

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 over a day	% change over a week	Year to date	% change 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 over a day	% change over a week	Forward 3-month	Forward 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	

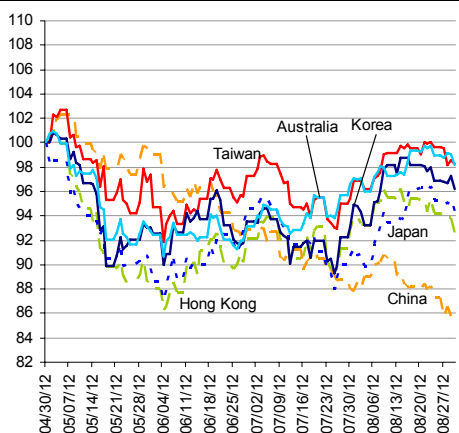
Last update: today, 17.45 Hong Kong time.

INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change 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

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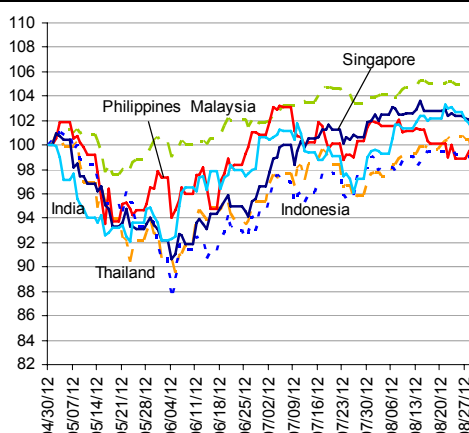
Charts

Chart 9
Stock Markets



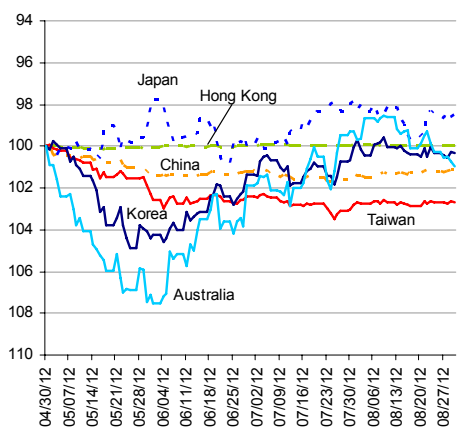
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



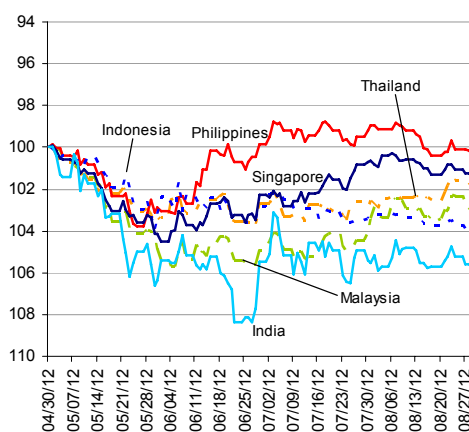
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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