

# Daily Flash

## Asia

*Equity markets in Asia continued to trend downwards today for a fourth straight day, as strong US data is reducing expectations of imminent QE3. Some of today's biggest losses were seen in the region's more open economies – the Hang Seng and the Kospi both declined by -1.2% - while Jakarta's index retreated by -1.7% as its commodities producers have also fallen, due to declining chances of a policy-fueled surge in global demand. In China, attention has turned to the two-day visit of a large delegation of German ministers and business leaders which is being headed by Chancellor Merkel, which started today (see below). This is the second visit by Chancellor Merkel this year. Meanwhile, on the data front in the region, India will be in the spotlight tomorrow when it releases its second quarter GDP outturn (see Weekly Indicator below).*

### Philippines posts strong 2Q GDP growth

The Philippines' second quarter GDP came out at a better-than-expected 5.9% y/y (consensus: 5.5% y/y) on the back of strong services output (7.6% y/y). Although growth slowed from Q1 (6.3% y/y), the outturn is the latest in a string of relatively strong data in Southeast Asia (including Indonesia's second quarter GDP outturn of 6.4% y/y), in contrast to weakening momentum elsewhere in the region. Today's GDP figure reduces the likelihood of a rate cut by the central bank when it holds its next policy meeting in two weeks, on September 13th, though authorities have hinted that there is room for further easing if global conditions fail to improve. Growth will likely be comfortably within, or possibly even above, the government's 5-6% target for this year, while inflation remains relatively well-contained.

### Hong Kong announces new measures to contain property prices

According to Bloomberg, Hong Kong authorities will implement new measures to contain property prices as local housing prices are accelerating once again. The new measures will include accelerating the approval process for new home sales to increase near-term supply, as well as designating the sale of certain residential properties to local residents only.

### Sluggish retail sales in Hong Kong and Japan as growth slowdown persists

Hong Kong's retail sales growth moderated to 3.8% y/y in July from 11.0% y/y in June, well below market expectations (consensus: 8.8% y/y). The outturn is the lowest since October 2009, and reflects diminishing visitor arrivals from mainland China. Meanwhile, Japan's retail sales in July posted their first drop in eight months, declining -0.8% y/y (consensus: -0.1% y/y). The weak data provide another sign that Japan's economy is losing steam, and comes after Tuesday's downgrading of the economic outlook by the Japanese government.

### China reaffirms its commitment to investing in Europe as leaders meet

Premier Wen Jiabao reaffirmed China's commitment to invest in European sovereign debt during a meeting today with Chancellor Angela Merkel, where the two leaders focused on both politics and trade. The two leaders also discussed strengthening economic ties, and were present for the signing of several cross-border deals between various companies in the two countries.

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## Calendar Indicators

| China                                | Date   | Period | Prior     | Cons.  | Actual    |
|--------------------------------------|--------|--------|-----------|--------|-----------|
| Industrial Profits YTD YoY           | 27-Aug | Jul    | -2.20%    | --     | -2.70%    |
| Manufacturing PMI                    | 01-Sep | Aug    | 50.1      | 49.8   | --        |
| Hong Kong                            | Date   | Period | Prior     | Cons.  | Actual    |
| Exports YoY%                         | 28-Aug | Jul    | -4.80%    | -3.90% | -3.50%    |
| Imports YoY%                         | 28-Aug | Jul    | -2.90%    | -1.10% | -1.80%    |
| Retail Sales - Value (YoY)           | 30-Aug | Jul    | 11.00%    | 9.00%  | 3.80%     |
| India                                | Date   | Period | Prior     | Cons.  | Actual    |
| Qtrly GDP YoY%                       | 31-Aug | 2Q     | 5.30%     | 5.30%  | --        |
| Fiscal Deficit INR Crore             | 31-Aug | Jul    | 48873     | --     | --        |
| Japan                                | Date   | Period | Prior     | Cons.  | Actual    |
| Retail Trade YoY                     | 30-Aug | Jul    | 0.20%     | -0.10% | -0.80%    |
| Jobless Rate                         | 31-Aug | Jul    | 4.30%     | 4.30%  | --        |
| Natl CPI YoY                         | 31-Aug | Jul    | -0.20%    | -0.30% | --        |
| Natl CPI Ex-Fresh Food YoY           | 31-Aug | Jul    | -0.20%    | -0.30% | --        |
| Industrial Production (MoM)          | 31-Aug | Jul P  | 0.40%     | 1.70%  | --        |
| Industrial Production YOY%           | 31-Aug | Jul P  | -1.50%    | 1.80%  | --        |
| Malaysia                             | Date   | Period | Prior     | Cons.  | Actual    |
| Unemployment Rate                    | 30-Aug | 2Q     | 3.00%     | --     | 3.00%     |
| Philippines                          | Date   | Period | Prior     | Cons.  | Actual    |
| Trade Balance                        | 28-Aug | Jun    | -\$454M   | --     | -\$787M   |
| GDP sa (QoQ)                         | 30-Aug | 2Q     | 2.50%     | 1.10%  | 0.20%     |
| GDP (YoY)                            | 30-Aug | 2Q     | 6.40%     | 5.50%  | 5.90%     |
| South Korea                          | Date   | Period | Prior     | Cons.  | Actual    |
| Current Account in US\$ Million      | 29-Aug | Jul    | \$5835.8M | --     | \$6103.8M |
| Industrial Production (MoM)          | 31-Aug | Jul    | -0.40%    | --     | --        |
| Industrial Production (YoY)          | 31-Aug | Jul    | 1.60%     | 0.40%  | --        |
| Ext Trade - Export (YoY)             | 01-Sep | Aug    | -8.80%    | --     | --        |
| Ext Trade - Imports (YoY)            | 01-Sep | Aug    | -5.50%    | --     | --        |
| Thailand                             | Date   | Period | Prior     | Cons.  | Actual    |
| Mfg. Production Index ISIC NSA (YoY) | 28-Aug | Jul    | -9.60%    | -4.25% | -5.82%    |
| Customs Exports (YoY)                | 29-Aug | Jul    | -2.50%    | -3.75% | -4.46%    |
| Vietnam                              | Date   | Period | Prior     | Cons.  | Actual    |
| Exports YTD (YoY)                    | 27-Aug | Aug    | 19.00%    | --     | 17.80%    |
| Retail Sales YTD (YoY)               | 27-Aug | Aug    | 18.70%    | --     | 17.90%    |

