply shocks may exert upward pressures.

### Briefly noted:

- **Korea announced today that it will introduce a new tax on derivatives trades** (including on popular Kospi 200 futures and options contracts) beginning in 2016, a move which is expected to raise boost tax revenues by 100 billion won (US\$88.6 million) per year in order to support its aging population.

Jeffrey Cantwell  
Economist  
jeffrey.cantwell@bbva.com.hk  
+852 2582 3173

William Fitchett  
Economist  
william.fitchett@bbva.com.hk  
+852 2582 3246

With contributions from the BBVA Research Asia Team

## 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%	-2.50%	--
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%	--
<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	¥415.4B	¥433.3B
Trade Balance - BOP Basis	08-Aug	Jun	-¥848.2B	¥120.0B	¥112.0B
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%	--	--
<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%	3.10%	5.40%
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)	08-Aug	Jul	2.80%	3.10%	3.20%
<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%
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	Consensus	New
3.50%	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.	2161.0	0.2	1.8	-1.7	-14.5
	Hong Kong - Hang Seng	20065.5	0.0	1.2	8.8	-2.1
	Taiwan - Weighted	7319.8	0.3	0.7	3.5	-3.1
	Japan - Nikkei 225	8881.2	0.9	2.8	5.0	-2.4
	Korea - Kospi	1903.2	0.9	1.2	4.2	1.8
	India - Sensex 30	17603.9	0.0	2.0	13.9	3.6
	Australia - SPX/ASX 200	4312.6	0.5	1.2	6.3	8.2
	Singapore - Strait Times	3052.3	-0.5	0.0	15.3	5.8
	Indonesia - Jakarta Comp	4090.7	0.1	-1.0	7.0	6.2
Thailand - SET	1214.0	0.5	1.2	18.4	12.6	
Malaysia - KLCI	1635.9	0.3	0.2	6.9	9.3	
Philippines - Manila Comp.	5308.7	0.5	0.0	21.4	22.6	

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)	6.36	0.08	0.12	6.36	6.43
	Hong Kong (HKD/USD)	7.76	-0.01	-0.01	7.75	7.75
	Taiwan (TWD/USD)	30.0	-0.10	-0.04	29.90	29.59
	Japan (JPY/USD)	78.26	0.45	0.23	78.18	77.83
	Korea (KRW/USD)	1128	0.04	-0.15	1135	1145
	India (INR/USD)	55.2	-0.32	0.41	56.18	58.61
	Australia (USD/AUD)	1.05	-0.05	0.84	0.96	0.98
	Singapore (SGD/USD)	1.25	-0.27	0.16	1.25	1.24
	Indonesia (IDR/USD)	9479	-0.07	-0.11	9563	9919
Thailand (THB/USD)	31.5	-0.06	0.19	31.68	32.09	
Malaysia (MYR/USD)	3.10	-0.02	0.38	3.12	3.15	
Philippines (PHP/USD)	41.7	-0.12	0.05	41.84	42.09	

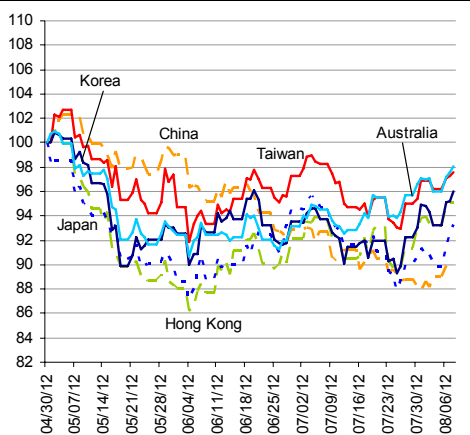
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.30	0.05	-0.10	-0.12
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	-0.02
	Taiwan (TAIBOR/1W)	0.64	0.00	0.00	-0.03
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	3.03	0.00	-0.01	-0.31
	India (MIBOR/7D)	3.25	-0.11	-0.17	-0.48
	Singapore (SIBOR/1W)	0.25	0.00	-0.06	0.00
	Indonesia (JIBOR/1W)	4.19	0.00	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)	1.44	-0.25	0.44	-1.69	

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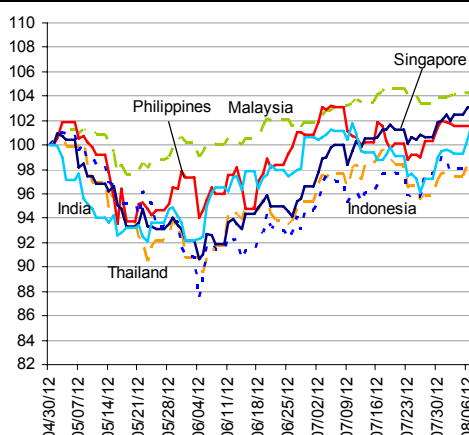
# Charts

Chart 9  
Stock Markets



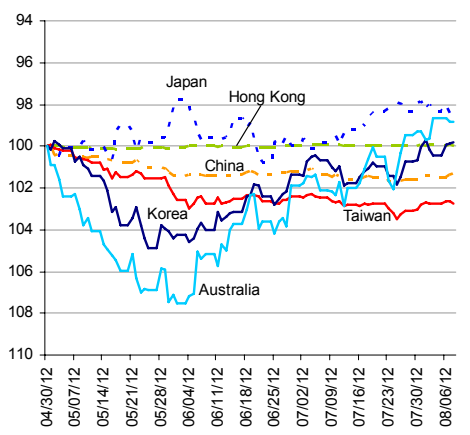
Source: BBVA Research and Bloomberg

Chart 10  
Stock Markets



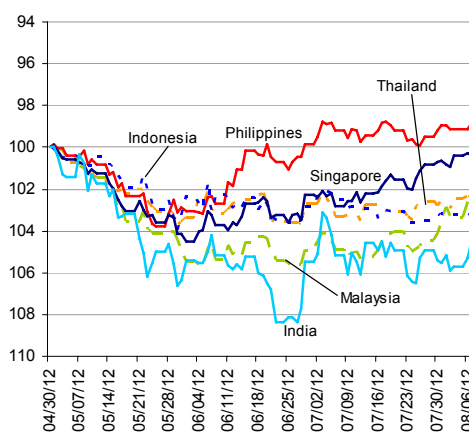
Source: BBVA Research and Bloomberg

Chart 11  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Stephen Schwartz  
Chief Economist for Asia  
[stephen.schwartz@bbva.com.hk](mailto:stephen.schwartz@bbva.com.hk)

Fielding Chen  
Senior Economist  
[fielding.chen@bbva.com.hk](mailto:fielding.chen@bbva.com.hk)

Le Xia  
Senior Economist (China)  
[xia.le@bbva.com.hk](mailto:xia.le@bbva.com.hk)

Zhigang Li  
Senior Economist (China)  
[zhigang.li@bbva.com.hk](mailto:zhigang.li@bbva.com.hk)

Sumedh Deorukhkar  
Senior Economist (India, Mumbai)  
[sumedh.deorukhkar@grupobbva.com](mailto:sumedh.deorukhkar@grupobbva.com)

Jeffrey Cantwell  
Economist  
[jeffrey.cantwell@bbva.com.hk](mailto:jeffrey.cantwell@bbva.com.hk)

George Xu  
Economist  
[george.xu@bbva.com.hk](mailto:george.xu@bbva.com.hk)

Richard Li  
Asian FX Chief Strategist  
[richard.li@bbva.com.hk](mailto:richard.li@bbva.com.hk)

William Fitchett  
Economist  
[william.fitchett@bbva.com.hk](mailto:william.fitchett@bbva.com.hk)

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