

Asia Flash

Asia

China's stock market re-opened today, after a week-long holiday. The Shanghai index rose by 1.1%, in catch-up with regional developments. Recent activity data in China has confirmed a pickup in growth momentum, and we await Q3 GDP (BBVA: 7.7% y/y and September activity indicators due out on October 18).

India's central bank relaxes liquidity measures as external pressures ease

In an earlier-than-expected move, the Reserve Bank of India late yesterday cut the overnight lending rate for banks (the so called Marginal Standing Facility rate) by 50 bps to 9.0% and introduced 7- and 14-day repo operations to inject additional liquidity in the banking system. The MSF rate, which still stands above the benchmark repo rate of 7.50%, was hiked to 10.25% in July to defend the rupee against strong depreciation pressures. Since then, a stabilizing trend in USDINR (at 61.5 vs 68 in August), helped in part by the Fed's decision to delay QE taper, has led RBI to gradually rollback its exceptional liquidity measures (the MSF rate was first cut last September by 75 bps). Looking ahead, given near term upside risks to inflation and lingering concerns over the impact of eventual Fed taper, we expect RBI to take a cautious approach towards further policy normalization. In this context, we would not rule out another 25 bps repo rate hike before year-end if inflation and rupee fail to stabilize, although the RBI appears to be adopting a neutral stance for the time being.

Bank Indonesia leave rates unchanged after series of aggressive hikes

As expected, Bank Indonesia today left its policy rate unchanged at 7.25%, after cumulative rate hikes of 150bp during June-September in the wake of rising inflation and downward currency pressures. Data for September has provided some relief that pressures are easing, including a decline in inflation to 8.4% y/y (from a peak of 8.8% in August), a monthly trade surplus, and an increase in reserves. After depreciating by around 15% against the USD this year, the rupiah has stabilized over the past month, at around 11,500 per USD at present. We expect interest rates to stay on hold during the remainder of the year, depending on the stability of the external environment. However, the toll on GDP growth is already evident, and we expect full-year growth of around 5.5% in 2013, down from 6.2% in 2012.

Briefly noted:

Taiwan September exports fall more than expected, by -7.0% y/y (consensus: -1.2% y/y; August: 3.6% y/y), partially due to high base effect. On a sequential basis, exports moderated to 1.4% m/m sa after a notably pickup in August (3.7% m/m sa), thanks to strong exports of electronic products. Demand from ASEAN countries remain resilient. Shipments to the Europe and Japan improved while exports to China/HK softened probably due to holiday effect.

Also in Taiwan, headline inflation registered 0.8% y/y in September after a -0.8% y/y contraction in August. Food price especially for vegetable prices jumped due to extreme weather conditions and mid-autumn holiday effect. Core CPI inched up to 0.6% y/y from 0.5% in the previous month. Given a benign outlook for inflation in Taiwan, the central bank has kept its benchmark rate unchanged after the quarterly monetary policy meeting held late in September

to support economic recovery as external uncertainties remain.

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Unemployment Rate	10 Oct	Sep	5.80%	5.80%	--
China	Date	Period	Prior	Cons.	Actual
Foreign Reserves	10-15 Oct	Sep	\$3496.7B	\$3520.0B	--
New Yuan Loans	10-15 Oct	Sep	711.3B	675.0B	--
Money Supply M2 YoY	10-15 Oct	Sep	14.70%	14.00%	--
Aggregate Financing RMB	10-15 Oct	Sep	1570.0B	1350.0B	--
Trade Balance	12 Oct	Sep	\$28.52B	\$25.90B	--
Exports YoY	12 Oct	Sep	7.20%	5.20%	--
Imports YoY	12 Oct	Sep	7.00%	7.00%	--
Indonesia	Date	Period	Prior	Cons.	Actual
Foreign Reserves	07 Oct	Sep	\$93.0B	--	\$95.7B
India	Date	Period	Prior	Cons.	Actual
Exports YoY	10-15 Oct	Sep	13.00%	--	--
Industrial Production YoY	11 Oct	Aug	2.60%	2.30%	--
Japan	Date	Period	Prior	Cons.	Actual
BoP Current Account Balance	08 Oct	Aug	¥577.3B	¥520.0B	¥161.5B
Machine Tool Orders YoY	09 Oct	Sep P	-1.70%	--	--
Tertiary Industry Index MoM	10 Oct	Aug	-0.40%	0.40%	--
Machine Orders MoM	10 Oct	Aug	0.00%	2.50%	--
Machine Orders YOY	10 Oct	Aug	6.50%	8.50%	--
Malaysia	Date	Period	Prior	Cons.	Actual
Industrial Production YoY	10 Oct	Aug	7.60%	7.50%	--
Philippines	Date	Period	Prior	Cons.	Actual
Exports YoY	10 Oct	Aug	2.30%	19.40%	--
Taiwan	Date	Period	Prior	Cons.	Actual
CPI YoY	07 Oct	Sep	-0.80%	0.10%	0.83%
Exports YoY	07 Oct	Sep	3.60%	-1.20%	-7.00%

