

Daily Flash

Asia

Hong Kong's inflation posts sharp decline on government one-off measures

Hong Kong's headline inflation increased by a lower-than-expected 1.6% y/y in July (consensus: 3.4% y/y), sharply below the 3.7% y/y rate posted in June. The outturn, however, was primarily due to one-off government relief measures in waiving public housing rentals for one month. Netting out the effects of these, July's "underlying" inflation was 4.2% y/y, compared to last month's underlying inflation of 4.5% y/y. Overall, Hong Kong's inflationary pressures remain high despite the economic slowdown, on still tight labor markets and rising housing prices.

India's July CPI eases slightly, expected to remain elevated

India's retail CPI inflation eased marginally in July to 9.86% y/y from 9.93% in June, driven mainly by easing prices for spices, cereals and fuel. Early last week, India's wholesale price inflation had surprised on the downside, easing to a two-year low of 6.9% y/y in July from 7.3% in June, as lower fuel prices had offset higher food inflation. Looking ahead, we expect CPI inflation to remain elevated given imminent fuel price hikes and rising global commodity prices. From a policy perspective, the broader trend of price moderation, if sustained and supplemented by decisive fiscal consolidation, would provide support for the RBI to decide on policy easing. We continue to expect further rate cuts of 50 bps in 2012, likely in the fourth quarter.

Korea's external short-term debt increases, but remains manageable

According to data released today by the Bank of Korea, short-term external debt rose in the second quarter by US\$5.6 billion, to US\$141.4 billion, the biggest quarterly increase since the first quarter of 2011. Total external debt rose by \$6.1 billion, to stand at \$418.6 billion. For Korea, curtailing the relatively high level of short-term debt remains a policy priority given its role in precipitating a loss of investor confidence during the 2008-09 global financial crisis. That said, current external debt levels are manageable, especially measured against Korea's high foreign exchange reserves (\$314.4 billion). The ratio of short-term debt/foreign reserves stands at 45.0%, down from 55.6% during the 2008-09 financial crisis.

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

China	Date	Period	Prior	Cons.	Actual
HSBC Flash Manufacturing PMI	23-Aug	Aug	49.3	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
CPI - Composite Index (YoY)	21-Aug	Jul	3.70%	3.40%	1.60%
India	Date	Period	Prior	Cons.	Actual
CPI (YoY)	21-Aug	Jul	10.02%	--	9.86%
Japan	Date	Period	Prior	Cons.	Actual
All Industry Activity Index (MoM)	21-Aug	Jun	-0.30%	0.20%	0.20%
Merchnds Trade Balance Total	22-Aug	Jul	¥61.7B	¥270.0B	--
Merchnds Trade Exports YoY	22-Aug	Jul	-2.3	-2.7	--
Merchnds Trade Imports YoY	22-Aug	Jul	-2.2	3	--
Philippines	Date	Period	Prior	Cons.	Actual
Balance of Payments	22-Aug	Jul	\$14M	--	--
Singapore	Date	Period	Prior	Cons.	Actual
CPI (MOM) - NSA	23-Aug	Jul	0.00%	0.70%	--
CPI (YoY)	23-Aug	Jul	5.30%	4.50%	--
Industrial Production MoM SA	24-Aug	Jul	3.90%	-4.00%	--
Industrial Production YoY	24-Aug	Jul	7.60%	6.40%	--
Taiwan	Date	Period	Prior	Cons.	Actual
Export Orders (YoY)	20-Aug	Jul	-2.62%	-2.98%	-4.39%
Unemployment Rate - sa	22-Aug	Jul	4.24%	4.30%	--
Industrial Production (YoY)	23-Aug	Jul	-2.44%	-1.70%	--
Thailand	Date	Period	Prior	Cons.	Actual
Gross Domestic Product SA (QoQ)	20-Aug	2Q	11.00%	2.00%	3.30%
Gross Domestic Product (YoY)	20-Aug	2Q	0.30%	3.10%	4.20%
Vietnam	Date	Period	Prior	Cons.	Actual
CPI (YoY)	24-Aug	Aug	5.35%	--	--
Exports YTD (YoY)	24-31 AUG	Aug	19.00%	--	--
Retail Sales YTD (YoY)	26-31 AUG	Aug	18.70%	--	--

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.	2118.3	0.5	-1.1	-3.7	-16.4
	Hong Kong - Hang Seng	20100.1	0.0	-0.9	9.0	3.6
	Taiwan - Weighted	7506.8	1.0	0.4	6.1	2.2
	Japan - Nikkei 225	9156.9	-0.2	2.5	8.3	5.0
	Korea - Kospi	1943.2	-0.2	0.6	6.4	11.4
	India - Sensex 30	17885.3	1.1	1.9	15.7	10.8
	Australia - SPX/ASX 200	4383.4	0.4	2.1	8.1	6.9
	Singapore - Strait Times	3065.8	0.1	0.0	15.8	12.2
	Indonesia - Jakarta Comp	4160.5	0.4	0.7	8.9	5.2
	Thailand - SET	1232.3	0.3	0.4	20.2	15.3
	Malaysia - KLCI	1649.8	0.0	-0.2	7.8	11.2
	Philippines - Manila Comp.	5206.8	-0.2	-1.1	19.1	20.0

