

Asia Flash

Asia

HKMA Financial Stability Report flags risks of rising interest rates

The Hong Kong Monetary Authority (HKMA) today released its latest *Half-yearly Monetary and Financial Stability Report*. The report presents a generally benign outlook for Hong Kong, noting that the economy has weathered well the recent bout of financial market volatility emanating from expectations of Fed QE tapering -- in contrast to other emerging market currencies, the Hong Kong Dollar, which is pegged to the USD and has shown "safe-haven" characteristics, did not experience depreciation pressures. The HKMA expects GDP growth to be sustained during the rest of the year on improving external demand, in line with our growth projection of 3.3% for 2013. Nevertheless, the report highlights a number of risks. In particular, while housing prices have softened following the implementation of macroprudential pressures over the past year, valuations remain stretched and the HKMA emphasizes the impact of rising global interest rates in the period ahead on bank balance sheets and asset quality. It also sights banks' rising exposure to Mainland companies as a source of risk in view of the increase in financial fragilities in China, as flagged in our recent *Economic Watch* on corporate debt.

Taiwan's August export orders rise, albeit less than expected

Taiwan's August export orders recorded a year-over-year gain of 0.5% y/y for the second straight month (BBVA: 0.9% y/y; consensus: 1.3% y/y). On a sequential basis after seasonal adjustment, exports orders advanced by 1.0% m/m sa after a rebound in the previous month (2.9% m/m sa). Orders across the major export markets (China/HK, ASEAN and US) have been improving, but have weakened to Japan and Europe. Overall, the data are encouraging, as they suggest an improvement in external demand for the Asia region.

Briefly noted:

Reserve Bank of India eases restrictions on overseas trade credit

In its latest bid to boost foreign capital inflows and ease funding constraints for domestic companies, the RBI yesterday permitted Indian companies to tap overseas trade credit for imports of capital goods (previously restricted to only infrastructure companies). The latest measure adds to a series of steps taken by new RBI Governor Rajan since September 4th to address rupee weakness, which include higher limits for banks to borrow overseas debt and a special interest rate swap facility on non-resident dollar deposits. These measures have since raised USD 1.4 bn, in turn lending support to the rupee, which has appreciated to 62.4 from a record low of 68.8 at August end.

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Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
HSBC/Markit Flash Mfg PMI	23 Sep	Sep	50.1	50.9	51.2
Industrial Profits YTD YoY	27 Sep	Aug	11.10%	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
CPI Composite YoY	23 Sep	Aug	6.90%	4.40%	4.50%
Exports YoY	26 Sep	Aug	10.60%	4.40%	--
Japan	Date	Period	Prior	Cons.	Actual
Machine Tool Orders YoY	25 Sep	Aug F	-1.80%	--	-1.70%
Natl CPI YoY	27 Sep	Aug	0.70%	0.80%	--
Malaysia	Date	Period	Prior	Cons.	Actual
Foreign Reserves	23 Sep	13-Sep	\$134.8B	--	\$135.1B
Singapore	Date	Period	Prior	Cons.	Actual
CPI YoY	23 Sep	Aug	1.90%	2.00%	2.00%
Industrial Production YoY	26 Sep	Aug	2.70%	4.90%	--
Taiwan	Date	Period	Prior	Cons.	Actual
Unemployment Rate	23 Sep	Aug	4.18%	4.20%	4.19%
Export Orders YoY	25 Sep	Aug	0.50%	1.30%	0.50%
Industrial Production YoY	26 Sep	Aug	2.07%	2.00%	--
Commercial Sales YoY	26 Sep	Aug	-0.67%	0.10%	--
Thailand	Date	Period	Prior	Cons.	Actual
Customs Exports YoY	26 Sep	Aug	-1.48%	0.75%	--
Foreign Reserves	27 Sep	20-Sep	\$169.1B	--	--
Vietnam	Date	Period	Prior	Cons.	Actual
CPI YoY	24 Sep	Sep	7.50%	6.70%	6.30%
Retail Sales YTD YoY	25-30 SEP	Sep	12.30%	--	--
Exports YTD YoY	25 SEP	Sep	14.70%	--	15.70%
Industrial Production YoY	25-27 SEP	Sep	4.40%	--	--
GDP YTD YoY	25-27 SEP	3Q	4.90%	5.10%	--

Calendar Events

Taiwan – CBC Benchmark Interest Rate, Sep 26	Current	Cons.	New
We expect the benchmark rate to remain unchanged	1.875%	1.875%	--

Markets Data

STOCK MARKETS	INDEX	Last price	% change	% change	Year to	% change
			over a day	over a week	date	over 1 Y
	China – Shanghai Comp.	2198.5	-0.4	-1.5	-3.1	8.3
	Hong Kong – Hang Seng	23209.6	0.1	0.1	2.4	12.1
	Taiwan – Weighted	8283.9	-0.2	0.3	7.6	7.1
	Japan – Nikkei 225	14620.5	-0.8	2.2	40.6	60.8
	Korea – Kospi	1998.1	-0.5	0.2	0.1	0.3
	India – Sensex 30	19856.2	-0.3	-0.5	2.2	6.2
	Australia – SPX/ASX 200	5275.9	0.8	0.7	13.5	20.7
	Singapore – Strait Times	3208.6	-0.1	0.5	1.3	4.6
	Indonesia – Jakarta Comp	4406.8	-1.2	-1.3	2.1	4.3
	Thailand – SET	1436.9	1.3	-0.2	3.2	11.6
	Malaysia – KLCI	1784.1	-0.5	0.7	5.6	10.2
	Philippines – Manila Comp.	6420.4	-0.6	1.4	10.5	20.6

