

# Daily Flash

## Asia

*Monetary policy was the center of attention today, ahead of the Federal Reserve's decision on further easing measures. Within the region, the Bank of Korea's decision to leave rates unchanged came as a surprise given low inflation and weakening growth (see below). Meanwhile, as expected, the Philippines and Indonesia kept rates steady due to strong growth momentum in both countries.*

### China announces policy initiatives to promote international trade

On the heels of tepid August activity outturns, the State Council yesterday unveiled a package of policy initiatives to support exports. The new measures include: i) accelerating tax rebates for exporters; ii) expanding coverage of export credit and insurance; iii) simplifying procedures for exports and imports; iv) encouraging imports of advanced equipment; and v) helping domestic exporters in settling trade disputes with other countries. Although details of these policy initiatives have not yet been released, we expect them to be implemented soon in order to support the economy's growth momentum.

### Bank of Korea surprises by staying on hold

Korea's central bank defied expectations of a rate cut today, leaving its policy rate unchanged at 3.00% for a second straight month, despite slowing economic activity, low inflation, and an uncertain global environment. According to the central bank's statement, "the Committee expects the pace of global economic recovery to be very modest going forward and judges the downside risks to growth to be large," but did not feel a rate cut was required at this juncture. We believe the decision reflects the monetary policy committee's desire to leave room for stimulus later in the year, and also to allow fiscal policy to work following the government's announcement this week of a US\$5.2bn stimulus package. More generally, the BOK has been reluctant to cut rates for fear of fueling a further rise in consumer borrowing. We still expect a rate cut in the coming month or two.

### The Philippines and Indonesia hold rates on robust growth and inflation

The Philippines and Indonesia also kept their respective policy rates steady today, in line with expectations. Further rate cuts in the near-term appear unlikely given both countries' strong growth momentum as well as the likelihood that robust domestic demand will drive inflation higher in the coming months. In this light, the Philippines raised its official inflation forecasts today, to 3.4% y/y and 4.1% y/y in 2012 and 2013, respectively (BBVA: 3.4% y/y and 3.9% y/y).

### Briefly noted:

**The PBoC continues to inject liquidity into the interbank market**, with another RMB 55bn today including RMB20bn of new 28-day reverse repos. This was the first time the 28-day reverse repo was issued since the PBoC started its regular OMOs nearly a decade ago (the PBoC typically uses 7-day reverse repos), and was done primarily to help banks smooth their liquidity given growing cash demands before the National holiday, which starts September 30th.

## 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%	%	-2.90%
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**

3.00%

### Philippines - Overnight Borrowing Rate, September 13

We expect the benchmark rate to remain unchanged

**Current**

3.75%

**Consensus**

3.75%

**New**

3.75%

### Indonesia -Reference Rate, September 13

We expect the benchmark rate to remain unchanged

**Current**

5.75%

**Consensus**

5.75%

**New**

5.75%

## 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.	2110.4	-0.8	2.8	-4.0	-14.6
	Hong Kong - Hang Seng	20047.6	-0.1	4.4	8.8	5.3
	Taiwan - Weighted	7578.8	0.1	3.4	7.2	2.5
	Japan - Nikkei 225	8995.2	0.4	3.6	6.4	4.4
	Korea - Kospi	1950.7	0.0	3.7	6.8	7.6
	India - Sensex 30	18021.2	0.1	3.9	16.6	9.4
	Australia - SPX/ASX 200	4339.4	-0.5	0.6	7.0	6.5
	Singapore - Strait Times	3030.1	0.0	1.4	14.5	11.0
	Indonesia - Jakarta Comp	4170.6	-0.1	1.7	9.1	7.6
	Thailand - SET	1257.7	-0.2	1.1	22.7	21.9
	Malaysia - KLCI	1628.4	0.9	0.6	6.4	12.5
	Philippines - Manila Comp.	5240.5	0.6	1.8	19.9	22.1

