

Daily Flash

Asia

Moderating trend in Singapore inflation gives room for monetary easing

Singapore's CPI inflation fell slightly to 3.9% y/y in August from 4.0% in July (consensus: 3.8% y/y; BBVA: 3.7% y/y) on lower housing costs. The outturn was the lowest level in 21 months, and the MAS' measure of core inflation also fell, from 2.4% y/y to 2.2% y/y. Although slightly above expectations, the easing headline and core inflation trends may provide room for the MAS to ease monetary policy in support of flagging growth at its next semi-annual policy meeting in mid-October. The extent of such easing is still uncertain, as the authorities have recently expressed concern about inflation, which despite the decline remains near the upper end of their comfort level. Nevertheless, we believe the MAS will slow the pace of appreciation of the SGD, in a partial reversal of their tightening actions back in April.

Australia releases budget outturn; still expects budget surplus in 2012/13

Australia's Treasurer Wayne Swan today released the outturn of the 2011/12 budget, which showed a -43.7 billion AUD deficit (or -3.0% of GDP), slightly lower than the government's May budget forecast of -44.4 billion AUD. The Treasurer also re-stated the government's plans to achieve a budget surplus (0.1% of GDP) for 2012/13, despite the current economic slowdown (Australia has a robust mining sector, but has suffered weakness in domestic sectors due to the strong AUD). The budget outcome and the strong push to balance the budget should solidify the country's already strong fiscal health, providing a sound economic foundation for Australia to sustain 3-4% growth over the medium term.

Vietnam's inflation rises sharply

Vietnam's inflation increased to 6.5% y/y in September (consensus: 5.2% y/y) from 5.0% in August, the first upturn in over a year. Until now, inflation had fallen steadily from a peak of 23% y/y in August 2011. If inflation were to rise in the coming months, it would further limit the central bank's room to cut interest rates to support a slowing economy. The central bank has already lowered rates by 500bps this year, most recently in early July. We expect interest rates to remain on hold for the near-term, while inflation is likely to rise.

Briefly noted:

Taiwan: Industrial production for August rose by 1.9% y/y (consensus: -0.6% y/y) on increasing mining and manufacturing production. Looking ahead, the ongoing slowdown in China will likely keep Taiwan's IP outlook under pressure. Despite slowing growth, Taiwan's policymakers kept interest rates on hold last week, after inflation rose sharply to 3.4% in August from 2.5% y/y in July. Also today, Taiwan reported unemployment of 4.29% for August, up marginally from 4.25% for July.

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Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Industrial Profits YTD YoY	27-Sep	Aug	-2.70%	--	--
HSBC Manufacturing PMI	29-Sep	Sep	47.6	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Exports YoY%	25-Sep	Aug	-3.50%	--	--
Imports YoY%	25-Sep	Aug	-1.80%	--	--
Japan	Date	Period	Prior	Cons.	Actual
Industrial Production (MoM)	28-Sep	Aug P	-1.00%	-0.50%	--
Industrial Production YOY%	28-Sep	Aug P	-0.80%	-3.40%	--
Jobless Rate	28-Sep	Aug	4.30%	4.30%	--
Natl CPI YoY	28-Sep	Aug	-0.40%	-0.50%	--
Tokyo CPI YoY	28-Sep	Sep	-0.70%	-0.60%	--
Retail Trade YoY	28-Sep	Aug	-0.80%	-0.30%	--
Singapore	Date	Period	Prior	Cons.	Actual
CPI (MOM) - NSA	24-Sep	Aug	0.20%	0.50%	0.60%
CPI (YoY)	24-Sep	Aug	4.00%	3.80%	3.90%
Industrial Production YoY	26-Sep	Aug	1.90%	1.00%	--
Industrial Production MoM SA	26-Sep	Aug	-9.10%	0.10%	--
South Korea	Date	Period	Prior	Cons.	Actual
Industrial Production (YoY)	28-Sep	Aug	0.30%	--	--
Industrial Production (MoM)	28-Sep	Aug	-1.60%	--	--
Current Account in US\$ Million	28-Sep	Aug	\$6103.8M	--	--
Taiwan	Date	Period	Prior	Cons.	Actual
Industrial Production (YoY)	24-Sep	Aug	-0.02%	-0.60%	1.89%
Unemployment Rate - sa	24-Sep	Aug	4.25%	4.28%	4.29%
Thailand	Date	Period	Prior	Cons.	Actual
Customs Exports (YoY)	25-Sep	Aug	-4.46%	-5.90%	--
Customs Imports (YoY)	25-Sep	Aug	13.73%	-5.60%	--
Vietnam	Date	Period	Prior	Cons.	Actual
Exports YTD (YoY)	24-30 SEP	Sep	17.80%	--	--
CPI (YoY)	24-Sep	Sep	5.04%	5.15%	6.48%

Indicator of the Week

Singapore CPI for August (September 24th)

Forecast: 3.7% y/y	Consensus: 3.8% y/y	Prior: 4.0% y/y
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Singapore's inflation has been stubbornly high in comparison to most other Asian economies, at around 5% y/y for most of 2012. However, it fell in July to 4.0% y/y on a combination of weakening demand and base effects. This month's outturn will be especially important, as it will be the last print before the next semi-annual policy meeting of the Monetary Authority of Singapore (MAS) in mid-October. Given the continued weakness in external and domestic demand, we expect the MAS to ease policy by slowing the appreciation path of the currency (the main instrument of monetary policy). However, the Fed's recent new round of QE may give the MAS some pause, as more capital inflows are likely, which could lead to asset bubbles in the property market and a pickup in inflation.

