

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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With contributions from the BBVA Research Asia Team

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 | | A -1 1 |
| 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% 12.72% | -5.80% 5.60% | 6.95% -8.78% |
| Customs Imports (YoY) Vietnam | 25-Sep Date | Aug Period | 13.73% Prior | -5.60% Cons . | -8.78% Actual |
| Exports YTD (YoY) | 24-30 SEP | Sep | 17.80% | COI 15. | ACLUAI |
| CPI (YoY) | 24-30 3EP 24-Sep | | 5.04% | 5.15% | 6.48% |
| CFI(IUI) | 24-3EP | Sep | 5.04% | J.1370 | 0.40% |

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

| _ | INDEX | Last price | % change over a day | % change over a week | Year to date | % change over 1 Y |
|---------------|----------------------------|------------|---------------------|-------------------------|--------------|----------------------|
| STOCK MARKETS | 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.C | 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 |
| ST(| Philippines - Manila Comp. | 5325.2 | 0.0 | -0.1 | 21.8 | 37.0 |
| | | | | Lact undato, too | 10v 17 /5 Uo | na Kona timo |

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| % change % chang <u>CURRENCY</u> Spot over a day over a we | | Forward 12-month |
|---|----------|---------------------|
| China (CNY/USD) 6.31 0.05 0.2 | 20 6.36 | 6.42 |
| Hong Kong (HKD/USD) 7.75 0.00 -0. | 01 7.75 | 7.75 |
| γ Taiwan (TWD/USD) 29.3 0.12 0.0 | 03 29.27 | 7 29.10 |
| Japan (JPY/USD) 77.76 0.12 1. | 36 77.70 | 77.39 |
| Japan (JPY/USD) 77.76 0.12 1. | 09 1124 | 1136 |
| India (INR/USD) 53.4 0.09 1. | 07 53.98 | 3 56.17 |
| Australia (USD/AUD) 1.04 -0.12 -0. | 43 0.97 | 7 0.99 |
| Singapore (SGD/USD) 1.23 0.00 -0.2 | 20 1.23 | 3 1.23 |
| Indonesia (IDR/USD) 9582 -0.18 -0.8 | 30 9703 | 3 10085 |
| | 29 31.08 | 31.50 |
| Thailand (THB/USD) 30.9 -0.03 -0. Malaysia (MYR/USD) 3.07 0.09 -0. Philippines (PHP/USD) 41.9 -0.28 -0. | 28 3.09 | 3.12 |
| Philippines (PHP/USD) 41.9 -0.28 -0. | 38 41.78 | 3 41.91 |

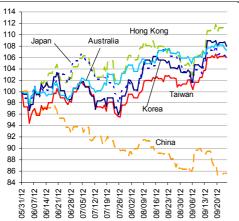
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| INDEX | Rate | net change over a day | net change over a week | net change over a month |
|-------------------------|---|---|--|--|
| China (SHIBOR/7D) | 4.75 | 0.25 | 0.65 | 1.10 |
| Hong Kong (HIBOR/1W) | 0.17 | 0.00 | 0.02 | 0.04 |
| Taiwan (TAIBOR/1W) | 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 | -O.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 |
| | China (SHIBOR/7D) Hong Kong (HIBOR/1W) Taiwan (TAIBOR/1W) Japan (TIBOR/1Y) Korea (KORIBOR/1M) India (MIBOR/7D) Singapore (SIBOR/1W) Indonesia (JIBOR/1W) Thailand (BIBOR/1W) Malaysia (KLIBOR/1W) | China (SHIBOR/7D) 4.75 Hong Kong (HIBOR/1W) 0.17 Taiwan (TAIBOR/1W) 0.62 Japan (TIBOR/1Y) 0.76 Korea (KORIBOR/1M) 3.02 India (MIBOR/7D) 4.78 Singapore (SIBOR/1W) 0.25 Indonesia (JIBOR/1W) 4.23 Thailand (BIBOR/1W) 3.02 Malaysia (KLIBOR/1W) 2.90 | INDEX Rate over a day China (SHIBOR/7D) 4.75 0.25 Hong Kong (HIBOR/1W) 0.17 0.00 Taiwan (TAIBOR/1W) 0.62 0.00 Japan (TIBOR/1Y) 0.76 0.00 Korea (KORIBOR/1M) 3.02 0.00 India (MIBOR/7D) 4.78 -0.60 Singapore (SIBOR/1W) 0.25 0.00 Indonesia (JIBOR/1W) 4.23 0.01 Thailand (BIBOR/1W) 3.02 0.00 Malaysia (KLIBOR/1W) 2.90 0.00 | INDEX Rate over a day over a week China (SHIBOR/7D) 4.75 0.25 0.65 Hong Kong (HIBOR/1W) 0.17 0.00 0.02 Taiwan (TAIBOR/1W) 0.62 0.00 0.00 Japan (TIBOR/1Y) 0.76 0.00 0.01 Korea (KORIBOR/1M) 3.02 0.00 0.00 India (MIBOR/7D) 4.78 -0.60 1.56 Singapore (SIBOR/1W) 0.25 0.00 0.00 Indonesia (JIBOR/1W) 4.23 0.01 0.00 Thailand (BIBOR/1W) 3.02 0.00 0.00 Malaysia (KLIBOR/1W) 2.90 0.00 0.00 |

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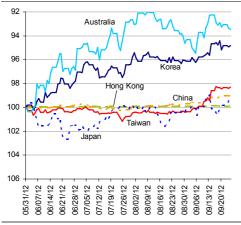
Charts

Chart 1 **Stock Markets**



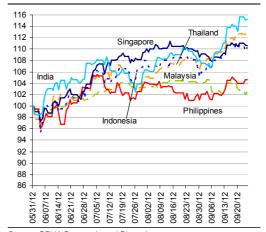
Source: BBVA Research and Bloomberg

Chart 3 Foreign Exchange Markets



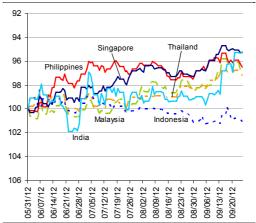
Source: BBVA Research and Bloomberg

Chart 2 Stock Markets



Source: BBVA Research and Bloomberg

Chart 4 Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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