

Daily Flash

Asia

Chinese stock markets fell today after re-opening from a week-long holiday. The Shanghai Composite edged down -0.6%, in line with the trends observed elsewhere in region today. The Chinese market has been an underperformer this year, nearing four-year lows, as slowing growth weighs on corporate profits and investor sentiment. In contrast, the Chinese currency has recently strengthened, closing at a near-record high today of 6.287 against the USD. Despite little change in the level of the PBoC's daily fixing (6.34) the currency is up by almost 2% since its lows at end-July, having swung from the weak side to the strong side of the +/-1% daily trading band. This strength may reflect some improvement in risk sentiment on global policy easing, expectations of further domestic easing, and the likelihood of a smooth leadership transition.

World Bank expects Asian growth to rebound in 2013

While lowering its regional growth forecasts for 2012, the World Bank expressed optimism that strong domestic demand should help growth recover in 2013. In its latest regional update ('East Asia and Pacific Data Monitor') released today, the World Bank said that, 'reconstruction spending in Thailand after last year's floods (is) among the factors buttressing domestic demand in the region. In addition, countries like Indonesia – together with Thailand and Malaysia – are currently enjoying a boom in spending by their governments and the private sector on capital goods.'

India announces measures benefiting the bond market

India's markets regulatory body, the SEBI, late last Friday announced a series of measures to boost domestic bond markets, including to permit debt mutual funds to invest in securities issued by housing finance companies, allowing foreign investors to re-invest 50% of a previous year's debt holdings from 2014 onwards, and relaxing profitability criteria for listed entities who do follow-on public offers. The measures are the latest in a series of steps to encourage capital inflows. The rupee has been among the region's strongest performing currencies since early September, up by more than 6% against the USD.

Taiwan's exports in September surprise to the upside

Taiwan's September exports surprised to the upside, increasing by 10.4% y/y (consensus: 1.0%) compared to -4.2% in August, on increased demand for electronic products. By country, shipments to China, US and ASEAN countries all were positive year on year gains after several months' contraction. However, exports to Europe remained sluggish (-10.5% y/y) during the same period. The notable pickup could be partially due to a low base and seasonal effects.

Indonesia's consumer confidence rises as domestic story remains strong

Indonesia's consumer confidence rose slightly in September, to 117.7 from 115.7 the previous month. Consumer demand is shielding Indonesia's economy from feeling the brunt of the global slowdown.

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Unemployment Rate	11-Oct	Sep	5.10%	5.30%	--
China	Date	Period	Prior	Cons.	Actual
HSBC Services PMI	08-Oct	Sep	52.0	--	54.3
New Yuan Loans	11-15 OCT	Sep	703.9B	680.0B	--
Money Supply - M2 (YoY)	11-15 OCT	Sep	13.50%	13.70%	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Purchasing Managers Index	08-Oct	Sep	50.5	--	49.6
India	Date	Period	Prior	Cons.	Actual
Industrial Production YoY	12-Oct	Aug	0.10%	--	--
Japan	Date	Period	Prior	Cons.	Actual
Current Account Total	09-Oct	Aug	¥625.4B	¥421.1B	--
Trade Balance - BOP Basis	09-Oct	Aug	-¥373.6B	-¥628.6B	--
Machine Tool Orders (YoY)	10-Oct	Sep P	-2.70%	--	--
Machine Orders (MoM)	11-Oct	Aug	4.60%	-2.30%	--
Japan Money Stock M2 YoY	12-Oct	Sep	2.40%	2.40%	--
Tertiary Industry Index (MoM)	12-Oct	Aug	-0.80%	0.40%	--
Malaysia	Date	Period	Prior	Cons.	Actual
Industrial Production YoY	11-Oct	Aug	1.40%	-2.00%	--
Philippines	Date	Period	Prior	Cons.	Actual
Total Exports (YoY)	10-Oct	Aug	7.80%	5.80%	--
Singapore	Date	Period	Prior	Cons.	Actual
GDP (annualized) (QoQ)	12-Oct	3Q A	-0.70%	-1.70%	--
GDP (YoY)	12-Oct	3Q A	2.00%	0.90%	--
Retail Sales (YoY)	12-Oct	Aug	-2.90%	--	--
South Korea	Date	Period	Prior	Cons.	Actual
Unemployment Rate (SA)	10-Oct	Sep	3.10%	3.20%	--
Taiwan	Date	Period	Prior	Cons.	Actual
Total Exports (YoY)	08-Oct	Sep	-4.20%	1.00%	10.40%

Indicator of the Week

Singapore third quarter GDP (October 12th)

Forecast: 0.1% q/q sa

Consensus: -1.7% q/q sa

Prior: -0.7% q/q sa

The third quarter GDP release will be closely watched, in tandem with the Monetary Authority of Singapore's (MAS) next semi-annual meeting in mid-October. Singapore's growth momentum has slowed sharply since Q4 2011 as weak exports have been having knock-on effects to domestic demand. There is risk of a technical recession, following a -0.7% q/q, s.a. GDP contraction in the second quarter on both weak external and domestic demand. We expect the MAS to ease monetary policy at their upcoming meeting, through a re-centering of the exchange rate band at a more depreciated level and/or a flattening of the appreciation slope (the MAS uses the exchange rate as its principal monetary policy instrument). At its last meeting in April the MAS tightened policy to contain inflation by increasing the appreciation slope (to 2% per year based on our estimates). An easing of the monetary stance, however, is not without risks given that inflation is still somewhat high (3.9% y/y in August).