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.	2033.2	0.3	-2.2	-7.6	-16.4
	Hong Kong - Hang Seng	20694.7	-0.2	0.2	12.3	17.1
	Taiwan - Weighted	7768.3	0.2	0.1	9.8	10.2
	Japan - Nikkei 225	9069.3	-0.4	-1.0	7.3	5.9
	Korea - Kospi	2003.4	0.1	0.1	9.7	18.0
	India - Sensex 30	18675.8	-0.4	1.1	20.8	15.6
	Australia - SPX/ASX 200	4385.5	-0.5	-0.4	8.1	12.4
	Singapore - Strait Times	3067.9	-0.3	-0.4	15.9	13.7
	Indonesia - Jakarta Comp	4200.9	-1.0	-1.3	9.9	22.6
	Thailand - SET	1284.9	-0.1	0.5	25.3	34.1
	Malaysia - KLCI	1612.4	-0.7	-1.9	5.3	18.0
	Philippines - Manila Comp.	5325.6	0.6	-0.5	21.8	37.0

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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)	6.31	-0.06	0.13	6.36	6.42
	Hong Kong (HKD/USD)	7.75	0.02	-0.01	7.75	7.75
	Taiwan (TWD/USD)	29.4	-0.09	-0.20	29.29	29.03
	Japan (JPY/USD)	77.99	0.23	0.92	77.93	77.64
	Korea (KRW/USD)	1121	-0.12	-0.41	1126	1137
	India (INR/USD)	53.4	0.17	1.19	53.97	56.19
	Australia (USD/AUD)	1.04	-0.53	-0.70	0.97	0.99
	Singapore (SGD/USD)	1.23	-0.30	-0.34	1.23	1.23
	Indonesia (IDR/USD)	9565	-0.14	-1.06	9678	10061
	Thailand (THB/USD)	30.9	-0.45	-0.36	31.09	31.52
	Malaysia (MYR/USD)	3.07	-0.76	-0.87	3.09	3.12
	Philippines (PHP/USD)	41.8	-0.33	-0.48	41.83	41.96

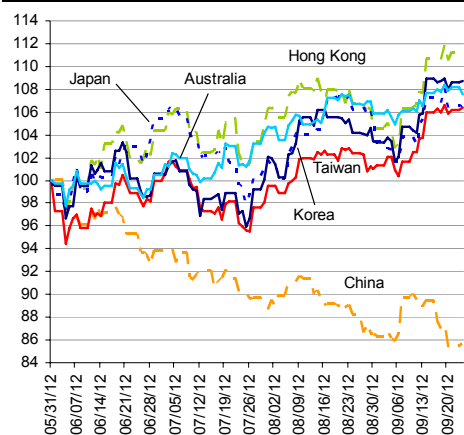
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	4.50	0.10	1.22	0.85
	Hong Kong (HIBOR/1W)	0.17	0.00	0.02	0.04
	Taiwan (TAIBOR/1W)	0.62	0.00	0.00	-0.01
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	3.02	0.00	0.00	-0.02
	India (MIBOR/7D)	5.38	0.96	2.14	1.72
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.23	0.00	-0.01	-0.11
	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)	2.25	-0.25	2.00	0.75

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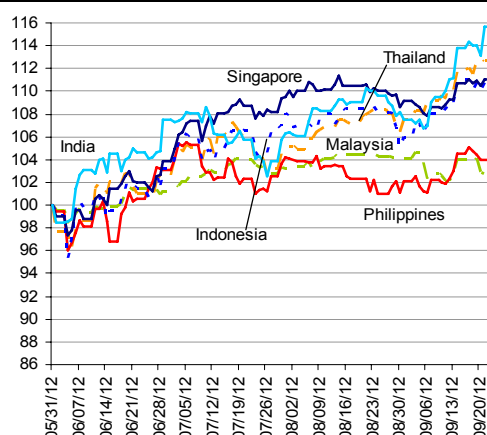
Charts

Chart 1
Stock Markets



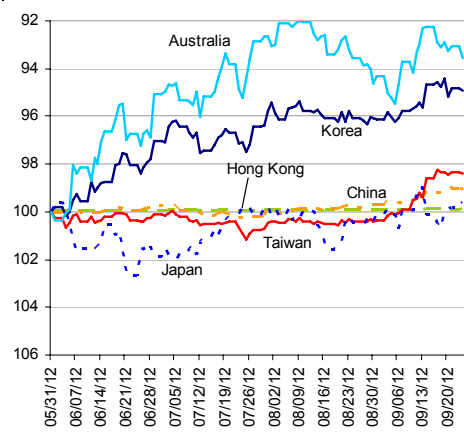
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



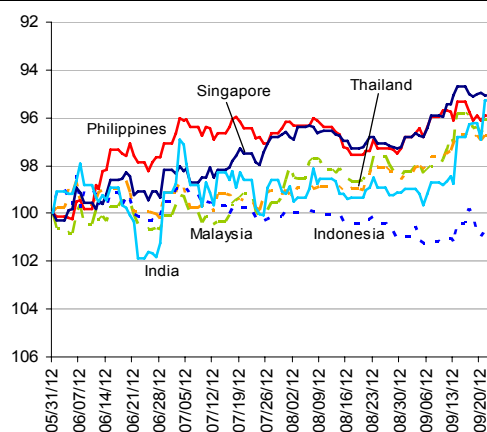
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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