

Asia Flash

Asia

Continued rise in China's housing prices poses dilemma for PBoC

New home prices for the month of September rose in 69 of the 70 cities surveyed on year-over-year basis, similar to the previous month. Major tier 1 cities saw the biggest increases, including Beijing (20.6% y/y), Shanghai (20.4% y/y), Guangzhou (20.2% y/y) and Shenzhen (20.1% y/y). We estimate that nationwide home prices (include existing homes) rose by 8.9% y/y in September compared to 8.1% in August. On a sequential basis, we estimate that housing prices rose by 0.7% m/m nsa compared to 0.8% in the previous month. In addition the volume of sales accelerated in September. The rebound in the housing market has been a factor behind the pickup in overall growth momentum (Q3 GDP rose by 7.8% y/y, up from 7.5% y/y in Q2). However, the rise in home prices is raising concerns about affordability and financial stability, and poses a dilemma for the PBoC as it seeks to support growth through an accommodative monetary stance on the one hand, while curbing credit growth and curtailing rising financial fragilities on the other. The continued rise in housing prices is raises expectations that measures to boost supply and extend the property tax may be announced as part of the package of reforms at the November Plenary meeting. The last set of measures to cool home prices was announced last February with the implementation of a 20% capital gains tax on second-hand homes sales.

Singapore gets another boost as an RMB center

Following similar agreements signed last week between China and the UK, the Monetary Authority of Singapore (MAS) today announced that China has extended the Renminbi Qualified Foreign Institutional Investor (RQFII) program to Singapore, with an aggregate quota of RMB 50 billion. The RQFII allows foreigners to use off-shore RMB proceeds to invest in the Mainland's stock and bond markets. Also announced today is the introduction of direct trading between the RMB and SGD, the sixth such agreement after the USD, JPY, AUD, RUB, and GBP. Today's announcement is the latest step toward deepening RMB internationalization, and it provides another boost in offshore competition with Hong Kong as an international RMB center.

Briefly noted:

Hong Kong inflation ticks up in September

Headline inflation, announced yesterday, ticked up to 4.6% y/y (consensus: 4.4% y/y) in September, from 4.5% y/y the previous month. However, netting out the effects of the one-off relief measures, CPI inflation was 4.2% y/y in September (vs. 4.3% y/y in August). Food and residential rental continued to be the major drivers of aggregate price increase. We expect inflation of 4.4% y/y by end-year.

Taiwan export orders accelerate on demand from advanced economies

Against the backdrop of generally improving, but still uneven export performance around the region, yesterday's release of robust September exports orders came as a relief. New orders rose by 2.0% y/y (consensus: 0.4% y/y) from 0.5% in August). Demand from the US, EU and Japan all improved, but softened in China/HK and the ASEAN countries. Overall, improving external demands bode well for a mild recovery of Taiwan's economy in the 2H 2013.

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
CPI QoQ	23 Oct	3Q	0.40%	0.80%	--
CPI YoY	23 Oct	3Q	2.40%	1.80%	--
China	Date	Period	Prior	Cons.	Actual
September Property Prices	22 Oct	Sep	--	--	--
HSBC/Markit Flash Mfg PMI	24 Oct	Oct	50.2	50.4	--
Industrial Profits YTD YoY	27 Oct	Sep	12.80%	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
CPI Composite YoY	21 Oct	Sep	4.50%	4.40%	4.60%
Exports YoY	24 Oct	Sep	-1.30%	-3.00%	--
Japan	Date	Period	Prior	Cons.	Actual
Imports YoY	21 Oct	Sep	16.0%	19.9%	16.5%
Exports YoY	21 Oct	Sep	14.6%	15.6%	11.5%
All Industry Activity Index MoM	21 Oct	Aug	0.40%	0.20%	0.30%
Natl CPI YoY	25 Oct	Sep	0.90%	0.90%	--
Malaysia	Date	Period	Prior	Cons.	Actual
CPI YoY	23 Oct	Sep	1.90%	2.50%	--
Philippines	Date	Period	Prior	Cons.	Actual
Imports YoY	25 Oct	Aug	8.70%	--	--
Singapore	Date	Period	Prior	Cons.	Actual
CPI YoY	23 Oct	Sep	2.00%	2.00%	--
Industrial Production SA MoM	25 Oct	Sep	-1.40%	0.50%	--
Industrial Production YoY	25 Oct	Sep	3.50%	5.50%	--
South Korea	Date	Period	Prior	Cons.	Actual
GDP SA QoQ	25 Oct	3Q P	1.10%	0.90%	--
GDP YoY	25 Oct	3Q P	2.30%	3.10%	--
Taiwan	Date	Period	Prior	Cons.	Actual
Export Orders YoY	21 Oct	Sep	0.50%	0.40%	2.00%
Unemployment Rate	22 Oct	Sep	4.19%	4.20%	4.18%
Commercial Sales YoY	23 Oct	Sep	-0.60%	-0.65%	--
Industrial Production YoY	23 Oct	Sep	-0.70%	0.10%	--
Thailand	Date	Period	Prior	Cons.	Actual
Customs Exports YoY	24-26 Oct	Sep	3.90%	--	--
Customs Imports YoY	24-26 Oct	Sep	-2.10%	--	--
Vietnam	Date	Period	Prior	Cons.	Actual
CPI YoY	24 Oct	Oct	6.30%	6.25%	--
Exports YTD YoY	25-31 Oct	Oct	15.70%	--	--

