

Daily Flash

Asia

Asian markets were down today (Hang Seng: -0.7%) ahead of the ECB's meeting on Thursday, as investors remain anxious over prospects of whether or not policymakers will decide to ease. Along with Europe's important meeting, two central banks in Asia have their policy meetings this week: Thailand's is tomorrow, and Malaysia's will be held on Thursday. After yesterday's disappointing PMI in China, markets will also be awaiting a raft of activity indicators due out on Sunday.

Australia holds rates as expected, but more easing may be on the way

One day before Australia releases its 2Q GDP data, the Reserve Bank of Australia today kept its policy rate unchanged at 3.50%, commenting that "inflation [is] consistent with the target and growth is close to trend, but with a more subdued international outlook than was the case a few months ago." The RBA cut rates by a total of 75 bps in May and June to support the credit and housing markets. Australia's recent economic growth has been underpinned by robust investment in the mining sector, but with China's growth slowing and commodity prices declining, we expect the RBA to deliver one more 25 bps rate cut before the end of the year, especially if the European situation does not improve..

Korea rumored to announce a stimulus package soon

Speculation is growing about a fiscal stimulus package to be announced next week in Korea. Media reports state that Korea's Finance Minister Bahk Jaewan mentioned today that the government had room for about 2.4 trillion won (US\$2.1 billion, or almost 0.2% of GDP) in stimulus spending, to be geared towards supporting domestic demand. Any larger stimulus, according to the finance minister, would likely have to wait until (if) external conditions deteriorate further. This year, Korea had sought to support its economy by front-loading its budget, which it hoped would allow time for the global economy to improve by the second half of the year and enable a rebound in domestic growth. After the external environment did not improve as expected, Korea's policymakers now are seeking to implement measures to support the economy, and their efforts are being helped by Korea's low overall debt level and fiscal deficit, which allow room for support. The likelihood of a larger-scale stimulus in 2012 is unlikely at this stage given upcoming presidential elections in December, though further monetary and fiscal support is likely next year if external conditions do not improve. We also would not be surprised to see a rate cut at the BOK's September 13 policy meeting, which would come following a 25bps rate cut in July.

Briefly noted:

- **The Reserve Bank of India noted today that Indian banks (public and private) need additional capital of 5tn rupees** (euro 71.4 bn) by 31st March 2018 to comply with Basel III. The RBI governor stated that although Basel III implementation could impact profitability in the near term, the higher regulatory standards will secure growth in the medium to longer term.

Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Retail Sales s.a. (MoM)	03-Sep	Jul	1.00%	0.20%	-0.80%
Current Account Balance	04-Sep	2Q	-14892M	-12200M	-11801M
Gross Domestic Product (QoQ)	05-Sep	2Q	1.30%	0.80%	--
Gross Domestic Product (YoY)	05-Sep	2Q	4.30%	3.70%	--
Unemployment Rate	06-Sep	Aug	5.20%	5.30%	--
Trade Balance	07-Sep	Jul	9M	-300M	--
China	Date	Period	Prior	Cons.	Actual
Non-manufacturing PMI	03-Sep	Aug	55.6	--	56.3
HSBC Manufacturing PMI	03-Sep	Aug	49.3	--	47.6
Consumer Price Index (YoY)	09-Sep	Aug	1.80%	2.00%	--
Producer Price Index (YoY)	09-Sep	Aug	-2.90%	-3.20%	--
Industrial Production YTD YoY	09-Sep	Aug	10.30%	--	--
Industrial Production (YoY)	09-Sep	Aug	9.20%	9.20%	--
Fixed Assets Inv Excl. Rural YTD YoY	09-Sep	Aug	20.40%	20.40%	--
Retail Sales (YoY)	09-Sep	Aug	13.10%	13.00%	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Purchasing Managers Index	05-Sep	Aug	50.3	--	--
India	Date	Period	Prior	Cons.	Actual
Exports YoY%	03-Sep	Jul	-5.50%	--	-14.80%
Imports YoY%	03-Sep	Jul	-13.50%	--	-7.60%
India August Markit Services PMI	05-Sep	Aug	--	--	--
Indonesia	Date	Period	Prior	Cons.	Actual
Inflation (YoY)	03-Sep	Aug	4.56%	4.42%	4.58%
Exports (YoY)	03-Sep	Jul	-16.40%	-9.70%	-7.30%
Malaysia	Date	Period	Prior	Cons.	Actual
Exports YoY%	07-Sep	Jul	5.40%	4.80%	--
Philippines	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	05-Sep	Aug	3.20%	3.50%	--
Singapore	Date	Period	Prior	Cons.	Actual
Purchasing Managers Index	04-Sep	Aug	49.8	--	--
South Korea	Date	Period	Prior	Cons.	Actual
Consumer Price Index (MoM)	03-Sep	Aug	-0.20%	0.50%	0.40%
Consumer Price Index (YoY)	03-Sep	Aug	1.50%	1.40%	1.20%
Taiwan	Date	Period	Prior	Cons.	Actual
CPI YoY%	05-Sep	Aug	2.46%	2.60%	--
Total Exports (YoY)	07-Sep	Aug	-11.60%	-2.40%	--
Thailand	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	03-Sep	Aug	2.73%	2.62%	2.69%