## Indicator of the Week

### India: Q2 GDP Growth 2012 (August 31st)

|                    |                     |                 |
|--------------------|---------------------|-----------------|
| Forecast: 5.1% y/y | Consensus: 5.3% y/y | Prior: 5.3% y/y |
|--------------------|---------------------|-----------------|

India's economy continues to be plagued by slowing growth and elevated inflation. The outturn for Q2 GDP growth will be a key input for the Reserve Bank of India's next monetary policy decision in September, and another weak outturn, dragged down by waning fiscal support and slowing industrial and services activity, could raise the likelihood of an imminent interest rate cut, in line with our expectations of an additional 50bps in cuts by end-year.

Wholesale price inflation (6.9% in July), however, remains a constraint, exacerbated by a sub-par monsoon and supply bottlenecks. Overall, we expect India's GDP growth to decline to 5.6% for full year 2012, down from 7.5% in 2011.

## Calendar Events

There are no calendar events scheduled for this week.

## Markets Data

| STOCK MARKETS | INDEX                      | Last price | % change<br>over a day | % change<br>over a week | Year to<br>date | % change<br>over 1 Y |
|---------------|----------------------------|------------|------------------------|-------------------------|-----------------|----------------------|
|               | China - Shanghai Comp.     | 2052.6     | 0.0                    | -2.9                    | -6.7            | -20.0                |
|               | Hong Kong - Hang Seng      | 19552.9    | -1.2                   | -2.9                    | 6.1             | -3.2                 |
|               | Taiwan - Weighted          | 7371.4     | -0.3                   | -1.8                    | 4.2             | -3.6                 |
|               | Japan - Nikkei 225         | 8983.8     | -0.9                   | -2.1                    | 6.2             | 0.3                  |
|               | Korea - Kospi              | 1906.4     | -1.2                   | -1.9                    | 4.4             | 3.4                  |
|               | India - Sensex 30          | 17565.1    | 0.4                    | -1.6                    | 13.7            | 5.3                  |
|               | Australia - SPX/ASX 200    | 4315.7     | -0.9                   | -1.6                    | 6.4             | 1.1                  |
|               | Singapore - Strait Times   | 3011.8     | -1.0                   | -1.5                    | 13.8            | 7.9                  |
|               | Indonesia - Jakarta Comp   | 4025.6     | -1.7                   | -3.3                    | 5.3             | 4.8                  |
|               | Thailand - SET             | 1214.6     | -0.5                   | -1.9                    | 18.5            | 16.2                 |
|               | Malaysia - KLCI            | 1646.1     | 0.0                    | -0.3                    | 7.5             | 13.7                 |
|               | Philippines - Manila Comp. | 5149.3     | -0.9                   | -0.1                    | 17.8            | 19.6                 |

