

Daily Flash

Asia

India stands committed on reforms

In the face of stiff political resistance, the Indian government today formally approved its recently announced investment reforms, including the opening of the multi-brand retail sector to foreign investment (see Monday's *India Flash* for details). To further encourage capital inflows, the authorities today also lowered the withholding tax on foreign borrowings by Indian companies to 5% from 20% through June 2015. Announcement of further investor-friendly reforms are reportedly in the offing, as early as next week. The government's stepped-up resolve to accelerate long-awaited reforms boosted domestic equities, which were big outperformers today (+2.2%, to the highest level this year), led by banking stocks. Meanwhile, the Indian rupee appreciated by more than 1.7% against the US dollar, to 53.5/USD.

HKMA issues upbeat stability report, but cites risks of rising property prices

The Hong Kong Monetary Authority (HKMA) issued today its latest Half-Yearly Monetary and Financial Stability Report ([click here](#)). On the positive side, the report notes that the Hong Kong dollar has benefited this year from safe-haven capital inflows in the midst of the uncertain external environment (consistently trading near the strong end of the 7.75-7.85 per USD currency band), that credit growth has slowed to more healthy levels compared to a year ago, that banks' profitability has risen due to wider interest margins, and that liquidity remains strong. Furthermore, while overall economic growth is slowing, unemployment remains low and stable, in a range of 3.2%-3.4%. On key risks to the outlook, however, the report cites the local property market as a "major risk to financial stability," as tight supply conditions and low interest rates continue exerting upward pressure on prices, which could reverse quickly in the event of financial shocks. Property prices have increased by over 13% this year, and affordability ratios have deteriorated. Just last week in the wake of the Fed's QE3 announcement, the HKMA adopted a fifth new round of macro prudential measures to cool the property market.

Jakarta election outcome spurs hope of improved governance in Indonesia

According to exit polls, challenger Joko Widodo has defeated incumbent Fauzi Bowo to become the new Governor of Jakarta on October 4, a post of national prominence given Jakarta's large population and economic size. Enthusiasm for Mr. Widodo stems from his proven track record as mayor of Solo, in central Java. The new Governor will have his work cut out for him, however, in trying to fulfill his promises of improving the city's services and inadequate infrastructure, especially by building a Mass Rapid Transit system, which Jakarta's traffic-plagued residents desperately need. If successful, Widodo could set the tone for improved governance in Indonesia and, though still a long-shot, it is not out of the question that he could become a contender for the Presidential election in 2014.

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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

Singapore CPI for August (September 24th)

Forecast: 3.7% y/y

Consensus: 3.8% y/y

Prior: 4.0% y/y

Singapore's inflation has been stubbornly high in comparison to most other Asian economies, at around 5% y/y for most of 2012. However, it fell in July to 4.0% y/y on a combination of weakening demand and base effects. This month's outturn will be especially important, as it will be the last print before the next semi-annual policy meeting of the Monetary Authority of Singapore (MAS) in mid-October. Given the continued weakness in external and domestic demand, we expect the MAS to ease policy by slowing the appreciation path of the currency (the main instrument of monetary policy). However, the Fed's recent new round of QE may give the MAS some pause, as more capital inflows are likely, which could lead to asset bubbles in the property market and a pickup in inflation.

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%

Upcoming Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Industrial Profits YTD YoY	27-Sep	Aug	-2.70%	--	--
HSBC Manufacturing PMI	29-Sep	Sep	47.6	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Exports YoY%	25-Sep	Aug	-3.50%	--	--
Imports YoY%	25-Sep	Aug	-1.80%	--	--
Japan	Date	Period	Prior	Cons.	Actual
Industrial Production (MoM)	28-Sep	Aug P	-1.00%	-0.50%	--
Industrial Production YOY%	28-Sep	Aug P	-0.80%	-3.40%	--
Jobless Rate	28-Sep	Aug	4.30%	4.30%	--
Natl CPI YoY	28-Sep	Aug	-0.40%	-0.50%	--
Tokyo CPI YoY	28-Sep	Sep	-0.70%	-0.60%	--
Retail Trade YoY	28-Sep	Aug	-0.80%	-0.30%	--
Singapore	Date	Period	Prior	Cons.	Actual
CPI (MOM) - NSA	24-Sep	Aug	0.20%	0.50%	--
CPI (YoY)	24-Sep	Aug	4.00%	3.80%	--
Industrial Production YoY	26-Sep	Aug	1.90%	1.00%	--
Industrial Production MoM SA	26-Sep	Aug	-9.10%	0.10%	--
South Korea	Date	Period	Prior	Cons.	Actual
Industrial Production (YoY)	28-Sep	Aug	0.30%	--	--
Industrial Production (MoM)	28-Sep	Aug	-1.60%	--	--
Current Account in US\$ Million	28-Sep	Aug	\$6103.8M	--	--
Taiwan	Date	Period	Prior	Cons.	Actual
Industrial Production (YoY)	24-Sep	Aug	-0.02%	-0.90%	--
Unemployment Rate - sa	24-Sep	Aug	4.25%	4.28%	--
Thailand	Date	Period	Prior	Cons.	Actual
Customs Exports (YoY)	25-Sep	Aug	-4.46%	-5.90%	--
Customs Imports (YoY)	25-Sep	Aug	13.73%	-5.60%	--
Vietnam	Date	Period	Prior	Cons.	Actual
Exports YTD (YoY)	24-30 SEP	Sep	17.80%	--	--
CPI (YoY)	24-Sep	Sep	5.04%	5.20%	--

