

Daily Flash

Asia

More negative data, this time from Japan (see below), left Asia with a muted start to the week. Most stock markets in Asia are down today, especially in China (Shanghai: -1.5%; Shenzhen: -2.1%), on rumors that the pace of China's widely expected policy easing may be slower than anticipated.

Japan's 2Q GDP decelerates, adds to case for further policy easing

Today, Japan's data showed that the economy slowed in the second quarter to 0.3% q/q (BBVA: 0.2% q/q; Consensus: 0.6% q/q), after expanding by 1.3% q/q in the first quarter. In trade, exports growth was poor due to a combination of the global downturn and the strong yen, leading to a -0.1 ppt contribution to growth. Meanwhile, on the domestic demand side, investment and public spending added 0.2 ppt and 0.1 ppt to quarterly growth, as a result of post-quake reconstruction spending. Looking ahead, we expect Japan's economy to remain muted in the second half year, as the effects of post quake reconstruction subside. On the balance, however, we are maintaining our growth forecast for Japan for 2012 and 2013 of 2.4% and 1.4% respectively. With respect to Japan's monetary policy, today's lower than expected Q2 GDP outturn, together with recent weak economic indicators, is likely to increase pressure on the BoJ for further easing.

Indonesia announces measures to address rising current account deficit

Bank Indonesia announced new measures on Friday to cope with its rising current account deficit, which stood at 3.1% of GDP in the second quarter. The measures included an increase in the deposit facility rate from 3.75% to 4.00% (effective today), the tightening of macroprudential policies related to credit, and new taxes to reduce the country's dependence on imports (a move which will simultaneously support domestic industries). Bank Indonesia also announced a relaxation of rules concerning the hedging of foreign exchange transactions – financial instruments with tenors as short as one week can now be used as hedges (previously the shortest tenor was three months) - with the goal being to attract foreign funds, which presumably will help support the rupiah. For Indonesia's economy, there are two positive medium-term implications from these new measures: one is that Indonesia is attempting to shift from its heavy reliance on imports towards domestically-produced goods; the second is that the central bank continues taking concrete steps towards deepening domestic financial markets.

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Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Actual FDI (YoY)	14-18 AUG	Jul	-6.90%	-2.50%	--
China July Property Prices	18-Aug	Jul			
Hong Kong	Date	Period	Prior	Cons.	Actual
Unemployment Rate SA	16-Aug	Jul	3.20%	3.30%	--
India	Date	Period	Prior	Cons.	Actual
Monthly Wholesale Prices YoY%	14-Aug	Jul	7.25%	7.20%	--
Japan	Date	Period	Prior	Cons.	Actual
GDP Annualized	13-Aug	2Q P	4.70%	2.30%	1.40%
Gross Domestic Product (QoQ)	13-Aug	2Q P	1.20%	0.60%	0.30%
GDP Deflator YoY	13-Aug	2Q P	-1.30%	-0.80%	-1.10%
Tertiary Industry Index (MoM)	14-Aug	Jun	0.70%	-0.30%	--
Malaysia	Date	Period	Prior	Cons.	Actual
CPI YoY	15-Aug	Jul	1.60%	1.70%	--
GDP YoY%	15-Aug	2Q	4.70%	4.50%	--
Philippines	Date	Period	Prior	Cons.	Actual
Overseas Remittances (YoY)	15-Aug	Jun	5.10%	--	--
Singapore	Date	Period	Prior	Cons.	Actual
Retail Sales (YoY)	15-Aug	Jun	0.50%	0.00%	--
Non-oil Domestic Exports (YoY)	17-Aug	Jul	6.80%	4.50%	--
South Korea	Date	Period	Prior	Cons.	Actual
Unemployment Rate (SA)	16-Aug	Jul	3.20%	3.30%	--
Taiwan	Date	Period	Prior	Cons.	Actual
GDP - Constant Prices (YoY)	17-Aug	2Q F	-0.16%	-0.16%	--

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.	2136.1	-1.5	-0.9	-2.9	-17.6
	Hong Kong - Hang Seng	20081.4	-0.3	0.4	8.9	2.4
	Taiwan - Weighted	7436.3	-0.1	2.1	5.2	-2.6
	Japan - Nikkei 225	8885.2	-0.1	1.8	5.1	-0.9
	Korea - Kospi	1932.4	-0.7	2.5	5.8	7.8
	India - Sensex 30	17636.1	0.4	1.3	14.1	4.7
	Australia - SPX/ASX 200	4283.3	0.1	0.3	5.6	2.7
	Singapore - Strait Times	3064.8	0.3	0.4	15.8	7.5
	Indonesia - Jakarta Comp	4102.5	-0.9	-0.1	7.3	5.4
	Thailand - SET	1219.4	0.1	1.8	18.9	14.8
	Malaysia - KLCI	1646.3	0.1	0.4	7.6	11.0
	Philippines - Manila Comp.	5271.8	0.2	-0.3	20.6	22.0