Calendar Events

South Korea - 7-Day Repo Rate, October 11

We expect a 25 bps cut in the benchmark rate

Current

3.00%

Consensus

2.75%

New

--

Indonesia - Bank Indonesia Reference Rate, October 11

We expect the benchmark rate to remain unchanged

Current

5.75%

Consensus

5.75%

New

--

Singapore - Monetary Authority policy meeting, October 12

We expect policy easing

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.	2074.4	-0.6	2.0	-5.7	-12.1
	Hong Kong - Hang Seng	20824.6	-0.9	0.3	13.0	17.6
	Taiwan - Weighted	7615.9	-1.0	-0.8	7.7	5.6
	Japan - Nikkei 225	8863.3	0.4	-0.1	4.8	3.0
	Korea - Kospi	1981.9	-0.7	-0.3	8.6	12.6
	India - Sensex 30	18757.9	-1.0	0.0	21.4	15.6
	Australia - SPX/ASX 200	4481.9	-0.3	2.1	10.5	7.7
	Singapore - Strait Times	3074.3	-1.1	0.5	16.2	16.4
	Indonesia - Jakarta Comp	4268.2	-1.0	0.8	11.7	24.6
	Thailand - SET	1304.0	-0.6	0.3	27.2	43.4
	Malaysia - KLCI	1661.5	0.1	1.1	8.5	18.7
	Philippines - Manila Comp.	5434.1	-0.1	2.4	24.3	35.5

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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)	6.29	0.22	-0.02	6.34	6.39
	Hong Kong (HKD/USD)	7.75	0.00	0.02	7.75	7.76
	Taiwan (TWD/USD)	29.3	-0.11	0.00	29.25	29.01
	Japan (JPY/USD)	78.20	0.60	-0.27	78.13	77.82
	Korea (KRW/USD)	1112	-0.06	0.26	1117	1129
	India (INR/USD)	52.3	-0.80	0.23	53.02	55.28
	Australia (USD/AUD)	1.02	-0.02	-1.70	0.99	1.01
	Singapore (SGD/USD)	1.23	-0.07	-0.09	1.23	1.23
	Indonesia (IDR/USD)	9604	-0.10	-0.26	9706	10069
	Thailand (THB/USD)	30.7	-0.26	0.33	30.81	31.23
	Malaysia (MYR/USD)	3.07	-0.38	-0.12	3.08	3.12
	Philippines (PHP/USD)	41.5	-0.08	0.78	41.51	41.56

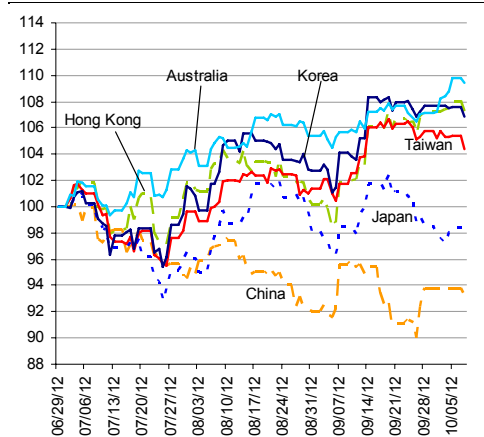
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.80	0.50	0.50	0.44
	Hong Kong (HIBOR/1W)	0.17	0.00	-0.03	0.04
	Taiwan (TAIBOR/1W)	0.62	0.00	0.00	-0.01
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	3.01	-0.01	-0.01	-0.02
	India (MIBOR/7D)	4.50	0.99	-0.88	1.10
	Singapore (SIBOR/1W)	0.25	0.00	-0.06	0.00
	Indonesia (JIBOR/1W)	4.25	0.00	0.00	0.00
	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)	2.00	0.06	0.31	0.69

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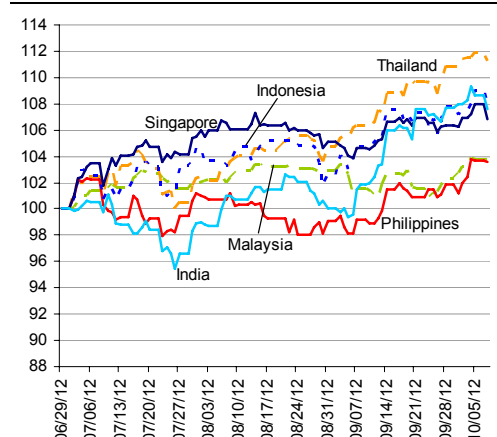
Charts

Chart 9
Stock Markets



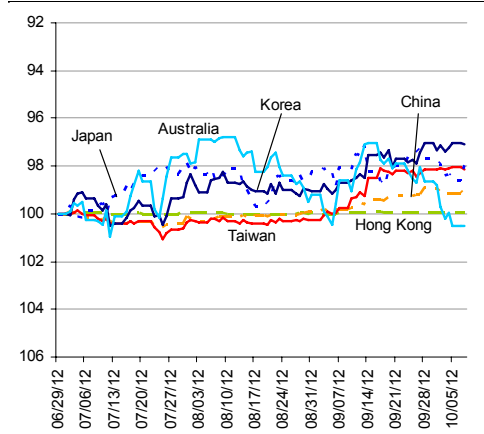
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



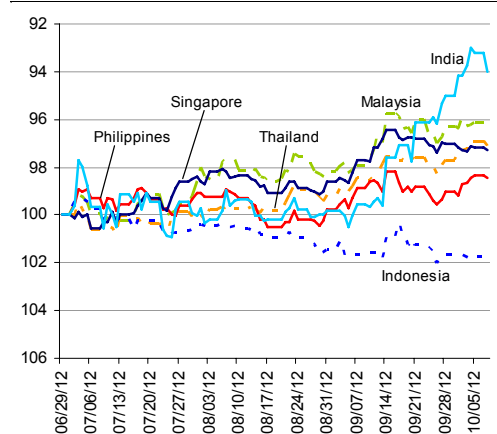
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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