

Daily Flash

Asia

Asian equities finished mixed today, with Shanghai at one extreme (+2.0%) and the Nikkei at the other (-1.1%). China's market received a boost from a large liquidity injection by the PBoC, while Japan's markets were down on news of a sizeable hit to Japanese carmakers' sales in China as a result of the two countries' ongoing diplomatic dispute. Also today, the IMF lowered its growth forecasts for most of Asia for 2012 and 2013, most noticeably for India (by -1.3% and -0.6% respectively), and to a lesser extent for the rest of developing Asia and China (see below).

Singapore grants first two full-banking licenses to Chinese banks

In the latest sign of expanding regional ties, the Monetary Authority of Singapore has, for the first time, granted 'qualifying full bank' (QFB) licenses to two of mainland China's banks – Industrial and Commercial Bank of China (ICBC) and Bank of China - in a move which will allow both banks to open up to 25 branches in Singapore. In return, the China Banking Regulatory Commission will speed up the application processing of Singaporean banks wishing to open branches in China. The move is an outgrowth of the two countries' decision to increase banking cooperation, made in July, under an existing China-Singapore free trade agreement.

ASEAN Finance Ministers express optimism at Hong Kong investor gathering

At an investor seminar of ASEAN Finance Ministers held today in Hong Kong, policymakers expressed optimism about the ASEAN region's ability to weather the global slowdown by boosting regional integration and productivity. A speech by Singapore's Finance Minister, Tharman Shanmugaratnam, set the tone by expressing concerns about the weakening global outlook, but noting the opportunities it creates for ASEAN economies, in particular, by facilitating businesses to move up the productivity chain. He also emphasized ASEAN's strengths, including young populations, strong banking systems, and room for policy stimulus if needed. ASEAN's growth in recent quarters has been bolstered by strong domestic demand, resulting in the region outperforming most other Asian economies.

Briefly noted:

- **The IMF released its semi-annual World Economic Outlook today** in which it lowered its growth forecasts for Developing Asia for 2012 and 2013 (to 6.7% and 7.2%, respectively, from 7.1% and 7.5%) as well as China (to 7.8% and 8.2%, from 8.0% and 8.4%). Acknowledging the high level of global uncertainty, the report puts policymakers in developed markets in the spotlight by stating that 'an effective policy response in the major advanced economies is the key to improving prospects and inspiring more confidence about the future.'

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Unemployment Rate	11-Oct	Sep	5.10%	5.30%	--
China	Date	Period	Prior	Cons.	Actual
HSBC Services PMI	08-Oct	Sep	52.0	--	54.3
New Yuan Loans	11-15 OCT	Sep	703.9B	680.0B	--
Money Supply - M2 (YoY)	11-15 OCT	Sep	13.50%	13.70%	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Purchasing Managers Index	08-Oct	Sep	50.5	--	49.6
India	Date	Period	Prior	Cons.	Actual
Industrial Production YoY	12-Oct	Aug	0.10%	--	--
Japan	Date	Period	Prior	Cons.	Actual
Current Account Total	09-Oct	Aug	¥625.4B	¥421.1B	¥454.7B
Trade Balance - BOP Basis	09-Oct	Aug	¥373.6B	¥628.6B	¥644.5B
Machine Tool Orders (YoY)	10-Oct	Sep P	-2.70%	--	--
Machine Orders (MoM)	11-Oct	Aug	4.60%	-2.30%	--
Japan Money Stock M2 YoY	12-Oct	Sep	2.40%	2.40%	--
Tertiary Industry Index (MoM)	12-Oct	Aug	-0.80%	0.40%	--
Malaysia	Date	Period	Prior	Cons.	Actual
Industrial Production YoY	11-Oct	Aug	1.40%	-2.00%	--
Philippines	Date	Period	Prior	Cons.	Actual
Total Exports (YoY)	10-Oct	Aug	7.80%	5.80%	--
Singapore	Date	Period	Prior	Cons.	Actual
GDP (annualized) (QoQ)	12-Oct	3Q A	-0.70%	-1.70%	--
GDP (YoY)	12-Oct	3Q A	2.00%	0.90%	--
Retail Sales (YoY)	12-Oct	Aug	-2.90%	--	--
South Korea	Date	Period	Prior	Cons.	Actual
Unemployment Rate (SA)	10-Oct	Sep	3.10%	3.20%	--
Taiwan	Date	Period	Prior	Cons.	Actual
Total Exports (YoY)	08-Oct	Sep	-4.20%	1.00%	10.40%

