Daily Flash

Asia

RBA's financial stability review paints upbeat picture of banking system

Given concerns about high levels of consumer debt and an unstable global economy, the Reserve Bank of Australia's (RBA) latest financial stability report painted an upbeat picture of the domestic banking system. According to the review, this can be largely attributed to three reasons: 1) a decreasing reliance on external wholesale funding by domestic banks; 2) little direct asset exposure to the most troubled euro area; and 3) an improvement in the liquidity and capital positions of banks. Meanwhile, the banking industry's asset performance has also improved over the past 6 months, although the report did state that bank NPL ratios remain high due to bad loans in the commercial property sector. The report also showed that the business sector remains prudent about borrowing, while households continue to save and pay down debt. This review should help relieve some of the market's concerns about Australia's overall financial soundness, though the RBA did pointedly state that "with aggregate indebtedness still around historically high levels, a continuation of the recent borrowing restraint would help strengthen the financial resilience of households."

Thai exports further contract…

Thailand's exports fell by a non-seasonally adjusted -7.0% y/y in August (consensus: -5.8% y/y), contracting further from a -4.5% y/y decline in the prior month. Imports also contracted by -8.8% y/y after a rise of 13.7% y/y in July. The outturn highlights worsening exports as the key downside risk for Thailand's growth outlook. Exports are expected to remain weak for some time given ongoing external uncertainty, with a rebound in external demand yet to materialize.

…while exports in Hong Kong surprise to the upside

Hong Kong's August exports increased by 0.6% y/y (consensus: -4.8% y/y), ending two straight months of over-year declines. Looking into the details, the positive outturn was mainly driven by an increase in demand from China (8.5% y/y) and Japan (4.8% y/y). However, exports remained sluggish to other major trading partners including the US, Germany and UK. Today's outturn may partially relieve some ongoing market concerns regarding the extent of the region's slowdown, especially after an improvement in Taiwan's exports orders (also driven by an increase in demand from China) that was noted in last week's *Flash*. We'll be watching closely for Korea's September outturn, which will be released on October 1st, for signs of further stabilization.

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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%	-4.80%	0.60%
Imports YoY%	25-Sep	Aug	-1.80%	-3.50%	0.90%
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%	0.60%
CPI (YoY)	24-Sep	Aug	4.00%	3.80%	3.90%
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%	-0.60%	1.89%
Unemployment Rate - sa	24-Sep	Aug	4.25%	4.28%	4.29%
Thailand	Date	Period	Prior	Cons.	Actual
Customs Exports (YoY)	25-Sep	Aug	-4.46%	-5.80%	6.95%
Customs Imports (YoY)	25-Sep	Aug	13.73%	-5.60%	-8.78%
Vietnam	Date	Period	Prior	Cons.	Actual
Exports YTD (YoY)	24-30 SEP	Sep	17.80%	--	--
CPI (YoY)	24-Sep	Sep	5.04%	5.15%	6.48%

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.

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.	2029.3	-0.2	-1.5	-7.7	-16.6
Hong Kong – Hang Seng	20698.7	0.0	0.5	12.3	17.1
Taiwan – Weighted	7734.1	-0.4	0.0	9.4	9.8
Japan – Nikkei 225	9091.5	0.2	-0.4	7.5	6.2
Korea – Kospi	1991.4	-0.6	-0.7	9.1	17.3
India – Sensex 30	18694.4	0.1	0.8	21.0	15.7
Australia – SPX/ASX 200	4372.9	-0.3	-0.5	7.8	12.0
Singapore – Strait Times	3067.1	0.0	0.0	15.9	13.6
Indonesia – Jakarta Comp	4226.9	0.6	0.1	10.6	23.4
Thailand – SET	1287.4	0.2	1.1	25.6	34.4
Malaysia – KLCI	1618.6	0.4	-1.3	5.7	18.5
Philippines – Manila Comp.	5325.2	0.0	-0.1	21.8	37.0

