

Daily Flash

Asia

China's flash manufacturing PMI shows signs of a rebound

China's HSBC/Markit flash manufacturing PMI for September rebounded slightly from the previous month (47.8), suggesting that growth, while still weak, may be stabilizing. The outturn was generally viewed as a negative by markets (the Shanghai was down today by 2.1%), although the stabilization in the number is probably good news for the growth outlook. The final HSBC/Market PMI outturn will be released on September 29th, followed by the more comprehensive official PMI on October 1st. Separately, it is also being reported that the Ministry of Commerce is discussing new policies to stabilize growth in the export sector, which may be introduced by the central government before a national holiday that begins on October 1st.

Taiwan export orders improve, and the central bank leaves rates on hold

Taiwan's export orders for August declined by -1.5% y/y (consensus: -1.9%, BBVA: -1.5%), exactly in line with our expectations (see Weekly Indicator) and an improvement from -4.4% y/y in July. Encouragingly, orders from China (including Hong Kong) increased by 2.5% y/y, after five consecutive months of contraction. Demand from ASEAN countries also contributed to the improvement. That said, European orders (-8.4% y/y) remained the major drag on Taiwan's overall performance.

Also today, Taiwan's central bank left its benchmark rate unchanged at its quarterly monetary policy meeting, as expected. Inflation has increased notably to 3.4% y/y in August, with food prices affected by extreme weather conditions, leaving inflation above the government's comfort zone of 2.0%. Another factor supporting the central bank's decision to leave rates on hold was the Fed's recent QE3 announcement, which may boost capital inflows to emerging economies, further intensifying concerns about inflationary pressures over the remainder of this year.

Japan's exports fall as economy remains under pressure

Meanwhile, Japan's exports declined by -5.8% y/y (consensus: -7.3% y/y) in August, further evidence showing the economy has paused due to the global downturn and the strong yen. Notably, exports to China fell by 10% y/y - China, accounting for 20% of Japan's total exports, is Japan's biggest trade partner. The recent flare-up in tensions between China and Japan over disputed islands further raises concerns regarding Japan's exports outlook. In light of these headwinds, we expect Japan's growth to stall in the second half of the year.

Briefly noted:

Hong Kong's inflation eased in August to 3.7% y/y (consensus: 3.9%) from 4.2% y/y in July (after netting out the effect of a one-off government rental subsidy). Without the adjustment to last month's inflation, there was actually a pickup in year-on-year terms from 1.6%. We expect inflation to remain at around this level through the rest of the year.

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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	--	47.8
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%	3.90%	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	¥754.1B
Merchnds Trade Exports YoY	20-Sep	Aug	-8.10%	-7.50%	-5.80%
All Industry Activity Index (MoM)	20-Sep	Jul	0.20%	-0.50%	-0.60%
Machine Tool Orders (YoY)	20-Sep	Aug F	-2.60%	--	-2.70%
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%	-1.50%

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%	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.	2024.8	-2.1	-4.1	-7.9	-17.3
	Hong Kong - Hang Seng	20590.9	-1.2	2.7	11.7	8.3
	Taiwan - Weighted	7727.6	-0.7	2.0	9.3	3.1
	Japan - Nikkei 225	9087.0	-1.6	1.4	7.5	4.2
	Korea - Kospi	1990.3	-0.9	2.0	9.0	8.3
	India - Sensex 30	18338.3	-0.9	1.9	18.7	9.5
	Australia - SPX/ASX 200	4397.2	-0.5	1.3	8.4	8.8
	Singapore - Strait Times	3062.6	-0.4	1.1	15.7	10.1
	Indonesia - Jakarta Comp	4217.5	-0.6	1.1	10.3	12.4
	Thailand - SET	1282.3	-0.2	2.0	25.1	24.9
	Malaysia - KLCI	1625.6	-1.2	0.7	6.2	15.2
Philippines - Manila Comp.	5295.0	-0.4	1.0	21.1	25.5	