Last update: today, 17.45 Hong Kong time

| FOREIGN EXCHANGE MARKETS | CURRENCY              | Spot  | % change<br>over a day | % change<br>over a week | Forward<br>3-month | Forward<br>12-month |
|--------------------------|-----------------------|-------|------------------------|-------------------------|--------------------|---------------------|
|                          | China (CNY/USD)       | 6.35  | 0.03                   | 0.06                    | 6.37               | 6.45                |
|                          | Hong Kong (HKD/USD)   | 7.76  | -0.01                  | 0.00                    | 7.75               | 7.75                |
|                          | Taiwan (TWD/USD)      | 30.0  | -0.07                  | -0.06                   | 29.92              | 29.66               |
|                          | Japan (JPY/USD)       | 78.63 | 0.10                   | -0.18                   | 78.57              | 78.23               |
|                          | Korea (KRW/USD)       | 1134  | -0.05                  | -0.30                   | 1140               | 1150                |
|                          | India (INR/USD)       | 55.6  | 0.05                   | -0.62                   | 56.53              | 59.09               |
|                          | Australia (USD/AUD)   | 1.03  | -0.20                  | -1.05                   | 0.98               | 1.00                |
|                          | Singapore (SGD/USD)   | 1.25  | 0.11                   | -0.38                   | 1.25               | 1.25                |
|                          | Indonesia (IDR/USD)   | 9582  | -0.01                  | -0.92                   | 9749               | 10199               |
|                          | Thailand (THB/USD)    | 31.4  | -0.10                  | -0.64                   | 31.53              | 31.94               |
|                          | Malaysia (MYR/USD)    | 3.13  | -0.09                  | -0.95                   | 3.14               | 3.17                |
|                          | Philippines (PHP/USD) | 42.2  | 0.20                   | -0.41                   | 42.29              | 42.54               |

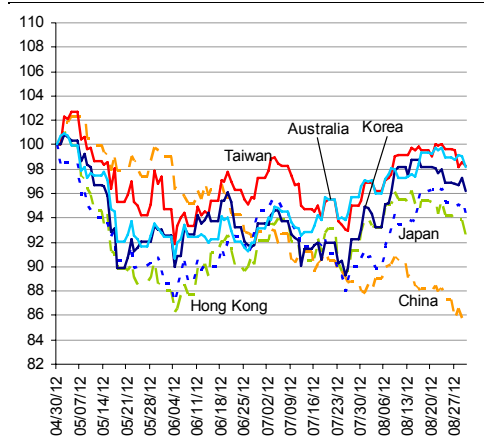
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| INTERBANK RATES | INDEX                   | Rate | net change<br>over a day | net change<br>over a week | net change<br>over a month |
|-----------------|-------------------------|------|--------------------------|---------------------------|----------------------------|
|                 | China (SHIBOR/7D)       | 3.55 | 0.02                     | -0.10                     | 0.40                       |
|                 | 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                      | -0.01                      |
|                 | India (MIBOR/7D)        | 3.60 | 0.00                     | -0.50                     | 0.48                       |
|                 | Singapore (SIBOR/1W)    | 0.25 | 0.00                     | 0.00                      | 0.00                       |
|                 | Indonesia (JIBOR/1W)    | 4.31 | -0.01                    | -0.06                     | 0.14                       |
|                 | 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) | 2.44 | 0.00                     | 0.75                      | 0.69                       |

Last update: today, 17.45 Hong Kong time

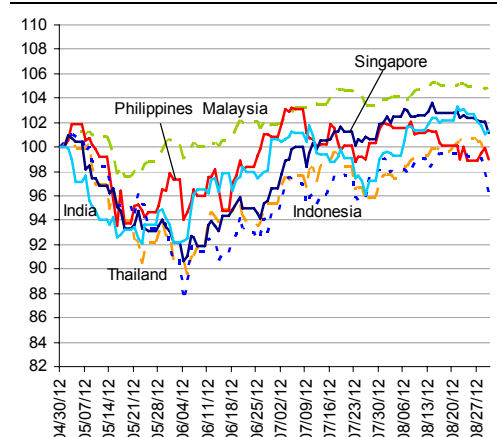
# Charts

Chart 9  
Stock Markets



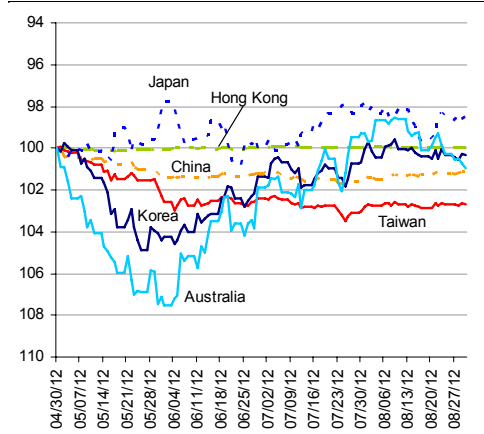
Source: BBVA Research and Bloomberg

Chart 10  
Stock Markets



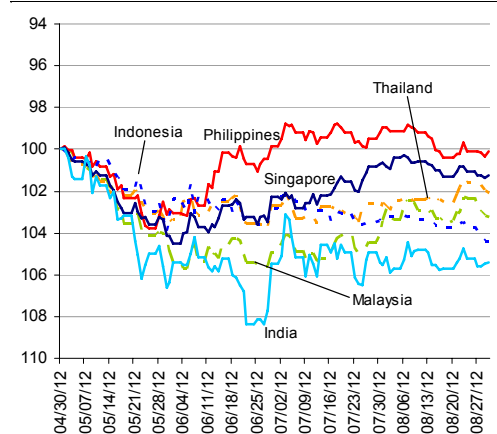
Source: BBVA Research and Bloomberg

Chart 11  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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