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	0.05	0.20	6.36	6.42
Hong Kong (HKD/USD)	7.75	0.00	-0.01	7.75	7.75
Taiwan (TWD/USD)	29.3	0.12	0.03	29.27	29.10
Japan (JPY/USD)	77.76	0.12	1.36	77.70	77.39
Korea (KRW/USD)	1119	0.10	-0.09	1124	1136
India (INR/USD)	53.4	0.09	1.07	53.98	56.17
Australia (USD/AUD)	1.04	-0.12	-0.43	0.97	0.99
Singapore (SGD/USD)	1.23	0.00	-0.20	1.23	1.23
Indonesia (IDR/USD)	9582	-0.18	-0.80	9703	10085
Thailand (THB/USD)	30.9	-0.03	-0.29	31.08	31.50
Malaysia (MYR/USD)	3.07	0.09	-0.28	3.09	3.12
Philippines (PHP/USD)	41.9	-0.28	-0.38	41.78	41.91

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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)	4.75	0.25	0.65	1.10
Hong Kong (HIBOR/1W)	0.17	0.00	0.02	0.04
Taiwan (TAIBOR/1W)	0.62	0.00	0.00	-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)	4.78	-0.60	1.56	1.12
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
Indonesia (JIBOR/1W)	4.23	0.01	0.00	-0.11
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)	2.31	0.06	2.00	0.81

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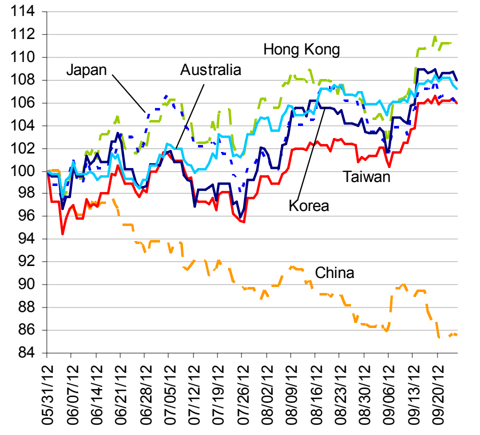
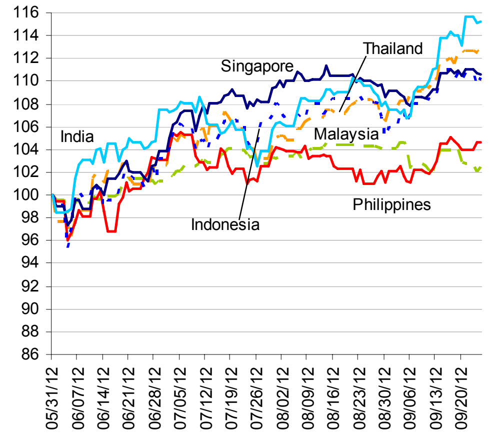
Charts

Chart 1
Stock Markets



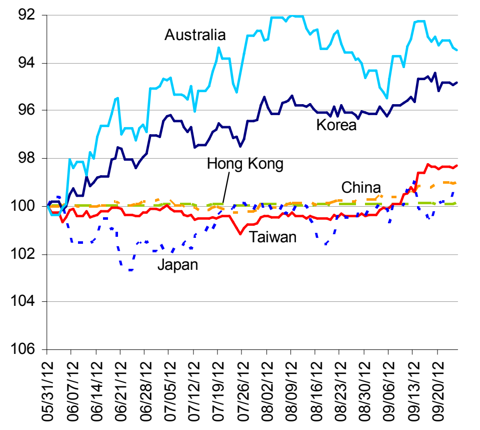
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



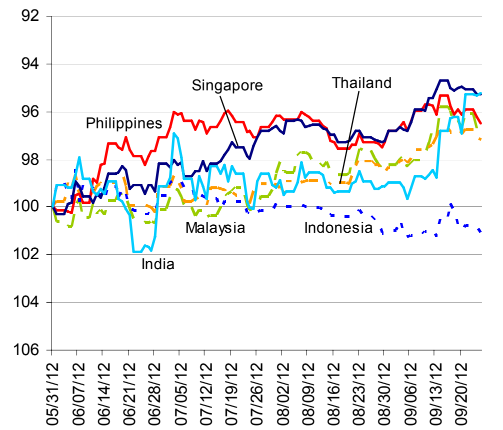
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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