

Daily Flash

Asia

Please note: the Daily Flash will next be issued on Wednesday, October 3 due to a two-day holiday in Hong Kong.

Markets were up in Asia today, in line with global trends following yesterday's release of Spain's 2013 budget plans. In China, the Shanghai composite was up again today (+1.5%), ahead of a week-long holiday on further speculation about government stimulus measures. Japan's market was an outlier (-0.9%). Currencies have also risen strongly, especially the Indian rupee, which is up almost 2% over the past two days in the aftermath of the government's decision to implement new reforms, while the Chinese yuan rose by 0.3%, close to an all-time high against the USD, at 6.285. When Hong Kong is on holiday early next week, important exports and CPI data will be released in Korea and Indonesia, while China will also be releasing its September manufacturing PMI on Monday.

Japan's industrial production slumps in August; deflation persists

Japan's August industrial production fell by -4.3% y/y (consensus: -3.4% y/y). The export-dependent economy continues to face headwinds from the global slowdown, the strong value of the yen, and more recently from the island dispute with China, Japan's largest single export destination. Meanwhile, the August CPI outturn, also released today, shows persistent deflation in line with expectations (-0.4% y/y; consensus: -0.5% y/y), underscoring the challenge for the Bank of Japan (BoJ) to push inflation up to its 1% target. On a brighter note, consumer spending rose in August by 1.8% y/y (consensus: -0.3% y/y) on strong auto sales. Looking ahead, we expect further easing by the BoJ in the coming months given weak economic momentum, following the latest expansion of the asset purchase program on September 19.

Malaysia announces 2013 budget, aiming to reduce the deficit to 4% of GDP

As scheduled, Malaysia's Prime Minister announced the 2013 budget today, aiming to reduce the fiscal deficit to 4.0% of GDP, compared to a projected deficit outturn this year of 4.7% of GDP. The plan emphasizes continued spending on welfare and infrastructure. The government plans to reduce the deficit further to 3% of GDP by 2015. Malaysia, along with Japan and India, is one of the few countries in Asia where fiscal consolidation remains a priority.

Marginal rise in Korea's IP adds to case for a rate cut

Korea's reported a 0.3% y/y increase in industrial production for the month of August (consensus: 0.7% y/y), up marginally from a revised 0.2% y/y increase in July, as manufacturing production remains weak. Korea will report September exports and inflation outturns next week (on Monday and Tuesday, respectively), which will be the last important data outturns before the central bank holds its next policy meeting on October 11, where we expect a 25bp cut in interest rates.

Briefly noted:

In Hong Kong, RMB deposits declined by 1.9% in August on weaker expectations for RMB appreciation. At RMB 552 billion, RMB deposits are at their lowest level since May 2011.

Moody's today downgraded Vietnam's sovereign rating for the first time since 2010, to B2 from B1, leaving the country five levels below investment grade. The ratings agency cited weak economic growth prospects and increased risks arising from the troubled banking system, which is laden with bad debt.

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Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Industrial Profits YTD YoY	27-Sep	Aug	-2.70%	--	-3.10%
HSBC Manufacturing PMI	29-Sep	Sep	47.6	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Exports YoY%	25-Sep	Aug	-3.50%	-4.80%	0.60%
Imports YoY%	25-Sep	Aug	-1.80%	-3.50%	0.90%
Japan	Date	Period	Prior	Cons.	Actual
Industrial Production (MoM)	28-Sep	Aug P	-1.00%	-0.50%	-1.30%
Industrial Production YOY%	28-Sep	Aug P	-0.80%	-3.40%	-4.30%
Jobless Rate	28-Sep	Aug	4.30%	4.30%	4.20%
Natl CPI YoY	28-Sep	Aug	-0.40%	-0.50%	-0.40%
Tokyo CPI YoY	28-Sep	Sep	-0.70%	-0.60%	-0.70%
Retail Trade YoY	28-Sep	Aug	-0.80%	-0.30%	1.80%
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%	-2.20%
Industrial Production MoM SA	26-Sep	Aug	-9.10%	0.00%	-2.30%
South Korea	Date	Period	Prior	Cons.	Actual
Industrial Production (YoY)	28-Sep	Aug	0.30%	0.70%	0.30%
Industrial Production (MoM)	28-Sep	Aug	-1.60%	-0.40%	-0.70%
Current Account in US\$ Million	28-Sep	Aug	\$6103.8M	--	\$2357.3M
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%	-5.80%	6.95%
Customs Imports (YoY)	25-Sep	Aug	13.73%	-5.60%	-8.78%
Vietnam	Date	Period	Prior	Cons.	Actual
Exports YTD (YoY)	27-Sep	Sep	17.80%	--	18.90%
CPI (YoY)	24-Sep	Sep	5.04%	5.15%	6.48%

