

Daily Flash

Asia

Market momentum continues after originally being initiated by the ECB's announcement last week that it has crafted plans to purchase peripheral sovereign debt. Asian equity markets moved upwards again today (Hang Seng: +1.1%, Kospi: +1.6%), ahead of the Federal Reserve meeting which may result in another round of quantitative easing (and before the German Constitutional Court's positive decision on the legality of the ESM). The positive mood was further bolstered by Premier Wen Jiabao's statements late yesterday at the World Economic Forum in Tianjin that China's government is prepared to support growth. Elsewhere, monetary policy meetings will be held tomorrow in Korea, Indonesia and the Philippines.

India's July IP remains subdued

Industrial production growth came out at a meager 0.1% y/y (consensus: 0.5%), up from June's -1.8% contraction, with momentum remaining weak due to sluggish manufacturing activity. Tight lending conditions, high inflation, and last July's power failures are also undermining production. Looking ahead, the RBI's next policy meeting will be held on September 17, where we expect interest rates to be kept on hold in light of India's still-high inflation rate, but a 25bp cut in the cash reserve ratio to 4.5% is possible to help reduce funding costs by banks.

Korea's unemployment remains stable ahead of tomorrow's BOK decision

The August unemployment rate stayed flat at 3.1% (seasonally adjusted), marking a better-than-expected outturn (consensus: 3.2%) as the economy created 364,000 jobs for the month. Despite today's positive outturn, we expect the central bank to cut interest rates tomorrow at its monthly policy meeting given slowing growth (the BOK last cut rates by 25 bps in July, to 3.00%). Such a move would also come after the government's announcement earlier this week of a US\$5.2bn stimulus package over 2012 and 2013.

Reserve Bank of India raises ceiling for commercial borrowings

The Reserve Bank of India on Tuesday increased the limit on external commercial borrowings by an individual company, adding to a recent spate of similar policy moves to encourage capital inflows and increase investment. In this light, the Indian finance ministry announced today that over the past month they have approved 21 foreign direct investment proposals with an aggregate value of USD 433mn, which are primarily concentrated in the pharmaceutical industry.

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Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	09-Sep	Aug	1.80%	2.00%	2.00%
Producer Price Index (YoY)	09-Sep	Aug	-2.90%	-3.20%	-3.50%
Industrial Production YTD YoY	09-Sep	Aug	10.30%	10.20%	10.10%
Industrial Production (YoY)	09-Sep	Aug	9.20%	9.00%	8.90%
Fixed Assets Inv Excl. Rural YTD YoY	09-Sep	Aug	20.40%	20.40%	20.20%
Retail Sales (YoY)	09-Sep	Aug	13.10%	13.20%	13.20%
Trade Balance (USD)	10-Sep	Aug	\$25.15B	\$19.50B	\$26.66B
Exports YoY%	10-Sep	Aug	1.00%	2.90%	2.70%
Imports YoY%	10-Sep	Aug	4.70%	3.50%	-2.60%
New Yuan Loans	10-15 SEP	Aug	540.1B	600.0B	703.9B
Money Supply - M2 (YoY)	10-15 SEP	Aug	13.90%	14.00%	13.50%
Hong Kong	Date	Period	Prior	Cons.	Actual
Industrial Production (YoY)	13-Sep	2Q	-1.60%	%	--
India	Date	Period	Prior	Cons.	Actual
Industrial Production YoY	12-Sep	Jul	-1.80%	0.50%	0.10%
Monthly Wholesale Prices YoY%	14-Sep	Aug	6.87%	7.05%	--
Japan	Date	Period	Prior	Cons.	Actual
GDP Annualized	10-Sep	2Q F	1.40%	1.00%	0.70%
Gross Domestic Product (QoQ)	10-Sep	2Q F	0.30%	0.30%	0.20%
Current Account Total	10-Sep	Jul	¥433.3B	¥485.6B	¥625.4B
Trade Balance - BOP Basis	10-Sep	Jul	¥112.0B	¥439.5B	¥373.6B
Japan Money Stock M2 YoY	11-Sep	Aug	2.20%	2.30%	2.40%
Machine Orders (MoM)	12-Sep	Jul	5.60%	2.00%	4.60%
Machine Orders YOY%	12-Sep	Jul	-9.90%	-3.60%	1.70%
Tertiary Industry Index (MoM)	12-Sep	Jul	0.10%	-0.50%	-0.80%
Malaysia	Date	Period	Prior	Cons.	Actual
Industrial Production YoY	10-Sep	Jul	3.70%	3.00%	1.40%
Philippines	Date	Period	Prior	Cons.	Actual
Total Exports (YoY)	11-Sep	Jul	4.20%	-1.00%	7.80%
Singapore	Date	Period	Prior	Cons.	Actual
Unemployment Rate (sa)	14-Sep	2Q F	2.00%	--	--
Retail Sales (YoY)	14-Sep	Jul	-0.90%	-2.40%	--
South Korea	Date	Period	Prior	Cons.	Actual
Unemployment Rate (SA)	12-Sep	Aug	3.10%	3.20%	3.10%

Calendar Events

South Korea - 7-Day Repo Rate, September 13 We expect a 25 bps cut in the benchmark rate	Current 3.00%	Consensus 2.75%	New --
Philippines - Overnight Borrowing Rate, September 13 We expect the benchmark rate to remain unchanged	Current 3.75%	Consensus 3.75%	New --
Indonesia -Reference Rate, September 13 We expect the benchmark rate to remain unchanged	Current 5.75%	Consensus 5.75%	New --

