

Daily Flash

Asia

The liquidity-driven boost in Asian equities resumed today, on the Bank of Japan's announcement (see below) of a bigger-than-expected expansion in its asset purchase program (quantitative easing). The Nikkei surged by one percent on the announcement, and finished the day up by +1.2%, along with the Hang Seng (+1.2%), and Shanghai (0.4%). The yen fell on the news, ending the day down by -0.2% against the dollar, to 79.0 per USD.

Bank of Japan follows the Fed with quantitative easing

As we anticipated, the Bank of Japan eased monetary policy today to support a slowing economic recovery. In concluding its two-day policy meeting, the BoJ announced an expansion of its asset purchase program by ¥10 trillion (\$127 billion) to ¥80 trillion, aimed at purchases of government bonds and treasury bills. By extending the purchase period by six months, to end-2013, the BoJ's easing was more aggressive than many market participants expected, which drove the yen to depreciate to around 79 per USD. Markets reacted positively, with the Nikkei index rising to its highest level in five months. Looking ahead, Japan's export-dependent growth still faces risks given the uncertain global environment and, more recently, the flare-up in tensions with China, its largest trading partner.

China's FDI inflows fall for a third straight month

China's FDI inflows fell by -1.4% y/y in August. Through the first eight months of the year, FDI inflows have now contracted by -3.4% y/y. Today's outturn suggests the weak global economy, along with the slowdown in China, is continuing to dampen foreign investor sentiment. While FDI inflows from the US and Europe have continued to contract, investment from Japan increased by 16.2% y/y in August, though this has moderated considerably from over 50% y/y gains in 2011, and may fall further given the increasing tensions between the two countries.

Briefly noted:

S&P affirmed its AAA rating for Australia today, citing the country's stability, policy flexibility and economic resilience. Despite positive medium-term fundamentals, we think the economy may suffer from near-term headwinds due to the global slowdown, and expect the central bank to cut interest rates once more before the end of the year in order to bolster growth momentum.

Malaysia's inflation held steady from the previous month at 1.4% in August. Low inflation this year has allowed policymakers to hold off on interest rate hikes, despite strong underlying growth momentum in the economy.

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Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Actual FDI (YoY)	14-18 SEP	Aug	-8.70%	-5.80%	-1.40%
HSBC Flash Manufacturing PMI	20-Sep	Sep	47.6	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Unemployment Rate SA	18-Sep	Aug	3.20%	3.30%	3.20%
CPI - Composite Index (YoY)	20-Sep	Aug	1.60%	3.70%	--
India	Date	Period	Prior	Cons.	Actual
Cash Reserve Ratio	17-Sep	17-Sep	4.75%	4.75%	4.50%
Reverse Repo Rate	17-Sep	17-Sep	7.00%	7.00%	7.00%
CPI (YoY)	18-Sep	Aug	9.86%	--	10.03%
Japan	Date	Period	Prior	Cons.	Actual
Merchnds Trade Balance Total	20-Sep	Aug	¥517.4B	¥829.3B	--
Merchnds Trade Exports YoY	20-Sep	Aug	-8.10%	-7.50%	--
All Industry Activity Index (MoM)	20-Sep	Jul	0.20%	-0.50%	--
Machine Tool Orders (YoY)	20-Sep	Aug F	-2.60%	--	--
Malaysia	Date	Period	Prior	Cons.	Actual
CPI YoY	19-Sep	Aug	1.40%	1.40%	1.40%
Philippines	Date	Period	Prior	Cons.	Actual
Overseas Remittances (YoY)	17-Sep	Jul	4.20%	--	5.40%
Unemployment Rate	18-Sep	Jul	6.90%	--	7.00%
Balance of Payments	19-Sep	Aug	\$3182M	--	\$582M
Singapore	Date	Period	Prior	Cons.	Actual
Non-oil Domestic Exports (YoY)	17-Sep	Aug	5.80%	-3.30%	-10.60%
Taiwan	Date	Period	Prior	Cons.	Actual
Export Orders (YoY)	20-Sep	Aug	-4.40%	-2.00%	--

Indicator of the Week

Taiwan Export Orders for August (September 20th)

Forecast: -1.5% y/y

Consensus: -2.0% y/y

Prior: -4.4% y/y

As a forward indicator for near-term export prospects in the region, Taiwan's export orders will be watched to gauge the extent of the ongoing slump in global trade. The economy's export performance has been very weak in the past two months, as manufacturing PMI dropped to a nine month low (46.1 in August). The recent slowdown in China's economy, as evidenced by sluggish activity and trade, has further intensified concerns about Taiwan's export outlook. We expect year-on-year growth of export orders continue to decline in August, albeit at a slower pace. Orders from major export partners might show some signs of stabilization, although a meaningful recovery has yet to come.