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	-0.04	0.18	6.36	6.42
	Hong Kong (HKD/USD)	7.76	0.01	-0.02	7.76	7.75
	Taiwan (TWD/USD)	30.0	-0.11	-0.18	29.94	29.64
	Japan (JPY/USD)	78.22	0.08	0.04	78.14	77.78
	Korea (KRW/USD)	1131	-0.06	-0.17	1136	1146
	India (INR/USD)	55.4	-0.22	0.21	56.36	58.75
	Australia (USD/AUD)	1.06	-0.25	-0.17	0.96	0.98
	Singapore (SGD/USD)	1.25	-0.07	-0.33	1.24	1.24
	Indonesia (IDR/USD)	9494	-0.09	-0.26	9615	9983
	Thailand (THB/USD)	31.4	0.13	0.06	31.60	32.00
	Malaysia (MYR/USD)	3.12	-0.16	-0.47	3.14	3.17
	Philippines (PHP/USD)	41.9	-0.18	-0.26	41.96	42.21

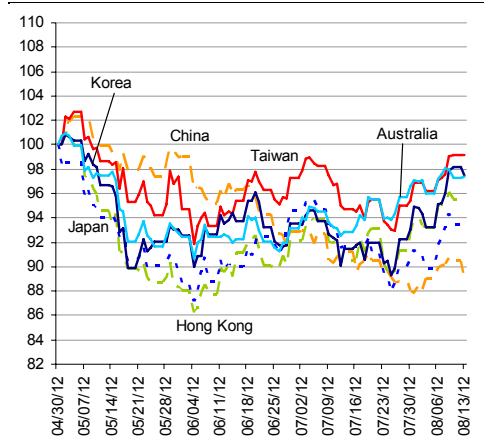
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.35	0.05	0.05	0.02
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	-0.02
	Taiwan (TAIBOR/1W)	0.64	0.00	0.00	-0.03
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	3.04	0.00	0.01	-0.29
	India (MIBOR/7D)	3.34	0.04	-0.07	0.00
	Singapore (SIBOR/1W)	0.25	0.00	-0.06	0.00
	Indonesia (JIBOR/1W)	4.28	0.07	0.09	0.10
	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)	1.81	1.19	0.13	-1.06

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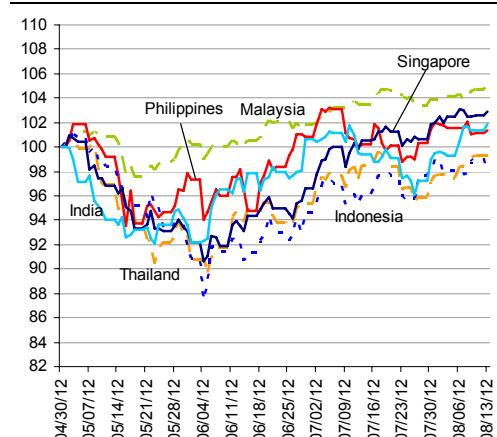
Charts

Chart 9
Stock Markets



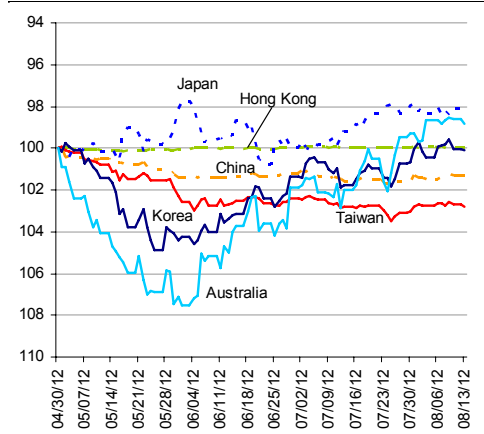
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



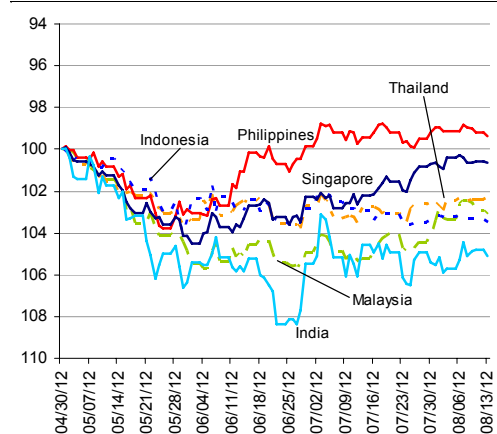
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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