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FOREIGN EXCHANGE MARKETS	CURRENCY	Spot	% change	% change	Forward	Forward
			over a day	over a week	3-month	12-month
	China (CNY/USD)	6.12	0.00	0.02	6.16	6.20
	Hong Kong (HKD/USD)	7.75	0.00	0.00	7.75	7.75
	Taiwan (TWD/USD)	29.6	0.01	0.40	29.48	29.21
	Japan (JPY/USD)	98.48	0.27	-0.55	98.43	98.17
	Korea (KRW/USD)	1077	-0.46	0.39	1082	1095
	India (INR/USD)	62.4	0.62	1.60	64.18	67.76
	Australia (USD/AUD)	0.94	-0.30	-1.65	1.07	1.09
	Singapore (SGD/USD)	1.25	0.02	-0.61	1.25	1.25
	Indonesia (IDR/USD)	11488	-0.13	-1.43	11885	12670
	Thailand (THB/USD)	31.3	0.06	-0.02	31.46	31.97
	Malaysia (MYR/USD)	3.22	-0.24	0.37	3.23	3.28
	Philippines (PHP/USD)	43.4	0.00	0.24	43.22	43.32

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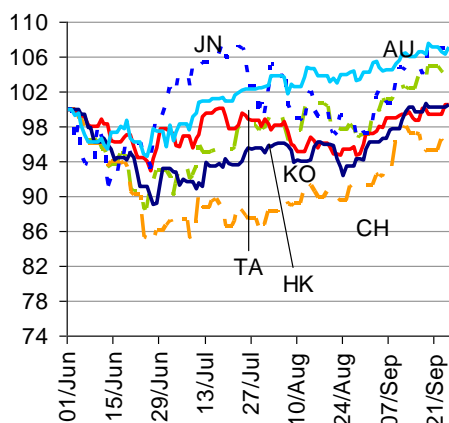
INTERBANK RATES	INDEX	Rate	net change over	net change	net change
			a day	over a week	over a month
	China (SHIBOR/7D)	3.85	-0.55	0.10	-0.29
	Hong Kong (HIBOR/1W)	0.13	0.01	0.01	0.02
	Taiwan (TAIBOR/1W)	0.51	0.00	0.00	0.00
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	2.56	0.01	0.00	0.00
	India (MIBOR/7D)	4.62	0.14	0.65	0.44
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	6.01	0.00	0.01	0.71
	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

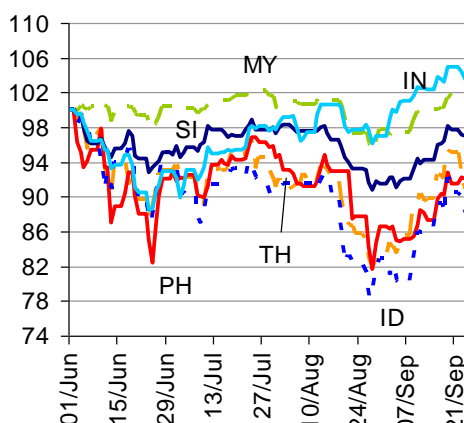
Stock Markets



Source: BBVA Research and Bloomberg

Chart 2

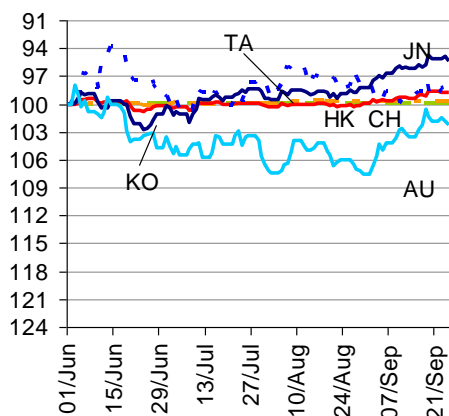
Stock Markets



Source: BBVA Research and Bloomberg

Chart 3

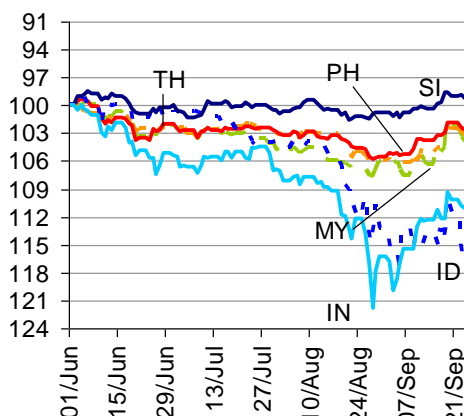
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4

Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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