

Daily Flash

Asia

A weak flash PMI outturn in China today (see below) added to concerns about slowing growth momentum. Equity markets nevertheless were up (Hang Seng: +1.1%; Nikkei: 0.5%), on expectations that the continuing stream of weak activity data in China will lead to further policy easing. Currencies in the region were also boosted after the release of the Fed's minutes yesterday, as markets see an increased likelihood of QE this year – the yen appreciated against the dollar by almost 1.0% immediately following the release (which occurred after market hours in Asia), while today, the Malaysian ringgit advanced by 0.8% to 3.096/USD.

Weak flash PMI in China shows that growth momentum is not yet rising

The Markit flash PMI manufacturing outturn for August showed a decline to 47.8%, the lowest since November 2011. The moderation was broad-based, with weakness in both the new orders and exports sub-components. We await the release of August official PMI on September 1st, which should provide a broader reading of output trends (the Markit PMI tends to focus more on smaller, export-oriented firms). We expect further policy easing in the months ahead, including stepped up infrastructure spending and further cuts in the RRR and interest rates.

Singapore inflation falls, raising the odds of policy easing

Singapore's inflation in July (4.0% y/y, consensus: 4.5%) moved sharply lower on decreasing transportation costs after reaching 5.3% y/y in June. Close attention will now be paid to upcoming high frequency outturns, which will help shape expectations on possible monetary easing at the Monetary Authority of Singapore's semi-annual policy meeting in October. We project inflation to decline gradually throughout the rest of the year, which, given stagnating growth momentum (2Q GDP growth was -0.7% q/q), would provide room for the MAS to slow currency appreciation in the face of weak global conditions (the SGD is currently 1.24/USD, and has risen by 4.0% against the USD this year, making it the best performing regional currency).

Taiwan posts better-than-expected IP outturn

In a rare positive output reading against external headwinds, Taiwan's July industrial production came out better than expected at -0.02% y/y (consensus: -1.9% y/y), from -2.4% in June, mainly driven by improved performance in the manufacturing sector. Looking ahead, challenges facing Taiwan's economic outlook remain, and the latest China flash PMI outturn suggests that external headwinds will likely continue for Taiwan's export sector. In the immediate future, a strong typhoon bearing down on the island in the coming days may disrupt activity further.

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Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
HSBC Flash Manufacturing PMI	23-Aug	Aug	49.3	--	47.8
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	¥517.4B
Merchnds Trade Exports YoY	22-Aug	Jul	-2.3	-2.9	-8.1
Merchnds Trade Imports YoY	22-Aug	Jul	-2.2	3	2.1
Philippines	Date	Period	Prior	Cons.	Actual
Balance of Payments	22-Aug	Jul	\$14M	--	\$3182M
Singapore	Date	Period	Prior	Cons.	Actual
CPI (MOM) - NSA	23-Aug	Jul	0.00%	0.60%	0.20%
CPI (YoY)	23-Aug	Jul	5.30%	4.50%	4.00%
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%	4.25%
Industrial Production (YoY)	23-Aug	Jul	-2.44%	-1.90%	-0.02%
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.	2113.1	0.3	0.0	-3.9	-17.3
	Hong Kong - Hang Seng	20132.2	1.2	0.8	9.2	1.3
	Taiwan - Weighted	7505.2	0.1	0.2	6.1	-0.6
	Japan - Nikkei 225	9178.1	0.5	0.9	8.5	5.1
	Korea - Kospi	1942.5	0.4	-0.8	6.4	9.3
	India - Sensex 30	17856.6	0.1	0.7	15.5	8.2
	Australia - SPX/ASX 200	4383.7	0.2	1.2	8.1	5.0
	Singapore - Strait Times	3056.4	0.2	-0.2	15.5	10.5
	Indonesia - Jakarta Comp	4162.7	0.1	0.5	8.9	5.3
	Thailand - SET	1237.6	0.3	1.1	20.7	17.1
	Malaysia - KLCI	1651.6	0.0	0.1	7.9	11.4
	Philippines - Manila Comp.	5202.8	1.0	-1.2	19.0	18.9