Calendar Events

India - REPO Cutoff Yld, September 17

We expect the benchmark rate to remain unchanged

Current	Consensus	New
8.00%	8.00%	8.00%

Japan - BOJ Target Rate, September 19

We expect the benchmark rate to remain unchanged

Current	Consensus	New
0.10%	0.10%	0.10%

Taiwan - Benchmark Interest Rate, September 20

We expect the benchmark rate to remain unchanged

Current	Consensus	New
1.88%	1.88%	--

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.	2067.8	0.4	-2.8	-6.0	-15.2
	Hong Kong - Hang Seng	20841.9	1.2	3.8	13.1	10.2
	Taiwan - Weighted	7781.9	0.6	2.8	10.0	4.0
	Japan - Nikkei 225	9232.2	1.2	4.8	9.2	4.2
	Korea - Kospi	2007.9	0.1	3.0	10.0	10.3
	India - Sensex 30	18496.0	-0.2	3.6	19.7	10.5
	Australia - SPX/ASX 200	4418.4	0.5	1.3	8.9	8.3
	Singapore - Strait Times	3075.6	0.2	1.5	16.2	11.5
	Indonesia - Jakarta Comp	4244.7	0.5	1.7	11.1	13.0
	Thailand - SET	1285.5	1.0	2.0	25.4	26.4
	Malaysia - KLCI	1646.1	0.4	2.0	7.5	16.5
Philippines - Manila Comp.	5317.0	-0.3	2.1	21.6	23.4	

Last update: today, 17.45 Hong Kong time

FOREIGN EXCHANGE MARKETS	CURRENCY	Spot	% change over a day	% change over a week	Forward 3-month	Forward 12-month
	China (CNY/USD)	6.31	0.14	0.27	6.35	6.42
	Hong Kong (HKD/USD)	7.75	0.00	0.03	7.75	7.75
	Taiwan (TWD/USD)	29.3	-0.02	0.89	29.27	29.00
	Japan (JPY/USD)	78.96	-0.18	-1.39	78.90	78.61
	Korea (KRW/USD)	1115	0.33	1.06	1122	1133
	India (INR/USD)	54.0	0.02	2.50	54.94	57.18
	Australia (USD/AUD)	1.04	-0.14	-0.23	0.97	0.99
	Singapore (SGD/USD)	1.23	0.01	0.34	1.23	1.22
	Indonesia (IDR/USD)	9549	-0.46	0.29	9644	10016
	Thailand (THB/USD)	30.8	0.16	0.68	30.93	31.36
	Malaysia (MYR/USD)	3.06	0.06	0.42	3.07	3.11
Philippines (PHP/USD)	41.6	0.25	-0.13	41.61	41.74	

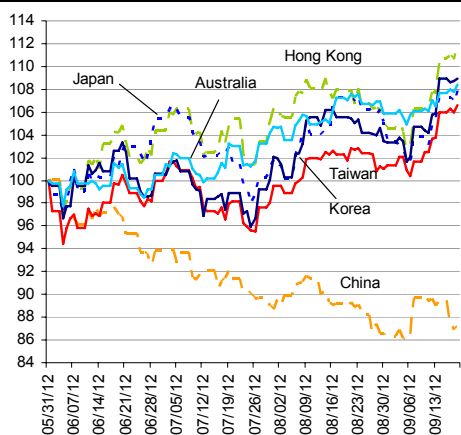
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.28	0.18	-0.12	-0.67
	Hong Kong (HIBOR/1W)	0.15	0.00	0.02	0.02
	Taiwan (TAIBOR/1W)	0.62	0.00	-0.01	-0.01
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	3.02	0.00	0.00	-0.02
	India (MIBOR/7D)	3.33	0.11	-0.14	-1.07
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.24	0.00	-0.01	-0.26
	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)	1.13	0.81	0.19	0.31

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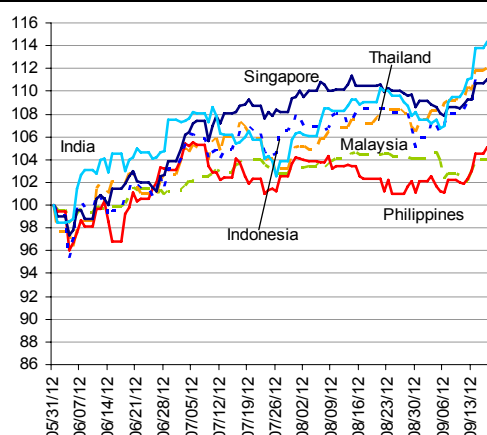
Charts

Chart 9
Stock Markets



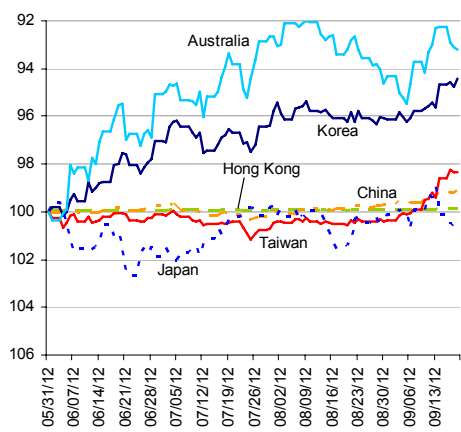
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



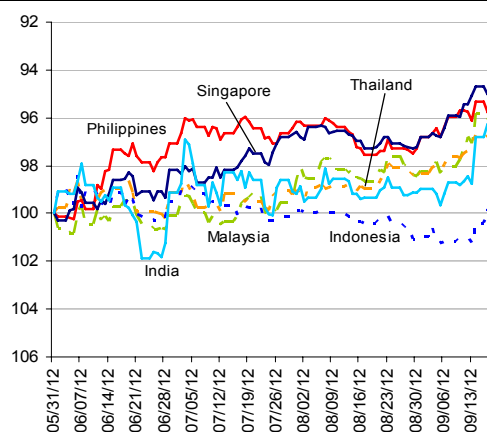
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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