Calendar Events

Australia - RBA Cash Target, September 4

We expected the benchmark rate to remain unchanged

Current	Consensus	New
3.50%	3.50%	3.50%

Thailand - Benchmark Interest Rate, September 5

We expect the benchmark rate to remain unchanged

Current	Consensus	New
3.00%	3.00%	--

Malaysia - Overnight Rate, September 6

We expect the benchmark rate to remain unchanged

Current	Consensus	New
3.00%	3.00%	--

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.	2043.6	-0.8	-1.4	-7.1	-19.2
	Hong Kong - Hang Seng	19429.9	-0.7	-1.9	5.4	-3.9
	Taiwan - Weighted	7451.4	0.0	1.2	5.4	-3.9
	Japan - Nikkei 225	8775.5	-0.1	-2.9	3.8	-2.0
	Korea - Kospi	1907.1	-0.3	-0.5	4.5	2.1
	India - Sensex 30	17444.7	0.3	-1.1	12.9	3.7
	Australia - SPX/ASX 200	4303.5	-0.6	-1.3	6.1	1.4
	Singapore - Strait Times	3011.6	-0.2	-0.9	13.8	5.9
	Indonesia - Jakarta Comp	4105.3	-0.3	-0.9	7.4	6.9
	Thailand - SET	1237.3	0.1	0.3	20.7	16.2
	Malaysia - KLCI	1654.1	0.0	0.4	8.1	12.2
	Philippines - Manila Comp.	5175.9	-0.8	0.0	18.4	17.8

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	-0.11	0.09	6.36	6.44
	Hong Kong (HKD/USD)	7.76	0.01	-0.01	7.75	7.75
	Taiwan (TWD/USD)	29.8	0.14	0.39	29.77	29.50
	Japan (JPY/USD)	78.46	-0.25	0.06	78.40	78.08
	Korea (KRW/USD)	1133	-0.19	0.31	1139	1149
	India (INR/USD)	55.6	-0.07	0.18	56.48	58.97
	Australia (USD/AUD)	1.03	0.13	-1.14	0.98	1.00
	Singapore (SGD/USD)	1.24	0.04	0.64	1.24	1.24
	Indonesia (IDR/USD)	9588	-0.55	-0.41	9707	10127
	Thailand (THB/USD)	31.2	0.13	0.29	31.33	31.76
	Malaysia (MYR/USD)	3.11	0.17	0.38	3.12	3.15
	Philippines (PHP/USD)	41.9	0.21	0.90	41.96	42.19

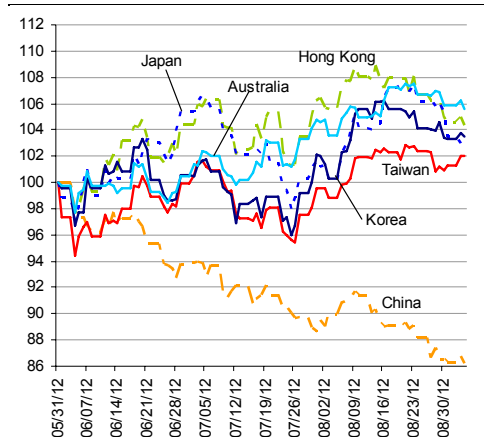
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.40	-0.05	-0.15	0.00
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.63	0.00	0.00	-0.01
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	3.03	0.00	-0.01	0.00
	India (MIBOR/7D)	2.55	-0.85	-0.53	-0.95
	Singapore (SIBOR/1W)	0.25	0.00	0.00	-0.06
	Indonesia (JIBOR/1W)	4.28	-0.01	-0.04	0.08
	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)	1.50	-0.69	-0.38	-0.31

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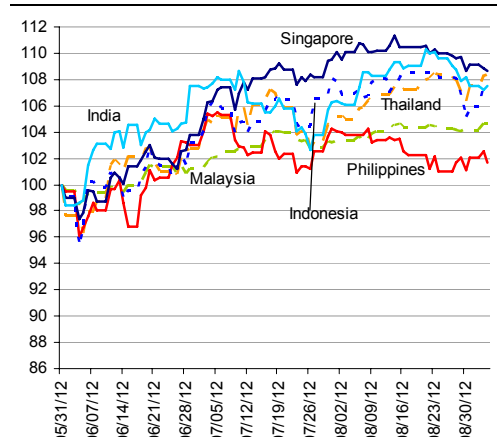
Charts

Chart 9
Stock Markets



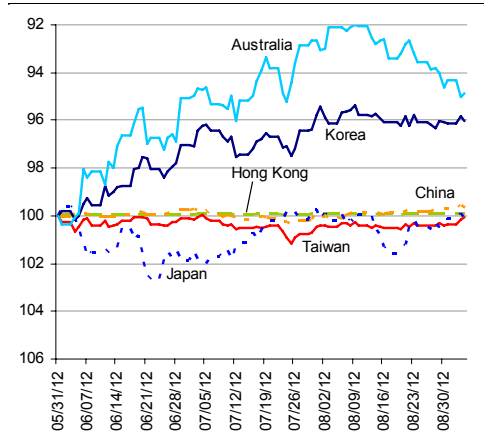
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



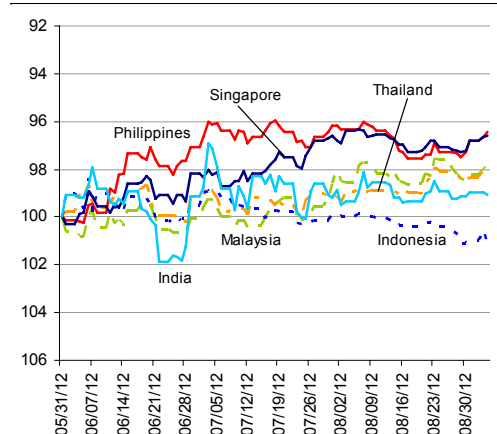
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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