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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	-0.05	0.21	6.36	6.43
	Hong Kong (HKD/USD)	7.76	-0.01	0.02	7.75	7.75
	Taiwan (TWD/USD)	29.7	-0.16	0.68	29.55	29.30
	Japan (JPY/USD)	77.72	0.18	1.47	77.66	77.38
	Korea (KRW/USD)	1128	-0.17	0.48	1134	1146
	India (INR/USD)	55.4	-0.38	0.38	56.34	58.72
	Australia (USD/AUD)	1.04	-0.33	1.43	0.97	0.99
	Singapore (SGD/USD)	1.23	-0.08	0.99	1.23	1.23
	Indonesia (IDR/USD)	9599	-0.23	-0.08	9705	10104
	Thailand (THB/USD)	31.0	-0.10	0.48	31.19	31.60
	Malaysia (MYR/USD)	3.08	-0.28	1.15	3.10	3.13
	Philippines (PHP/USD)	41.7	-0.37	0.26	41.79	41.99

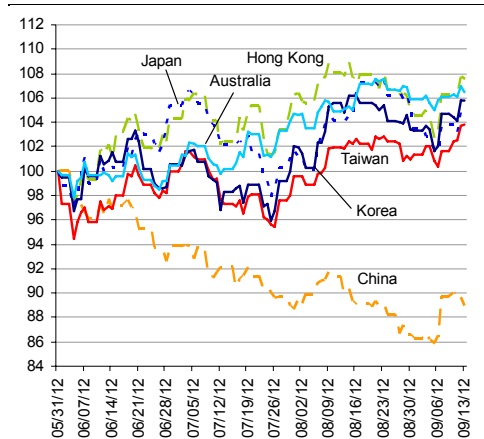
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.43	-0.09	0.07	0.08
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.63	0.00	0.00	-0.01
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	3.02	0.00	-0.01	-0.02
	India (MIBOR/7D)	3.44	-0.03	0.01	0.10
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.24	-0.01	-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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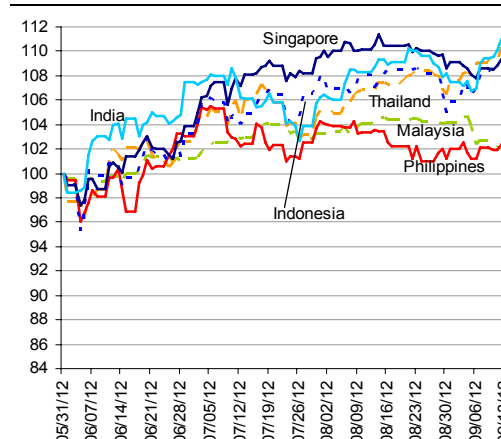
# Charts

Chart 9  
Stock Markets



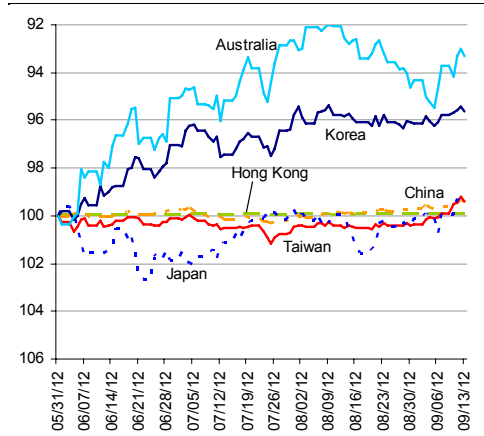
Source: BBVA Research and Bloomberg

Chart 10  
Stock Markets



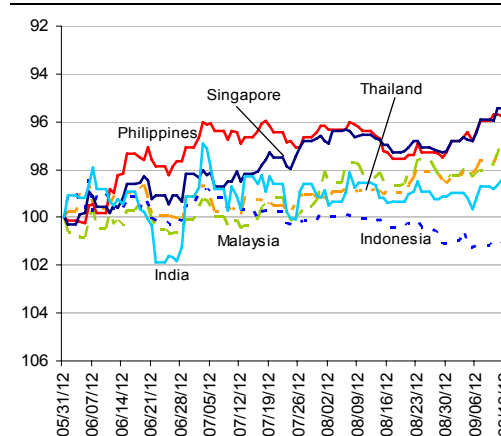
Source: BBVA Research and Bloomberg

Chart 11  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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