

# Asia Flash

## Asia

### China to implement new policies to slow shadow banking

As widely reported by domestic and international media outlets over the past day, the Chinese government plans to implement new measures to slow the pace of shadow bank lending. In our *Banking Watch* of last March, we described the evolution of the Chinese shadow banking system, which has continued to boom in despite official efforts to clamp down by requiring banks to bring off-balance-sheet lending back onto their books. While having a beneficial effect in supporting GDP growth, the rapid growth of shadow bank lending has led to over-indebtedness and rising liquidity risks, as evidenced by renewed stress in the interbank market in recent weeks. We estimate outstanding shadow bank credit of RMB 36 trillion (US\$6 trillion or 70% of GDP) as of end-2013, accounting for around 1/3 of total credit (including bank loans). The latest measures, which were discussed by the State Council in December, build on previous official efforts by seeking to create a more comprehensive regulatory framework for shadow banking activities and curbing the issuance of banks' and trust companies' wealth management products (which are the source of funding for much of the shadow banking system). The new regulations appear to strike a balance between curbing the growth of shadow banking while preventing a credit crunch that could undermine GDP growth.

### Briefly noted:

#### Taiwan December exports recover, but still below expectations

While Taiwan's exports contracted by -1.9% y/y in December (consensus: +0.5% y/y; previous: 0.0% y/y) due to unfavourable base effects, on a seasonally adjusted sequential basis, exports rose for a second consecutive month (2.1% m/m sa vs. November: 1.2%). The pickup was led by improved demand from ASEAN and Europe, which offset softer demand from China and Hong Kong. As for the full year of 2013, exports increased marginally by 0.7% compared to a decline of -2.3% in 2012, suggesting a gradual improvement in external demand.

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With contributions from the BBVA Research Asia Team

## Calendar Indicators

<b>Australia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Retail Sales MoM	09 Jan	Nov	0.50%	0.40%	--
<b>China</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Imports YoY	08-14 Jan	Dec	5.30%	5.00%	--
Exports YoY	08-14 Jan	Dec	12.70%	5.30%	--
CPI YoY	09 Jan	Dec	3.00%	2.70%	--
PPI YoY	09 Jan	Dec	-1.40%	-1.30%	--
Aggregate Financing RMB	10-15 Jan	Dec	1227.8B	1150.0B	--
New Yuan Loans	10-15 Jan	Dec	624.6B	590.0B	--
Money Supply M2 YoY	10-15 Jan	Dec	14.20%	13.90%	--
<b>India</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Exports YoY	10-15 Jan	Dec	5.90%	5.70%	--
<b>Malaysia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Exports YoY	08 Jan	Nov	9.60%	10.30%	--
Industrial Production YoY	09 Jan	Nov	1.70%	2.90%	--
<b>Philippines</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
CPI YoY	07 Jan	Dec	3.30%	3.90%	4.10%
Exports YoY	10 Jan	Nov	14.00%	11.50%	--
<b>Taiwan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
CPI YoY	06 Jan	Dec	0.67%	0.80%	0.33%
Exports YoY	07 Jan	Dec	0.0%	0.5%	-1.9%

## Calendar Events

<b>Indonesia – Bank Indonesia Reference Rate, Jan 09</b>	<b>Current</b>	<b>Cons.</b>	<b>New</b>
We expect the benchmark rate to remain unchanged	7.50%	7.50%	--
<b>Korea – BoK 7-Day Repo Rate, Jan 09</b>	<b>Current</b>	<b>Cons.</b>	<b>New</b>
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.	2047.3	0.1	-2.4	-3.2	-10.4
Hong Kong – Hang Seng	22712.8	0.1	-2.3	-2.5	-2.6	
Taiwan – TAIEX	8512.3	0.1	-1.3	-1.2	9.8	
Japan – Nikkei 225	15814.4	-0.6	-1.2	-2.9	49.2	
Korea – Kospi	1959.4	0.3	-2.1	-2.6	-2.6	
India – Sensex 30 *	20693.2	-0.5	-2.3	-2.3	5.1	
Australia – SPX/ASX 200	5317.0	-0.1	-0.7	-0.7	12.7	
Singapore – Strait Times	3120.9	-0.1	-1.0	-1.5	-3.0	
Indonesia – Jakarta Comp	4175.8	-0.6	-0.9	-2.3	-4.9	
Thailand – SET	1262.4	2.6	-3.5	-2.8	-10.8	
Malaysia – KLCI	1825.1	-0.2	-2.5	-2.2	7.7	
Philippines – Manila Comp.	5947.4	-0.6	1.2	1.0	-1.6	

