

Asia Flash

Asia

Moody's investment upgrade of the Philippines makes it a clean sweep

Moody's today upgraded the Philippines by one notch to investment grade (Baa3), following similar moves by Fitch in March and S&P in May. Moody's also upgraded the outlook to positive, citing the Philippines' "robust economic performance, ongoing fiscal and debt consolidation, and political stability and improved governance." Over the past couple of years the Philippines has surpassed Indonesia as Southeast Asia's star performer. Last year the economy grew by 6.8% (second to only China), and growth accelerated to 7.6% during the first half of 2013 on strong private consumption and investment. GDP growth has benefitted from sound fiscal management (the budget deficit is currently around 2% of GDP) and strong economic fundamentals, including a substantial current account surplus (around 3½ % of GDP) and high foreign reserves. Key to sustaining growth over the medium term will be success in upgrading infrastructure, tackling rising unemployment (7.3% at present), and continued reductions in public debt (51% of GDP). In the meantime, the Philippines appears set to grow by around 7% this year, with some moderation in 2014.

Taiwan announces plans to include RMB in its foreign reserves

The Governor of Taiwan's central bank announced plans yesterday to hold the RMB in its foreign exchange reserves. The move follows similar announcements in the past two years by other central banks, including Australia, Chile, Japan, and Korea, among others. Taiwan has not yet given details of the timing of amounts it plans to hold (total reserves amounted to a hefty US\$409 bn as of August). The announcement is a further boost to the internationalization of the RMB, at a time when offshore RMB businesses in Taiwan is growing rapidly.

Strong services PMI in China lifts sentiment

The official services PMI for September, released today, rose to 55.4, a six-month high, from 53.9 in August. Together with Tuesday's release of official manufacturing PMI (51.1 vs previous 51.0), the outturn provides further evidence of improving growth momentum. We expect Q3 GDP growth to expand by 7.7% y/y (to be released on October 18).

Briefly noted:

Hong Kong retail sales moderated to 8.1% y/y in August from 9.3% y/y in July, below market expectations (consensus: 10.1% y/y).

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Retail Sales MoM	01 Oct	Aug	0.10%	0.30%	0.40%
China	Date	Period	Prior	Cons.	Actual
HSBC/Markit Manufacturing PMI	30 Sep	Sep	50.1	51.2	50.2
Manufacturing PMI	01 Oct	Sep	51.0	51.6	51.1
Non-manufacturing PMI	03 Oct	Sep	53.9	--	55.4
HSBC/Markit Services PMI	04 Oct	Sep	52.8	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Retail Sales Volume YoY	03 Oct	Aug	8.70%	9.50%	7.20%
Retail Sales Value YoY	03 Oct	Aug	9.30%	10.10%	8.10%
Indonesia	Date	Period	Prior	Cons.	Actual
Exports YoY	01 Oct	Aug	-6.20%	5.30%	-6.30%
CPI YoY	01 Oct	Sep	8.79%	9.00%	8.40%
Foreign Reserves	03-07 Oct	Sep	\$93.0B	--	--
Japan	Date	Period	Prior	Cons.	Actual
Markit/JMMA Manufacturing PMI	30 Sep	Sep	52.2	--	52.5
Industrial Production YoY	30 Sep	Aug P	1.80%	0.50%	-0.20%
Retail Trade YoY	30 Sep	Aug	-0.30%	1.00%	1.10%
Jobless Rate	01 Oct	Aug	3.80%	3.80%	4.10%
Tankan Large All Industry Capex	01 Oct	Sep	5.50%	6.00%	5.10%
Malaysia	Date	Period	Prior	Cons.	Actual
Exports YoY	04 Oct	Aug	4.50%	4.70%	--
Philippines	Date	Period	Prior	Cons.	Actual
CPI YoY	04 Oct	Sep	2.10%	2.40%	--
South Korea	Date	Period	Prior	Cons.	Actual
Industrial Production YoY	30 Sep	Aug	0.90%	2.10%	3.30%
Industrial Production SA MoM	30 Sep	Aug	-0.30%	0.50%	1.80%
CPI YoY	01 Oct	Sep	1.30%	1.20%	0.80%
Exports YoY	01 Oct	Sep	7.70%	2.50%	-1.50%
Taiwan	Date	Period	Prior	Cons.	Actual
HSBC/Markit Manufacturing PMI	01 Oct	Sep	50.0	--	52.0
Thailand	Date	Period	Prior	Cons.	Actual
Exports YoY	30 Sep	Aug	-1.30%	--	2.50%
CPI YoY	01 Oct	Sep	1.59%	1.55%	1.42%

