

Asia Flash

Asia

Not even an unexpectedly robust data release from China today could arrest the QE-tapering sell-off in Asian markets (see below on China's Flash PMI). Stock market losses were led by the Philippines (-6.0%) which played catch-up with the rest of the region after three consecutive days of being closed. The stock market in India bucked the trend (+2.3%), although the rupee plunged to a new record low of around 65 per USD as foreign investors remain weary of policy measures after last week's move by the RBI to reduce the limits on overseas remittances.

Strong China flash PMI ends doubts of growth stabilization

The HSBC flash manufacturing PMI for August rose to 50.1 (consensus: 48.2; July: 47.7), its first +50 reading since May. The outturn (while not yet final) brings the HSBC PMI more into line with the official PMI for July, which had previously ticked up to 50.3. It is also in line with strong July activity indicators (see [China Flash](#) for details). Today's flash PMI outturn was led by an improvement in domestic demand, as new orders jumped to 50.5 from 46.6 in July, while new export orders declined to 46.5 from 47.7. As noted in our latest [China/Asia Outlook](#), under the influence of supportive policies, we expect GDP growth in Q3 to stabilize at 7.5%, and to pick up a bit further in Q4 as external demand improves for a full-year outturn of 7.6%. However, recent market turmoil from capital outflows in China's emerging market trading partners could dampen external demand, and poses downside risks to the outlook.

Shanghai Free Trade Pilot Zone receives official approval

The State Council (China's cabinet) today formally approved the Shanghai Free Trade Pilot Zone, whose creation was announced in June. Policies within the Zone aim to relax regulations on foreign investment (for example, the introduction of a negative list); open the service sector to foreign investors; and advance financial liberalization, including the streamlined opening of foreign bank branches. Plans are still sketchy and could encounter some resistance from vested interest groups.

Malaysia's central bank revises down 2013 growth forecast

Second quarter GDP growth, released yesterday, came in below expectations at 4.3% y/y (consensus: 4.7%) on weak external demand, even as domestic demand help up. The central bank revised down its full-year GDP forecast to 4.5%-5.0% from previous 5.0%-6.0%, in line with our projection of 4.8%.

Stephen Schwartz
Chief Economist for Asia
stephen.schwartz@bbva.com.hk
+852 2582 3218

Weiwei Liu
Economist
carrie.liu@bbva.com.hk
+852 2582 3243

George Xu
Economist
george.xu@bbva.com.hk
+852 2582 3121

With contributions from the BBVA Research Asia Team

Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Foreign Direct Investment YoY	22-23 AUG	Jul	20.10%	14.00%	--
HSBC/Markit Flash Mfg PMI	22 Aug	Aug	47.7	48.2	50.1
Hong Kong	Date	Period	Prior	Cons.	Actual
Composite Interest Rate	19 Aug	Jul	0.32%	--	0.32%
Unemployment Rate SA	19 Aug	Jul	3.30%	3.30%	3.30%
CPI Composite YoY	20 Aug	Jul	4.10%	4.90%	6.90%
Japan	Date	Period	Prior	Cons.	Actual
Exports YoY	19 Aug	Jul	7.40%	12.80%	12.20%
Imports YoY	19 Aug	Jul	11.80%	16.00%	19.60%
Trade Balance	19 Aug	Jul	-¥182.3B	-¥773.5B	-¥1024.0B
All Industry Activity Index MoM	20 Aug	Jun	1.20%	-0.70%	-0.60%
Malaysia	Date	Period	Prior	Cons.	Actual
GDP YoY	21 Aug	2Q	4.10%	4.70%	4.30%
CPI YoY	21 Aug	Jul	1.80%	2.00%	2.00%
BoP Current Account Balance	21 Aug	2Q	8.7B	0.9B	2.6B
Singapore	Date	Period	Prior	Cons.	Actual
CPI YoY	23 Aug	Jul	1.80%	2.10%	--
Taiwan	Date	Period	Prior	Cons.	Actual
Export Orders YoY	20 Aug	Jul	-3.50%	-1.00%	0.50%
Unemployment Rate	22 Aug	Jul	4.17%	4.18%	4.18%
Commercial Sales YoY	23 Aug	Jul	-0.27%	-0.26%	--
Industrial Production YoY	23 Aug	Jul	-0.43%	-0.53%	--
Thailand	Date	Period	Prior	Cons.	Actual
GDP YoY	19 Aug	2Q	5.40%	3.30%	2.80%
GDP SA QoQ	19 Aug	2Q	-1.70%	0.20%	-0.30%
Vietnam	Date	Period	Prior	Cons.	Actual
CPI YoY	24 Aug	Aug	7.29%	7.35%	--

Calendar Events

Thailand – Benchmark Interest Rate , Aug 21	Current	Cons.	New
We expect the benchmark rate to remain unchanged	2.50%	2.50%	2.50%

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.	2067.1	-0.3	-0.7	-8.9	-1.9
	Hong Kong – Hang Seng	21895.4	0.4	-2.9	-3.4	10.1
	Taiwan – Weighted	7814.4	-0.2	-1.7	1.5	4.1
	Japan – Nikkei 225	13365.2	-0.4	-2.8	28.6	46.4
	Korea – Kospi	1849.1	-1.0	-3.9	-7.4	-4.4
	India – Sensex 30	18312.9	2.3	-5.4	-5.7	2.6
	Australia – SPX/ASX 200	5075.7	-0.5	-1.5	9.2	16.0
	Singapore – Strait Times	3089.4	-0.6	-4.1	-2.5	1.3
	Indonesia – Jakarta Comp	4171.4	-1.1	-11.0	-3.4	0.3
	Thailand – SET	1351.8	-0.2	-7.0	-2.9	9.5
	Malaysia – KLCI	1720.4	-1.4	-4.0	1.9	4.1
	Philippines – Manila Comp.	6136.7	-6.0	-4.8	5.6	17.9

