

Daily Flash

Asia

China's inward FDI contracts in July

Inward FDI contracted by -8.7% y/y in July, following June's decline of -6.9% y/y. Slowing FDI inflows may be a sign of lagging investor confidence in the economy's growth outlook, as well as a reflection of the weak global environment which has been causing firms to scale back their expansion plans. Sluggish FDI inflows are one of the factors for the weaker balance of payments position and slowdown in reserve accumulation which, in turn, have caused the authorities to halt currency appreciation in recent months (the 12M CNY NDF hit an eight month low after the FDI outturn was released). Separately, expectations of policy easing continue to run high, after Premier Wen stated today that he sees more room to ease monetary policy as inflationary pressures are low. We expect cuts of around 150 bps in the RRR and up to two more interest rate cuts during the rest of this year.

Korea and Hong Kong report better-than-expected unemployment data

Better-than-expected unemployment outturns reported today by two of the region's more open economies – Korea and Hong Kong – underscore the region's relative resilience. Despite slowing economic growth, Korea's seasonally adjusted unemployment rate fell to 3.1% in July (consensus: 3.3%) from 3.2% in June, on strong growth in self-employed workers. The outturn was a welcome sign for Korea, where the labor market has tightened (unemployment has fallen from 3.7% in February) even as the participation rate has increased (to 62.2% in July, from 60.0% in February). In Hong Kong, the seasonally adjusted unemployment rate for the May to July period stood at 3.2%, lower than market expectations (consensus: 3.3%) and flat with its previous April to June outturn. Though we expect an increase in unemployment in the coming months due to spillovers from external headwinds, the region's labor markets have been performing better than expected this year and have helped bolster domestic demand.

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Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Actual FDI (YoY)	16-Aug	Jul	-6.90%	-2.50%	-8.70%
China July Property Prices	18-Aug	Jul			
Hong Kong	Date	Period	Prior	Cons.	Actual
Unemployment Rate SA	16-Aug	Jul	3.20%	3.30%	3.20%
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%	1.60%	1.40%
GDP YoY%	15-Aug	2Q	4.70%	4.60%	5.40%
Philippines	Date	Period	Prior	Cons.	Actual
Overseas Remittances (YoY)	15-Aug	Jun	5.10%	--	4.20%
Singapore	Date	Period	Prior	Cons.	Actual
Retail Sales (YoY)	15-Aug	Jun	0.50%	0.10%	-0.90%
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%	3.10%
Taiwan	Date	Period	Prior	Cons.	Actual
GDP - Constant Prices (YoY)	17-Aug	2Q F	-0.16%	-0.16%	--

Indicator of the Week

Taiwan: Export Orders for July (August 20th)

Forecast: -2.9% y/y

Consensus: -3.0% y/y

Prior: -2.6% y/y

Taiwan's export orders are closely watched as a leading indicator of regional export trends given the economy's position in the global supply chain. Recent disappointing export outturns around the region, including for July in China, have focused attention on the region's export slowdown due to the weak external environment. Taiwan's export sector has been especially weak, with double-digit declines from a year earlier across major export destinations in July. We expect the growth of export orders to contract for a fifth consecutive month in August, reflecting high exposure of Taiwan's medium and upper stream industries amid current global downturn. Sluggish demand from Europe and China is likely to continue.

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.	2112.2	-0.3	-2.8	-4.0	-19.0
	Hong Kong - Hang Seng	19963.0	-0.4	-1.5	8.3	-1.2
	Taiwan - Weighted	7490.2	0.3	0.8	5.9	-4.0
	Japan - Nikkei 225	9092.8	1.9	1.3	7.5	-0.2
	Korea - Kospi	1957.9	0.0	2.9	7.2	9.2
	India - Sensex 30	17650.0	-0.4	0.3	14.2	4.8
	Australia - SPX/ASX 200	4330.2	1.1	0.5	6.7	2.0
	Singapore - Strait Times	3062.9	0.0	0.3	15.7	8.1
	Indonesia - Jakarta Comp	4160.5	0.4	0.7	8.9	5.2
	Thailand - SET	1224.4	-0.2	0.8	19.4	13.7
	Malaysia - KLCI	1650.1	-0.2	0.5	7.8	10.1
Philippines - Manila Comp.	5219.5	-0.9	-0.7	19.4	19.4	