Calendar Events

	Current	Cons.	New
Philippines – BSP Overnight Borrowing Rate, Oct 24 We expect the benchmark rate to remain unchanged	3.50%	3.50%	--

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.	2210.7	-0.8	-1.0	-2.6	3.7
Hong Kong – Hang Seng	23316.0	-0.5	-0.1	2.9	7.5	
Taiwan – TAIEX	8418.3	0.0	0.6	9.3	14.2	
Japan – Nikkei 225	14713.3	0.1	1.9	41.5	63.3	
Korea – Kospi	2056.1	0.2	0.7	3.0	5.9	
India – Sensex 30 *	20865.0	-0.1	1.2	7.4	11.0	
Australia – SPX/ASX 200	5373.1	0.4	2.2	15.6	18.3	
Singapore – Strait Times	3210.2	0.5	1.4	1.4	5.4	
Indonesia – Jakarta Comp	4512.7	-1.4	-0.2	4.5	3.9	
Thailand – SET	1457.4	0.6	-1.1	4.7	11.2	
Malaysia – KLCI	1803.6	0.1	1.1	6.8	8.5	
Philippines – Manila Comp.	6603.6	0.1	2.5	13.6	21.7	

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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)	6.09	0.02	0.15	6.13	6.15
Hong Kong (HKD/USD)	7.75	0.00	0.03	7.75	7.75	
Taiwan (TWD/USD)	29.4	-0.04	-0.07	29.28	29.01	
Japan (JPY/USD)	98.37	-0.18	-0.21	98.31	98.05	
Korea (KRW/USD)	1061	0.13	0.55	1067	1080	
India (INR/USD)	61.6	-0.08	0.45	63.04	66.73	
Australia (USD/AUD)	0.97	0.13	1.47	1.04	1.06	
Singapore (SGD/USD)	1.24	0.10	0.27	1.24	1.24	
Indonesia (IDR/USD)	11291	-3.88	-3.43	11551	12186	
Thailand (THB/USD)	31.2	-0.03	0.42	31.30	31.75	
Malaysia (MYR/USD)	3.17	-0.08	-0.46	3.19	3.23	
Philippines (PHP/USD)	43.2	-0.07	-0.05	42.93	42.95	

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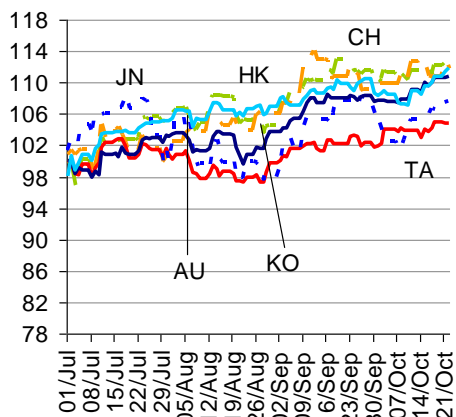
INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.55	0.00	0.20	-0.45
Hong Kong (HIBOR/1W)	0.14	0.00	0.00	0.02	
Taiwan (TAIBOR/1W)	0.51	0.00	0.00	0.00	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.56	0.01	0.00	0.00	
India (MIBOR/7D)	3.82	0.27	-0.51	-0.01	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	6.10	0.00	0.00	0.10	
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

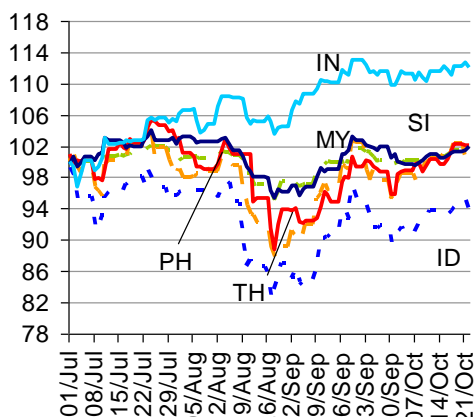
Stock Markets



Source: BBVA Research and Bloomberg

Chart 2

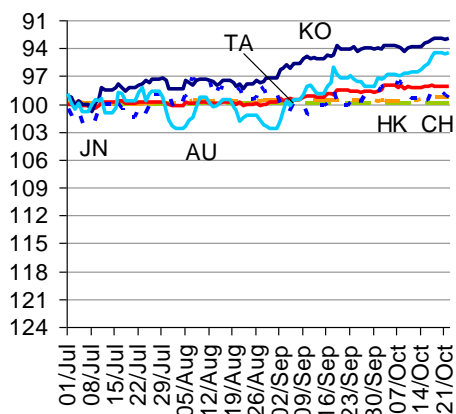
Stock Markets



Source: BBVA Research and Bloomberg

Chart 3

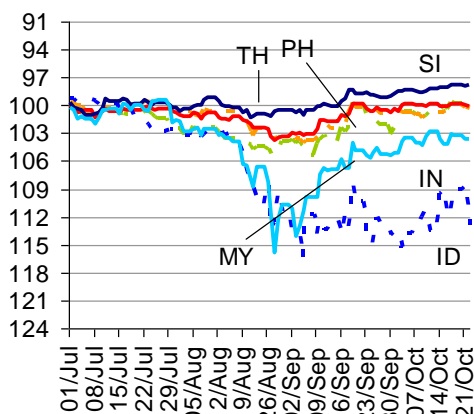
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4

Foreign Exchange Markets



Source: BBVA Research and Bloomberg


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