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)	6.35	-0.02	0.20	6.36	6.44
	Hong Kong (HKD/USD)	7.76	0.01	0.01	7.75	7.75
	Taiwan (TWD/USD)	29.9	0.14	0.19	29.88	29.61
	Japan (JPY/USD)	78.58	0.00	0.98	78.52	78.18
	Korea (KRW/USD)	1131	0.47	0.31	1136	1148
	India (INR/USD)	55.2	0.53	1.05	56.12	58.60
	Australia (USD/AUD)	1.05	-0.11	-0.17	0.96	0.98
	Singapore (SGD/USD)	1.24	0.23	0.39	1.24	1.24
	Indonesia (IDR/USD)	9494	0.12	0.19	9606	10024
	Thailand (THB/USD)	31.2	0.38	0.93	31.35	31.75
	Malaysia (MYR/USD)	3.10	0.77	1.03	3.11	3.14
	Philippines (PHP/USD)	42.1	0.50	0.39	42.14	42.44

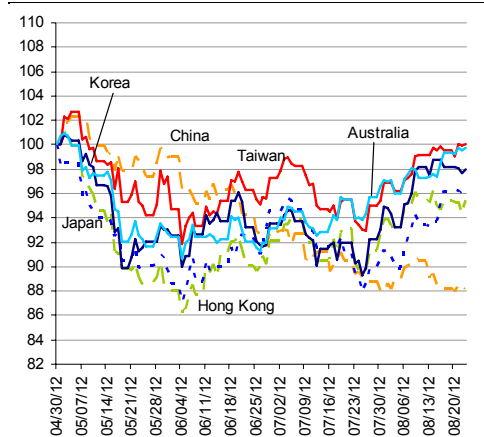
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.80	0.05	-0.15	0.25
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.63	0.00	0.00	-0.01
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	3.04	0.00	0.00	-0.03
	India (MIBOR/7D)	4.10	0.30	0.55	0.53
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.37	-0.12	-0.12	0.20
	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)	1.69	-0.25	-0.44	-0.44

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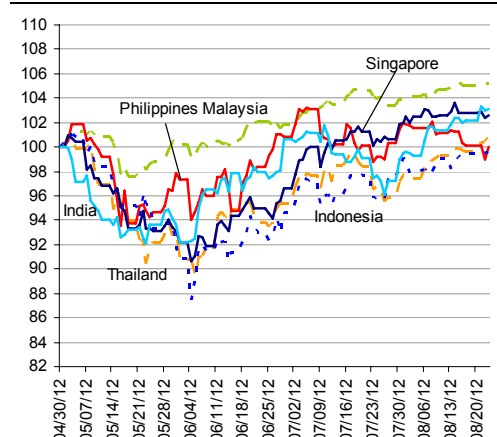
Charts

Chart 9
Stock Markets



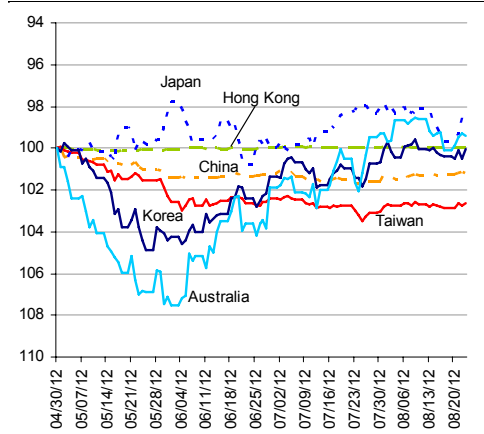
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



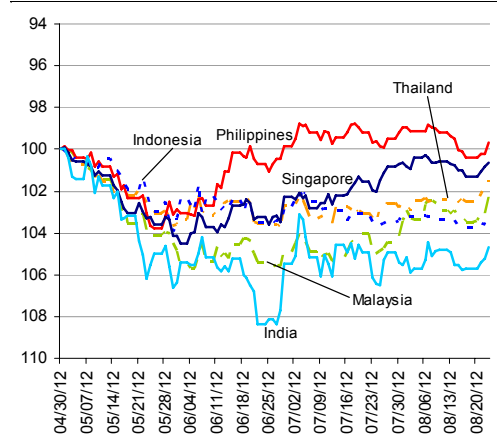
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



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