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	-0.06	-0.11	6.38	6.45
	Hong Kong (HKD/USD)	7.76	0.01	-0.02	7.75	7.75
	Taiwan (TWD/USD)	30.0	-0.06	-0.27	29.96	29.67
	Japan (JPY/USD)	79.17	-0.23	-0.76	79.10	78.73
	Korea (KRW/USD)	1134	-0.15	-0.76	1140	1152
	India (INR/USD)	55.9	-0.36	-1.02	56.87	59.37
	Australia (USD/AUD)	1.05	-0.17	-0.88	0.96	0.98
	Singapore (SGD/USD)	1.25	-0.12	-0.52	1.25	1.25
	Indonesia (IDR/USD)	9512	0.01	-0.36	9669	10111
	Thailand (THB/USD)	31.5	-0.03	-0.22	31.71	32.12
	Malaysia (MYR/USD)	3.13	-0.05	-0.74	3.15	3.18
Philippines (PHP/USD)	42.2	-0.02	-1.06	42.34	42.62	

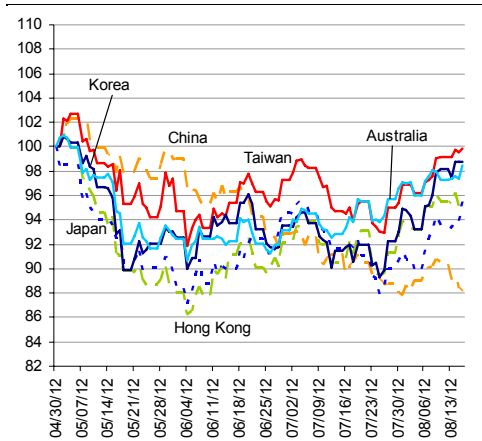
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.51	0.11	0.21	0.17
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	-0.02
	Taiwan (TAIBOR/1W)	0.64	0.00	0.00	-0.03
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	3.04	0.00	0.01	-0.06
	India (MIBOR/7D)	3.55	-0.05	-0.26	0.20
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.49	0.03	0.29	0.32
	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	-0.06	1.38	0.44

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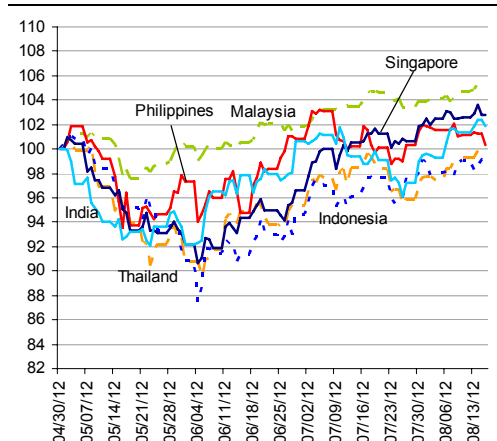
Charts

Chart 9
Stock Markets



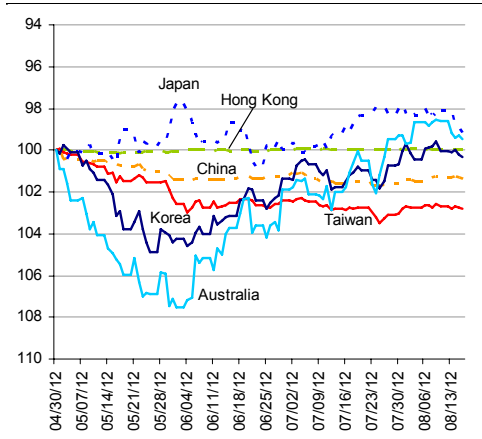
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



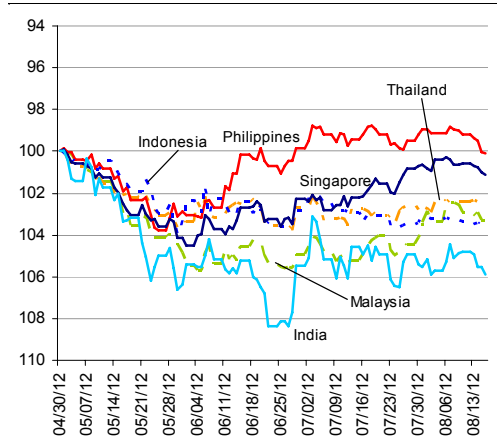
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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