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.	2026.7	0.1	-4.6	-7.9	-19.4
	Hong Kong - Hang Seng	20734.9	0.7	0.5	12.5	10.2
	Taiwan - Weighted	7754.6	0.3	0.2	9.7	2.9
	Japan - Nikkei 225	9110.0	0.3	1.3	7.7	4.2
	Korea - Kospi	2002.4	0.6	-0.3	9.7	8.0
	India - Sensex 30	18752.8	2.2	4.1	21.3	9.9
	Australia - SPX/ASX 200	4408.3	0.3	0.4	8.7	8.3
	Singapore - Strait Times	3078.2	0.5	0.3	16.3	10.3
	Indonesia - Jakarta Comp	4244.6	0.6	-0.3	11.1	14.8
	Thailand - SET	1286.3	0.3	0.8	25.4	24.9
	Malaysia - KLCI	1623.7	-0.1	-0.3	6.1	14.4
Philippines - Manila Comp.	5292.1	-0.1	-0.6	21.0	25.9	

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	-0.04	0.15	6.35	6.41
	Hong Kong (HKD/USD)	7.75	0.02	0.00	7.75	7.75
	Taiwan (TWD/USD)	29.3	0.13	0.27	29.25	28.98
	Japan (JPY/USD)	78.22	0.03	0.22	78.16	77.87
	Korea (KRW/USD)	1119	0.35	-0.17	1123	1135
	India (INR/USD)	53.5	1.72	1.57	54.03	56.15
	Australia (USD/AUD)	1.05	0.71	-0.39	0.96	0.98
	Singapore (SGD/USD)	1.22	0.02	-0.29	1.22	1.22
	Indonesia (IDR/USD)	9552	0.23	-0.34	9659	10040
	Thailand (THB/USD)	30.8	0.16	-0.10	30.96	31.39
	Malaysia (MYR/USD)	3.05	0.65	-0.25	3.07	3.10
Philippines (PHP/USD)	41.6	0.21	-0.62	41.63	41.76	

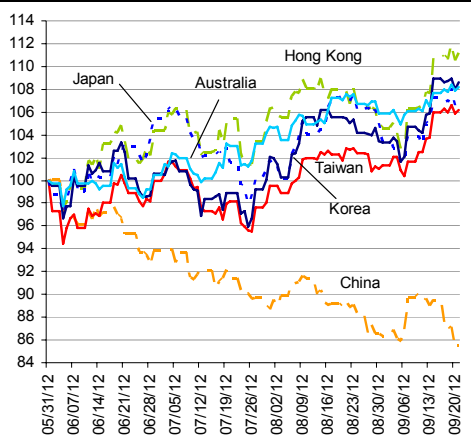
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	4.40	0.30	1.00	0.65
	Hong Kong (HIBOR/1W)	0.17	0.00	0.02	0.04
	Taiwan (TAIBOR/1W)	0.62	0.00	-0.01	-0.01
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	3.02	0.00	0.00	-0.02
	India (MIBOR/7D)	4.42	0.51	0.71	0.64
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.22	0.00	-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)	2.50	1.00	1.31	1.69

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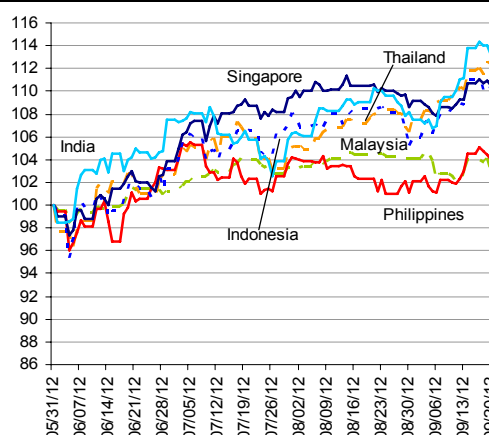
Charts

Chart 9
Stock Markets



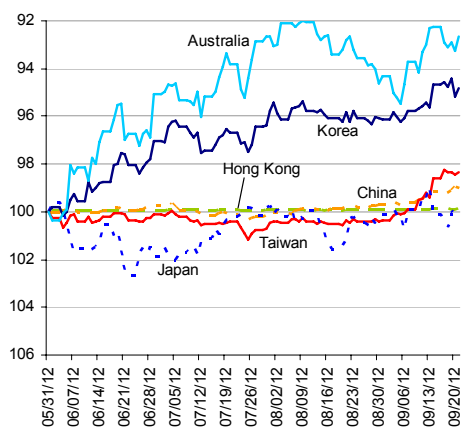
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



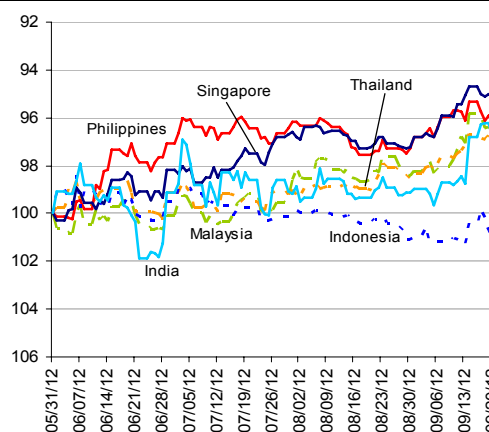
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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