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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)	6.12	0.04	-0.14	6.18	6.25
	Hong Kong (HKD/USD)	7.76	-0.01	-0.01	7.75	7.75
	Taiwan (TWD/USD)	30.0	-0.30	-0.23	29.97	29.83
	Japan (JPY/USD)	98.69	-1.02	-1.34	98.64	98.32
	Korea (KRW/USD)	1123	-0.49	-0.48	1127	1137
	India (INR/USD)	65.0	-1.42	-5.41	66.82	70.42
	Australia (USD/AUD)	0.90	0.17	-1.73	1.12	1.14
	Singapore (SGD/USD)	1.28	0.00	-1.17	1.28	1.28
	Indonesia (IDR/USD)	10875	-0.92	-4.29	11528	12368
	Thailand (THB/USD)	32.1	-0.59	-2.59	32.59	33.01
	Malaysia (MYR/USD)	3.31	-0.45	-0.99	3.34	3.38
	Philippines (PHP/USD)	44.2	-0.44	-0.83	44.31	44.60

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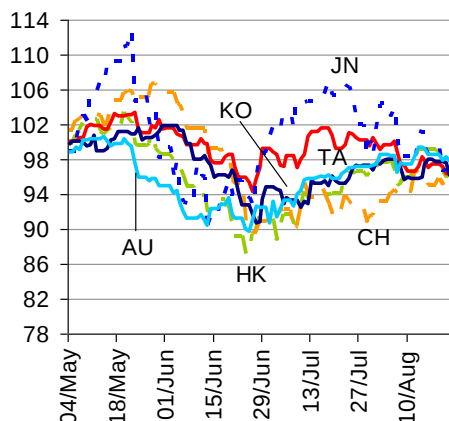
INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	4.11	-0.09	0.36	0.21
	Hong Kong (HIBOR/1W)	0.12	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.52	0.00	0.00	-0.01
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	2.56	0.00	0.00	0.00
	India (MIBOR/7D)	4.92	0.62	0.37	0.28
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	5.31	-0.01	0.01	0.15
	Thailand (BIBOR/1W)	2.77	0.00	0.00	0.00
	Malaysia (KLIBOR/1W)	2.90	0.00	0.00	0.00
	Philippines (PHIBOR/1W)	1.25	0.00	-0.31	0.31

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Charts

Chart 1

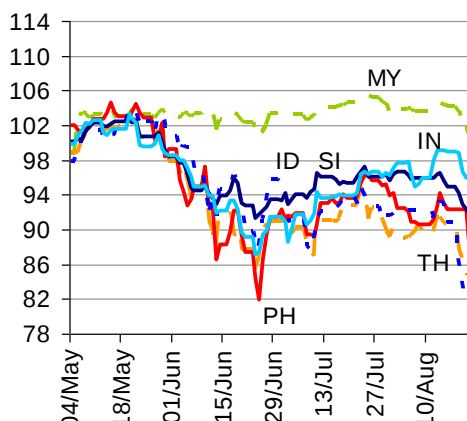
Stock Markets



Source: BBVA Research and Bloomberg

Chart 2

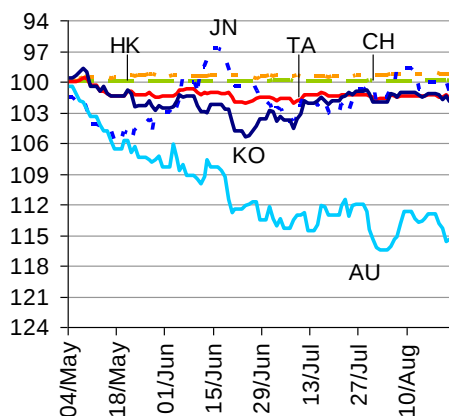
Stock Markets



Source: BBVA Research and Bloomberg

Chart 3

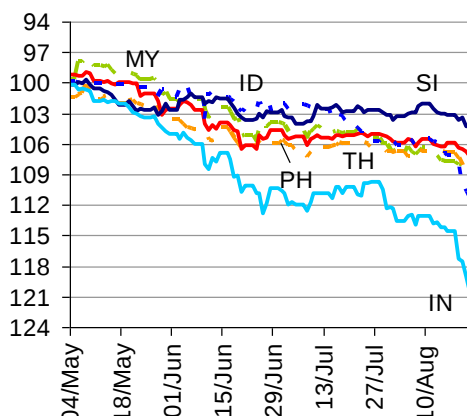
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4

Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Stephen Schwartz
Chief Economist for Asia
stephen.schwartz@bbva.com.hk

Sumedh Deorukhkar
Senior Economist (India, Mumbai)
sumedh.deorukhkar@bbva.com

Fielding Chen
Senior Economist
fielding.chen@bbva.com.hk

George Xu
Economist
george.xu@bbva.com.hk

Le Xia
Senior Economist
xia.le@bbva.com.hk

Weiwei Liu
Economist
carrie.liu@bbva.com.hk



RESEARCH



10/F., Two IFC, 8 Finance Street, Central, Hong Kong | Tel.: +852 2582 3111 | www.bbva.com.hk

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