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	0.05	0.04	6.37	6.45
	Hong Kong (HKD/USD)	7.76	0.01	0.00	7.75	7.75
	Taiwan (TWD/USD)	29.9	0.20	0.04	29.91	29.63
	Japan (JPY/USD)	79.39	0.05	-0.82	79.32	78.96
	Korea (KRW/USD)	1131	0.39	-0.12	1136	1148
	India (INR/USD)	55.5	0.49	0.33	56.49	59.00
	Australia (USD/AUD)	1.05	0.66	0.23	0.96	0.98
	Singapore (SGD/USD)	1.25	0.30	-0.23	1.25	1.25
	Indonesia (IDR/USD)	9503	0.15	-0.16	9638	10082
	Thailand (THB/USD)	31.5	0.22	0.10	31.62	32.03
	Malaysia (MYR/USD)	3.12	0.40	-0.05	3.14	3.17
	Philippines (PHP/USD)	42.3	0.19	-0.69	42.33	42.61

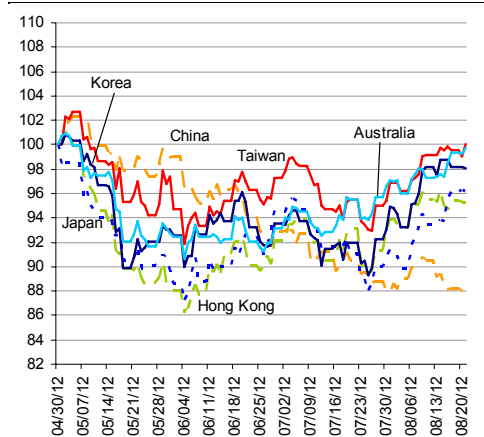
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.75	0.15	0.24	0.20
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.63	0.00	0.00	-0.01
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	3.04	0.00	0.00	-0.03
	India (MIBOR/7D)	3.78	0.21	-0.06	0.21
	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)	0.81	-1.31	0.19	-0.69

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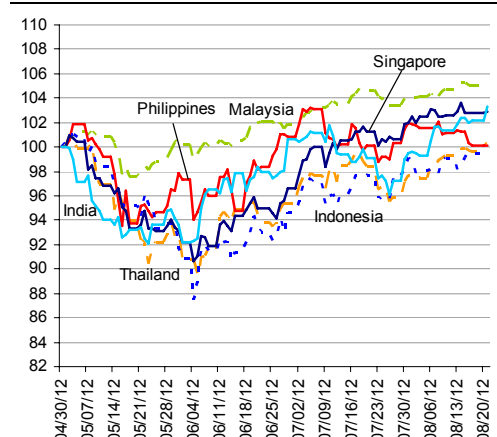
Charts

Chart 9
Stock Markets



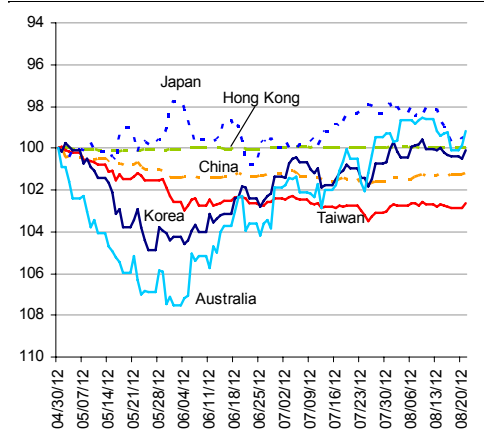
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



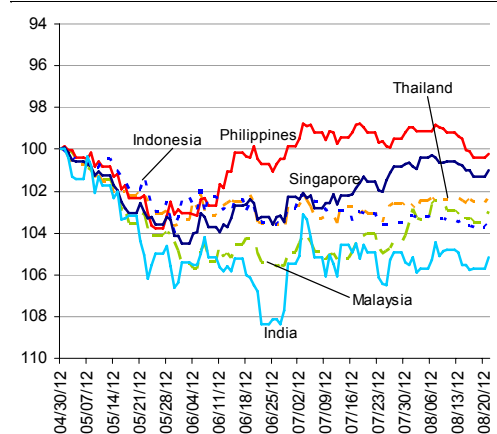
Source: BBVA Research and Bloomberg

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

Fielding Chen
Senior Economist
fielding.chen@bbva.com.hk

Le Xia
Senior Economist (China)
xia.le@bbva.com.hk

Zhigang Li
Senior Economist (China)
zhigang.li@bbva.com.hk

Sumedh Deorukhkar
Senior Economist (India, Mumbai)
sumedh.deorukhkar@grupobbva.com

Jeffrey Cantwell
Economist
jeffrey.cantwell@bbva.com.hk

George Xu
Economist
george.xu@bbva.com.hk

Richard Li
Asian FX Chief Strategist
richard.li@bbva.com.hk

William Fitchett
Economist
william.fitchett@bbva.com.hk

BBVA

RESEARCH



43/F., Two IFC, 8 Finance Street, Central, Hong Kong | Tel.: +852 2582 3111 | www.bbva.com.hk

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