Calendar Events

Australia – RBA Cash Rate Target, Oct 1	Current	Cons.	New
We expect the benchmark rate to remain unchanged	2.50%	2.50%	2.50%
Japan – BOJ Target Rate, Oct 4	Current	Cons.	New
We expect the benchmark rate to remain unchanged	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.*	2174.7	0.7	-2.1	-4.2	4.2
Hong Kong – Hang Seng	23214.4	1.0	0.0	2.5	11.1	
Taiwan – Weighted	8359.0	1.7	2.1	8.6	8.8	
Japan – Nikkei 225	14157.3	-0.1	-4.3	36.2	61.9	
Korea – Kospi *	1999.5	0.0	0.1	0.1	0.2	
India – Sensex 30 *	19902.1	2.0	0.2	2.4	5.7	
Australia – SPX/ASX 200	5234.9	0.4	-1.1	12.6	17.9	
Singapore – Strait Times	3144.8	-0.2	-1.6	-0.7	2.2	
Indonesia – Jakarta Comp	4418.6	0.7	0.3	2.4	3.9	
Thailand – SET	1429.2	1.4	0.3	2.7	9.3	
Malaysia – KLCI	1771.4	0.1	-0.2	4.9	7.4	
Philippines – Manila Comp.	6387.7	0.4	-0.3	9.9	18.8	

Last update: today, 18:30 Hong Kong time

* close today

FOREIGN EXCHANGE MARKETS	CURRENCY	Spot	% change over a day	% change over a week	Forward 3-month	Forward 12-month
	China (CNY/USD)	6.12	0.01	0.00	6.15	6.18
Hong Kong (HKD/USD)	7.75	0.00	-0.01	7.75	7.75	
Taiwan (TWD/USD)	29.4	0.57	0.75	29.25	29.00	
Japan (JPY/USD)	97.70	-0.35	1.32	97.64	97.37	
Korea (KRW/USD)	1070	0.41	0.52	1078	1091	
India (INR/USD)	61.8	1.08	0.46	63.40	66.90	
Australia (USD/AUD)	0.94	-0.06	0.17	1.07	1.09	
Singapore (SGD/USD)	1.25	-0.02	0.50	1.25	1.25	
Indonesia (IDR/USD)	11530	-1.50	-2.84	11838	12573	
Thailand (THB/USD)	31.3	0.00	-0.26	31.42	31.93	
Malaysia (MYR/USD)	3.20	1.02	0.60	3.21	3.26	
Philippines (PHP/USD)	43.1	0.67	0.37	42.79	42.91	

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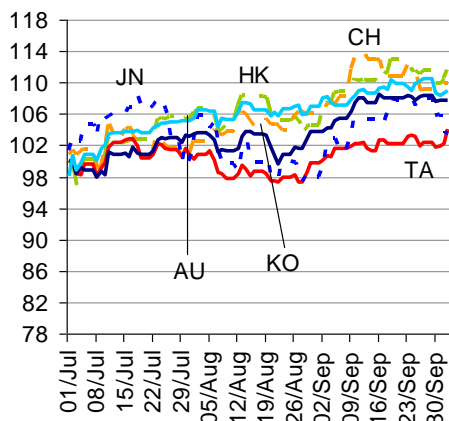
INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	4.20	0.55	0.35	0.46
Hong Kong (HIBOR/1W)	0.14	0.00	0.00	0.02	
Taiwan (TAIBOR/1W)	0.52	0.00	0.00	0.00	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.56	0.00	0.00	0.00	
India (MIBOR/7D)	4.25	-0.92	-0.23	0.40	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	6.08	0.01	0.05	0.32	
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

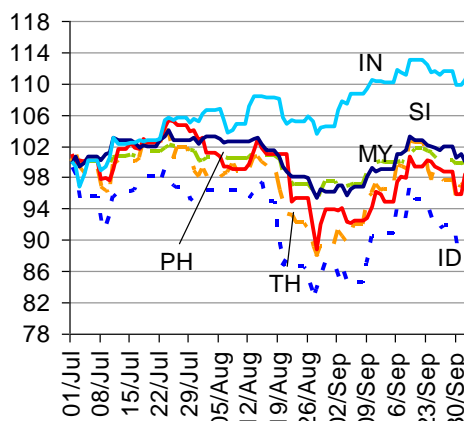
Stock Markets



Source: BBVA Research and Bloomberg

Chart 2

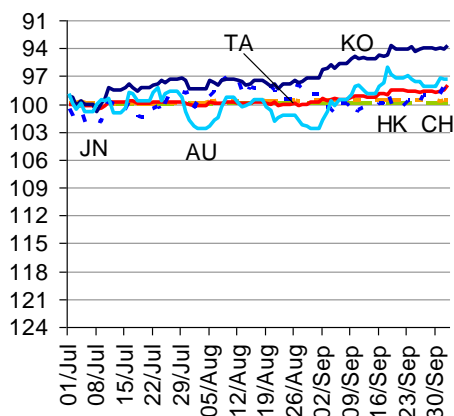
Stock Markets



Source: BBVA Research and Bloomberg

Chart 3

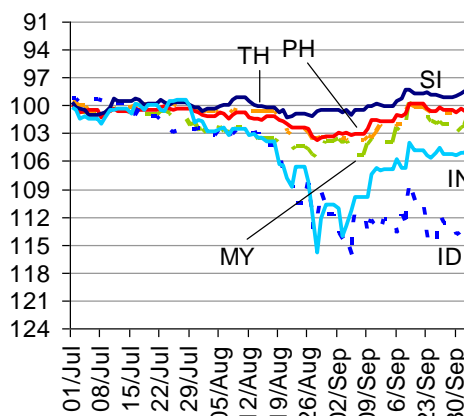
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4

Foreign Exchange Markets



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