

Daily Flash

Asia

India's August WPI inflation eases, but risks remain to the upside

India's wholesale price inflation eased to a two year low in July, to 6.9% y/y (consensus: 7.2%) from 7.3% in June, driven mainly by lower fuel prices. However, excluding fuel, July's inflation edged higher amid elevated food prices and a rise in core inflation (5.4% vs. 4.9% in June). Looking ahead, inflation risks are broadly balanced as easing demand-side pressures are being offset by high food prices, the impact of sub-par monsoon season, a weak rupee, and the recent rise in global oil prices. That said, the broader trend of price moderation, if sustained going ahead, would provide support for the RBI to ease monetary policy. We continue to expect further rate cuts of 50 bps in 2012, likely in the fourth quarter.

Reports that China's FX position declines fuels concerns about capital outflows

The Wall Street Journal reported today that China's FX position declined by RMB 3.8bn in July, compared to a net gain of RMB 49.1 bn in June. In a broader context, concerns over capital outflows from China have been intensifying recently, given weaker expectations of RMB appreciation along with heightened global risk aversion. For China, recent sluggish data outturns, along with a further decline in inflation in July, are increasing the likelihood of policy easing, and we expect the PBoC will cut the RRR by up to 150 bps in the remainder of this year, and cut the policy rate by at least 25bps in the coming months.

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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%	6.90%
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%	0.10%
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.	21425	0.3	-0.7	-2.6	-17.4
	Hong Kong - Hang Seng	20291.7	1.0	1.1	10.1	3.4
	Taiwan - Weighted	7479.3	0.6	2.5	5.8	-2.1
	Japan - Nikkei 225	8929.9	0.5	1.4	5.6	-0.4
	Korea - Kospi	1957.0	1.3	3.7	7.2	9.1
	India - Sensex 30	17724.4	0.5	0.7	14.7	5.3
	Australia - SPX/ASX 200	4292.2	0.2	0.0	5.8	2.9
	Singapore - Strait Times	3087.8	0.8	0.5	16.7	8.3
	Indonesia - Jakarta Comp	4121.6	0.5	0.9	7.8	5.9
	Thailand - SET	1226.4	0.6	1.5	19.6	15.5
	Malaysia - KLCI	1652.9	0.4	1.3	8.0	11.4
Philippines - Manila Comp.	5265.9	-0.1	-0.3	20.4	21.8	

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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)	6.36	0.06	0.12	6.36	6.43
	Hong Kong (HKD/USD)	7.76	0.00	-0.02	7.75	7.75
	Taiwan (TWD/USD)	30.0	0.12	-0.06	29.90	29.61
	Japan (JPY/USD)	78.55	-0.29	0.08	78.47	78.11
	Korea (KRW/USD)	1130	0.12	-0.09	1136	1148
	India (INR/USD)	55.7	-0.69	-1.19	56.69	59.10
	Australia (USD/AUD)	1.05	0.08	-0.27	0.96	0.98
	Singapore (SGD/USD)	1.25	-0.01	-0.30	1.25	1.24
	Indonesia (IDR/USD)	9488	0.06	-0.17	9605	9996
	Thailand (THB/USD)	31.5	0.00	0.16	31.62	32.03
	Malaysia (MYR/USD)	3.12	0.19	-0.46	3.13	3.17
Philippines (PHP/USD)	42.0	-0.13	-0.71	42.02	42.28	

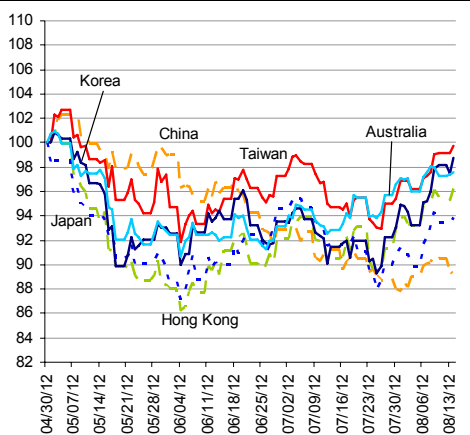
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.33	-0.02	-0.03	0.00
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	-0.02
	Taiwan (TAIBOR/1W)	0.64	0.00	0.00	-0.03
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	3.04	0.00	0.01	-0.06
	India (MIBOR/7D)	3.84	0.50	0.48	0.50
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.40	0.13	0.21	0.23
	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)	2.13	0.31	0.44	-0.75

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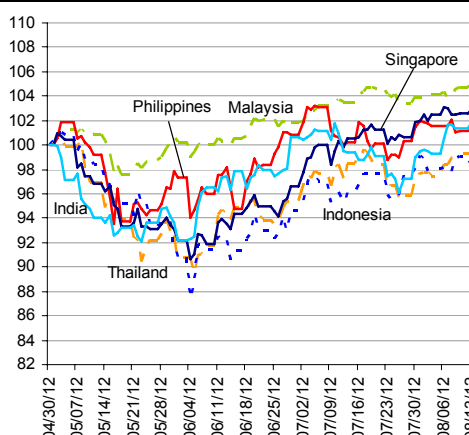
Charts

Chart 9
Stock Markets



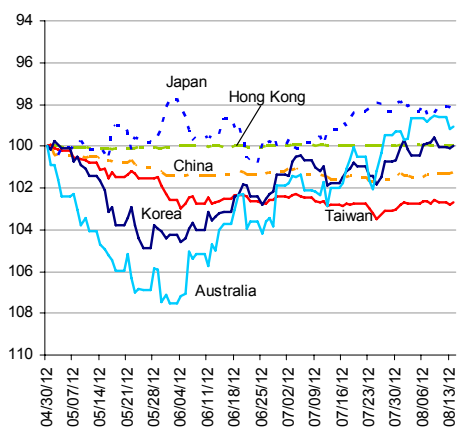
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



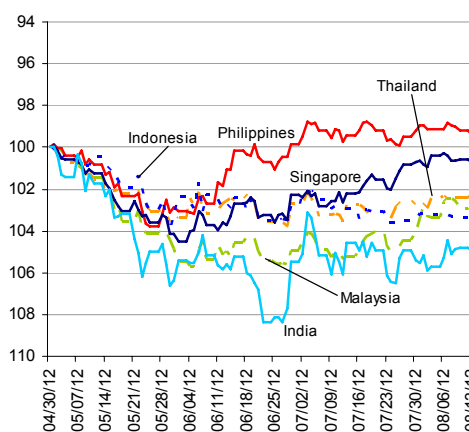
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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