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.	2126.6	0.3	4.4	-3.3	-14.9
	Hong Kong - Hang Seng	20075.4	1.1	4.9	8.9	5.5
	Taiwan - Weighted	7570.5	1.1	2.8	7.0	-0.5
	Japan - Nikkei 225	8960.0	1.7	3.2	6.0	5.0
	Korea - Kospi	1950.0	1.6	4.1	6.8	7.6
	India - Sensex 30	18000.0	0.8	4.0	16.5	9.1
	Australia - SPX/ASX 200	4361.3	0.8	1.9	7.5	8.0
	Singapore - Strait Times	3029.7	0.4	1.1	14.5	10.4
	Indonesia - Jakarta Comp	4174.1	0.5	2.4	9.2	7.1
	Thailand - SET	1260.0	0.9	2.1	22.9	21.1
	Malaysia - KLCI	1613.8	0.0	-1.7	5.4	11.6
Philippines - Manila Comp.	5207.1	0.4	1.1	19.1	21.2	

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FOREIGN EXCHANGE MARKETS	CURRENCY	Spot	% change over a day	% change over a week	Forward 3-month	Forward 12-month
	China (CNY/USD)	6.33	0.13	0.35	6.35	6.42
	Hong Kong (HKD/USD)	7.76	-0.01	0.02	7.75	7.75
	Taiwan (TWD/USD)	29.6	0.21	0.88	29.48	29.21
	Japan (JPY/USD)	77.82	-0.06	0.73	77.76	77.47
	Korea (KRW/USD)	1127	0.15	0.83	1130	1142
	India (INR/USD)	55.2	0.29	1.32	56.05	58.44
	Australia (USD/AUD)	1.05	0.59	2.97	0.96	0.98
	Singapore (SGD/USD)	1.23	0.16	1.65	1.23	1.23
	Indonesia (IDR/USD)	9577	0.04	0.23	9653	10030
	Thailand (THB/USD)	30.9	0.36	1.03	31.08	31.50
	Malaysia (MYR/USD)	3.07	0.57	1.58	3.09	3.12
Philippines (PHP/USD)	41.6	-0.10	1.06	41.51	41.68	

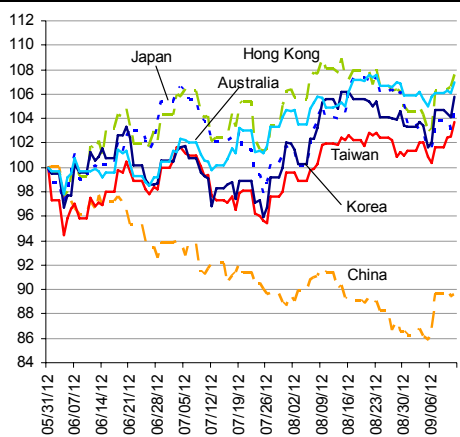
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.52	0.52	0.16	0.22
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.63	0.00	0.00	-0.01
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	3.02	0.00	-0.01	-0.02
	India (MIBOR/7D)	3.47	0.47	-0.31	0.17
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.25	0.00	-0.02	0.04
	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)	0.94	-0.38	-1.13	0.31

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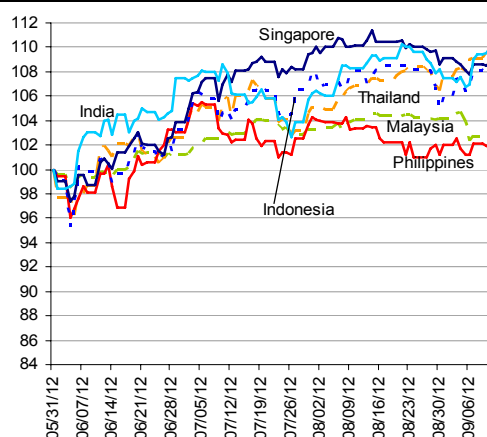
Charts

Chart 9
Stock Markets



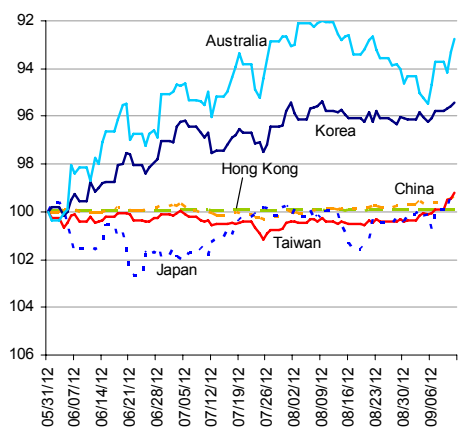
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



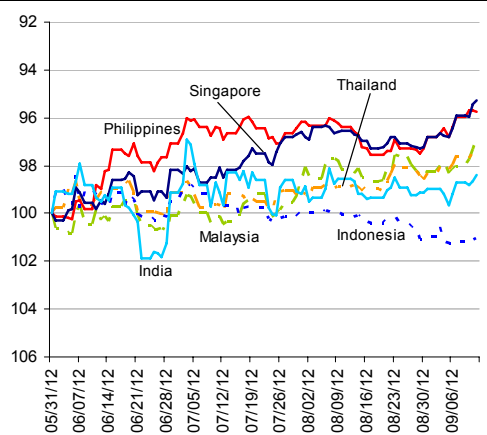
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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