Calendar Events

Indonesia – Bank Indonesia Reference Rate, Oct 8	Current	Cons.	New
We expect the benchmark rate to remain unchanged	7.25%	7.25%	7.25%
Korea – BoK 7-Day Repo Rate, Oct 10	Current	Cons.	New
We expect the benchmark rate to remain unchanged	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.	2198.2	1.1	-0.4	-3.1	5.4
Hong Kong – Hang Seng	23178.9	0.9	1.4	2.3	11.3	
Taiwan – Weighted	8375.7	0.5	2.3	8.8	10.0	
Japan – Nikkei 225	13894.6	0.3	-4.1	33.7	56.8	
Korea – Kospi	2002.8	0.4	0.3	0.3	1.1	
India – Sensex 30 *	19983.6	0.4	3.1	2.9	6.8	
Australia – SPX/ASX 200	5149.4	-0.2	-1.1	10.8	14.9	
Singapore – Strait Times	3146.5	0.3	-1.1	-0.6	2.3	
Indonesia – Jakarta Comp	4432.5	1.3	2.0	2.7	3.8	
Thailand – SET	1434.1	1.4	1.8	3.0	9.9	
Malaysia – KLCI	1777.5	0.0	0.5	5.2	7.1	
Philippines – Manila Comp.	6454.9	0.2	4.1	11.0	18.8	

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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	0.00	0.00	6.15	6.18
Hong Kong (HKD/USD)	7.75	0.01	0.00	7.75	7.75	
Taiwan (TWD/USD)	29.4	0.31	0.65	29.22	28.97	
Japan (JPY/USD)	97.04	-0.34	0.99	96.97	96.67	
Korea (KRW/USD)	1074	-0.20	-0.02	1080	1093	
India (INR/USD)	61.8	-0.07	1.01	63.42	66.78	
Australia (USD/AUD)	0.95	0.47	0.80	1.06	1.08	
Singapore (SGD/USD)	1.25	-0.03	0.30	1.25	1.25	
Indonesia (IDR/USD)	11252	-0.04	0.96	11580	12300	
Thailand (THB/USD)	31.4	0.08	-0.41	31.53	32.10	
Malaysia (MYR/USD)	3.20	-0.18	1.25	3.21	3.25	
Philippines (PHP/USD)	43.1	-0.03	0.42	42.93	42.99	

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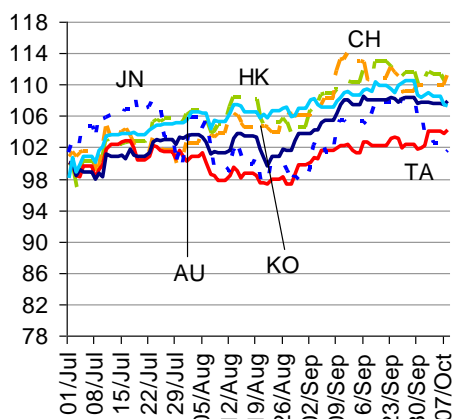
INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	4.40	0.20	0.20	0.93
Hong Kong (HIBOR/1W)	0.14	0.00	0.00	0.02	
Taiwan (TAIBOR/1W)	0.51	0.00	0.00	0.00	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.56	0.00	0.00	0.00	
India (MIBOR/7D)	4.39	0.14	-0.09	0.90	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	6.09	0.00	0.02	0.38	
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

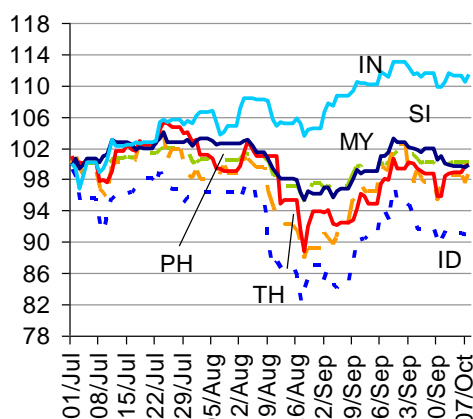
Stock Markets



Source: BBVA Research and Bloomberg

Chart 2

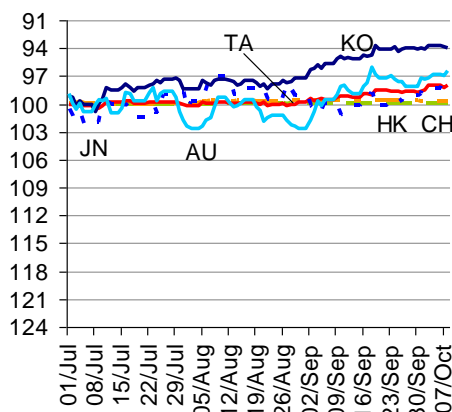
Stock Markets



Source: BBVA Research and Bloomberg

Chart 3

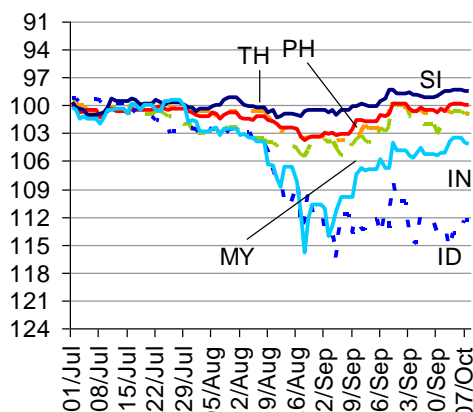
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4

Foreign Exchange Markets



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