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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)	6.05	0.02	0.05	6.11	6.11
Hong Kong (HKD/USD)	7.75	0.01	0.00	7.75	7.75	
Taiwan (TWD/USD)	30.1	0.07	-0.90	30.06	29.90	
Japan (JPY/USD)	104.44	-0.21	0.83	104.40	104.14	
Korea (KRW/USD)	1068	-0.28	-1.74	1073	1084	
India (INR/USD)	62.4	-0.08	-0.92	63.66	67.45	
Australia (USD/AUD)	0.89	-0.56	0.00	1.13	1.15	
Singapore (SGD/USD)	1.27	-0.28	-0.67	1.27	1.27	
Indonesia (IDR/USD)	12238	-0.47	-0.55	12525	13270	
Thailand (THB/USD)	33.1	-0.13	-1.26	33.52	34.10	
Malaysia (MYR/USD)	3.28	0.05	-0.26	3.30	3.35	
Philippines (PHP/USD)	44.8	-0.25	-0.93	44.88	44.96	

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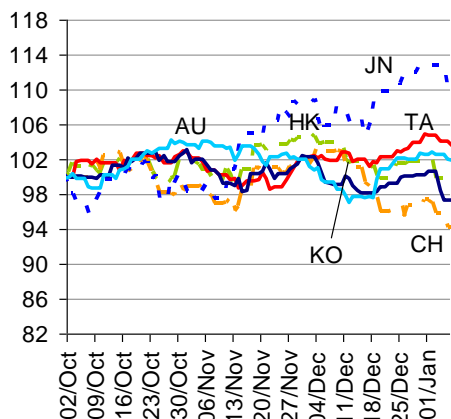
INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	4.27	-0.33	-0.61	-0.28
Hong Kong (HIBOR/1W)	0.13	0.00	-0.01	-0.01	
Taiwan (TAIBOR/1W)	0.50	0.00	0.00	-0.01	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.55	-0.01	-0.01	-0.01	
India (MIBOR/7D)	5.25	-0.08	-0.75	0.60	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	6.40	-0.01	-0.53	-0.07	
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

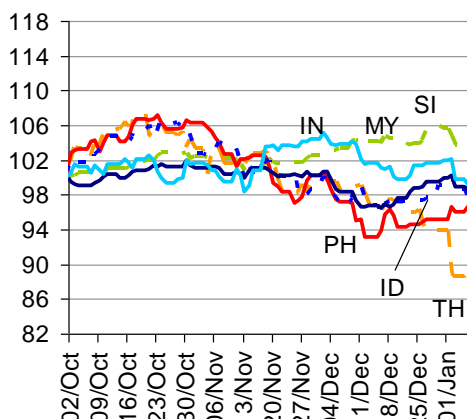
## Stock Markets



Source: BBVA Research and Bloomberg

Chart 2

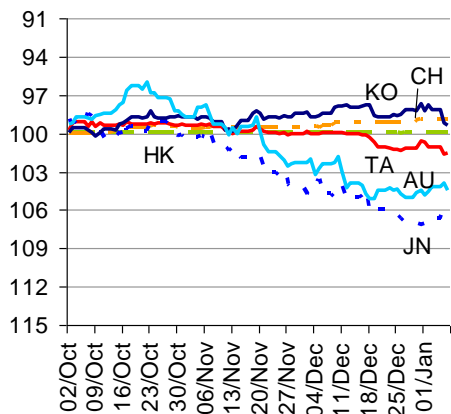
## Stock Markets



Source: BBVA Research and Bloomberg

Chart 3

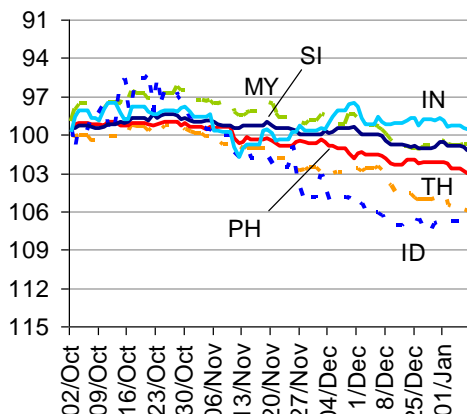
## Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4

## Foreign Exchange Markets



Source: BBVA Research and Bloomberg


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