Upcoming Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Trade Balance	03-Oct	Aug	-556M	-685M	--
Retail Sales s.a. (MoM)	04-Oct	Aug	-0,80%	0,40%	--
China	Date	Period	Prior	Cons.	Actual
HSBC Manufacturing PMI	29-Sep	Sep	47,6	--	--
Manufacturing PMI	01-Oct	Sep	49,2	50,1	--
Non-manufacturing PMI	03-Oct	Sep	56,3	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Retail Sales - Value (YoY)	04-Oct	Aug	3,80%	--	--
Indonesia	Date	Period	Prior	Cons.	Actual
Inflation (YoY)	01-Oct	Sep	4,58%	4,60%	--
Inflation NSA (MoM)	01-Oct	Sep	0,95%	0,29%	--
Core Inflation (YoY)	01-Oct	Sep	4,16%	4,18%	--
Exports (YoY)	01-Oct	Aug	-7,30%	-12,60%	--
India	Date	Period	Prior	Cons.	Actual
Exports YoY%	01-Oct	Aug	-14,80%	--	--
Imports YoY%	01-Oct	Aug	-7,60%	--	--
Japan	Date	Period	Prior	Cons.	Actual
Monetary Base (YoY)	02-Oct	Sep	6,50%	--	--
Malaysia	Date	Period	Prior	Cons.	Actual
Exports YoY%	05-Oct	Aug	-1,90%	-1,00%	--
Philippines	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	05-Oct	Sep	3,80%	3,80%	--
Singapore	Date	Period	Prior	Cons.	Actual
Purchasing Managers Index	02-Oct	Sep	49,1	49,5	--
South Korea	Date	Period	Prior	Cons.	Actual
Ext Trade - Export (YoY)	01-Oct	Sep	-6,20%	-5,50%	--
Consumer Price Index (YoY)	02-Oct	Sep	1,20%	1,80%	--
HSBC Manufacturing PMI	02-Oct	Sep	47,5	--	--
Taiwan	Date	Period	Prior	Cons.	Actual
CPI YoY%	05-Oct	Sep	3,42%	--	--
Thailand	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	01-Oct	Sep	2,69%	3,29%	--
Core CPI (YoY)	01-Oct	Sep	1,76%	1,80%	--

Upcoming Calendar Events

Australia - RBA Cash Target, October 2

We expect the benchmark rate to remain unchanged

Current	Consensus	New
3.50%	3.50%	--

Japan - BOJ Target Rate, October 5

We expect the benchmark rate to remain unchanged

Current	Consensus	New
0.10%	0.10%	--

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.	2086.2	1.5	2.9	-5.1	-12.8
	Hong Kong - Hang Seng	20840.4	0.4	0.5	13.1	15.7
	Taiwan - Weighted	7715.2	0.4	-0.5	9.1	7.9
	Japan - Nikkei 225	8870.2	-0.9	-2.6	4.9	3.0
	Korea - Kospi	1996.2	0.4	-0.3	9.3	15.9
	India - Sensex 30	18762.7	1.0	0.1	21.4	14.1
	Australia - SPX/ASX 200	4387.0	0.1	-0.5	8.1	8.6
	Singapore - Strait Times	3060.3	0.0	-0.6	15.6	13.3
	Indonesia - Jakarta Comp	4262.6	0.9	0.4	11.5	21.3
	Thailand - SET	1298.8	1.0	1.0	26.7	39.4
	Malaysia - KLCI	1636.7	0.5	0.8	6.9	19.3
Philippines - Manila Comp.	5346.1	0.8	1.0	22.3	37.9	