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)	6.30	0.11	0.43	6.36	6.42
	Hong Kong (HKD/USD)	7.75	0.00	0.01	7.75	7.75
	Taiwan (TWD/USD)	29.4	-0.11	0.95	29.32	29.05
	Japan (JPY/USD)	78.15	0.29	-0.84	78.09	77.79
	Korea (KRW/USD)	1123	-0.75	0.47	1129	1140
	India (INR/USD)	54.3	-0.57	2.04	55.02	57.28
	Australia (USD/AUD)	1.04	-0.83	-1.46	0.97	0.99
	Singapore (SGD/USD)	1.23	-0.14	-0.07	1.23	1.22
	Indonesia (IDR/USD)	9574	-0.26	0.26	9688	10082
	Thailand (THB/USD)	30.9	-0.32	-0.03	31.05	31.48
	Malaysia (MYR/USD)	3.07	-0.31	0.39	3.09	3.12
Philippines (PHP/USD)	41.7	-0.23	0.01	41.75	41.86	

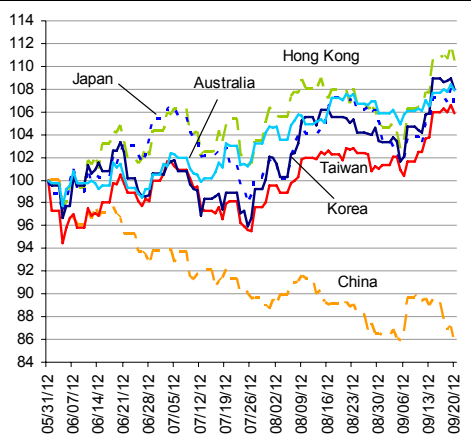
Last update: today, 17.45 Hong Kong time.

INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	4.10	0.82	0.70	0.50
	Hong Kong (HIBOR/1W)	0.17	0.02	0.04	0.04
	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)	3.91	0.58	0.47	0.34
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.23	-0.01	-0.01	-0.27
	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)	1.50	0.38	0.13	0.69

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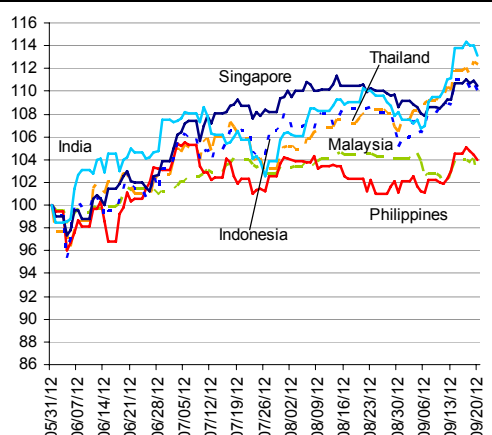
Charts

Chart 9
Stock Markets



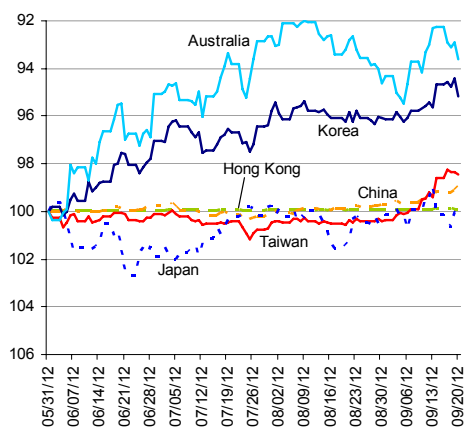
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



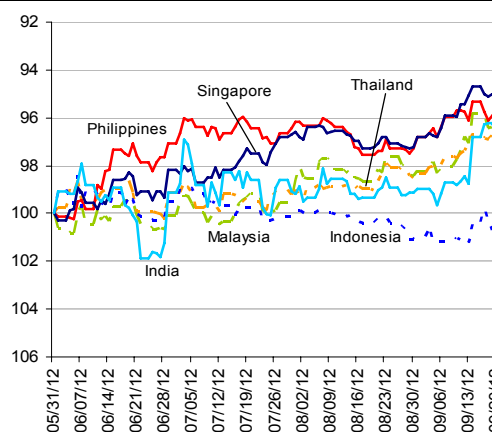
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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