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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)	6.28	0.28	0.33	6.35	6.41
	Hong Kong (HKD/USD)	7.75	0.00	0.00	7.75	7.75
	Taiwan (TWD/USD)	29.3	0.19	0.09	29.26	29.01
	Japan (JPY/USD)	77.65	-0.05	0.67	77.58	77.27
	Korea (KRW/USD)	1111	0.44	0.71	1118	1130
	India (INR/USD)	52.7	0.65	1.48	53.33	55.53
	Australia (USD/AUD)	1.04	-0.08	-0.23	0.97	0.99
	Singapore (SGD/USD)	1.23	0.07	-0.07	1.23	1.23
	Indonesia (IDR/USD)	9591	0.08	-0.41	9687	10060
	Thailand (THB/USD)	30.8	0.36	0.03	30.94	31.36
	Malaysia (MYR/USD)	3.06	0.51	-0.30	3.08	3.12
Philippines (PHP/USD)	41.7	0.33	-0.24	41.75	41.89	

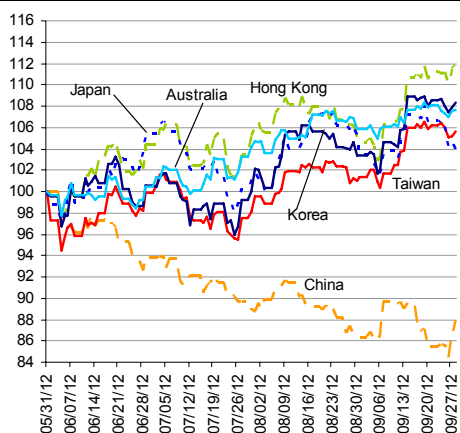
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	2.80	-0.92	-1.60	-0.70
	Hong Kong (HIBOR/1W)	0.20	0.00	0.03	0.07
	Taiwan (TAIBOR/1W)	0.62	0.00	0.00	-0.01
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	3.02	0.00	0.00	-0.02
	India (MIBOR/7D)	3.00	-0.88	-1.42	-0.08
	Singapore (SIBOR/1W)	0.31	0.06	0.06	0.06
	Indonesia (JIBOR/1W)	4.25	0.01	0.03	-0.07
	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)	1.44	-0.38	-1.06	-0.44

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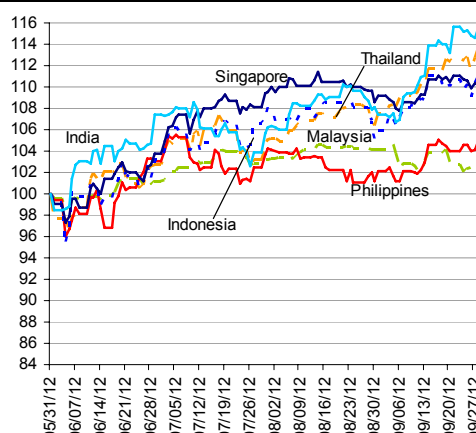
Charts

Chart 1
Stock Markets



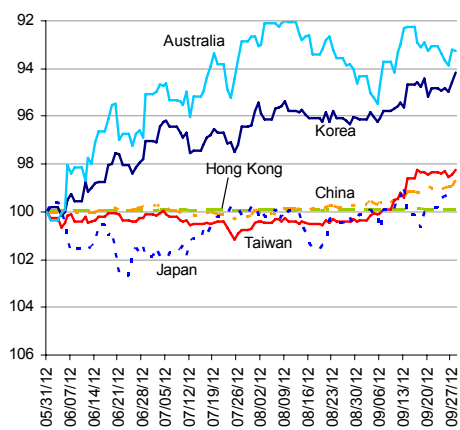
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



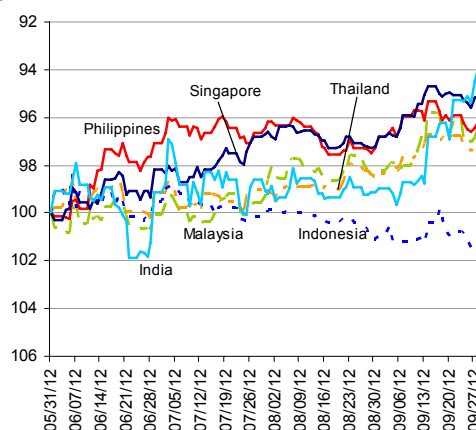
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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