Indicator of the Week

Singapore third quarter GDP (October 12th)

Forecast: 0.1% q/q sa

Consensus: -1.7% q/q sa

Prior: -0.7% q/q sa

The third quarter GDP release will be closely watched, in tandem with the Monetary Authority of Singapore's (MAS) next semi-annual meeting in mid-October. Singapore's growth momentum has slowed sharply since Q4 2011 as weak exports have been having knock-on effects to domestic demand. There is risk of a technical recession, following a -0.7% q/q, s.a. GDP contraction in the second quarter on both weak external and domestic demand. We expect the MAS to ease monetary policy at their upcoming meeting, through a re-centering of the exchange rate band at a more depreciated level and/or a flattening of the appreciation slope (the MAS uses the exchange rate as its principal monetary policy instrument). At its last meeting in April the MAS tightened policy to contain inflation by increasing the appreciation slope (to 2% per year based on our estimates). An easing of the monetary stance, however, is not without risks given that inflation is still somewhat high (3.9% y/y in August).

Calendar Events

South Korea - 7-Day Repo Rate, October 11

We expect a 25 bps cut in the benchmark rate

Current

3.00%

Consensus

2.75%

New

--

Indonesia - Bank Indonesia Reference Rate, October 11

We expect the benchmark rate to remain unchanged

Current

5.75%

Consensus

5.75%

New

--

Singapore - Monetary Authority policy meeting, October 12

We expect policy easing

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.	2115.2	2.0	4.2	-3.8	-10.3
	Hong Kong - Hang Seng	20937.3	0.5	0.5	13.6	18.2
	Taiwan - Weighted	7592.0	-0.3	-1.6	7.4	5.3
	Japan - Nikkei 225	8769.6	-1.1	-0.3	3.7	1.9
	Korea - Kospi	1979.0	-0.1	-0.9	8.4	12.5
	India - Sensex 30	18799.9	0.5	-0.1	21.6	15.8
	Australia - SPX/ASX 200	4505.3	0.5	1.6	11.1	8.2
	Singapore - Strait Times	3065.4	-0.4	-0.4	15.8	16.1
	Indonesia - Jakarta Comp	4280.3	0.3	0.5	12.0	24.9
	Thailand - SET	1299.6	-0.4	-0.5	26.7	42.9
	Malaysia - KLCI	1663.3	0.2	0.7	8.7	18.8
Philippines - Manila Comp.	5394.9	-0.7	0.9	23.4	34.6	

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FOREIGN EXCHANGE MARKETS	CURRENCY	Spot	% change over a day	% change over a week	Forward 3-month	Forward 12-month
	China (CNY/USD)	6.29	-0.02	-0.06	6.34	6.39
	Hong Kong (HKD/USD)	7.75	0.00	0.03	7.75	7.76
	Taiwan (TWD/USD)	29.3	0.00	-0.05	29.25	29.02
	Japan (JPY/USD)	78.34	-0.01	-0.23	78.26	77.95
	Korea (KRW/USD)	1111	0.11	0.17	1117	1128
	India (INR/USD)	52.6	0.06	-0.42	53.34	55.63
	Australia (USD/AUD)	1.02	0.20	-0.56	0.99	1.01
	Singapore (SGD/USD)	1.23	0.03	0.10	1.23	1.23
	Indonesia (IDR/USD)	9614	-0.10	-0.24	9709	10075
	Thailand (THB/USD)	30.7	-0.07	0.16	30.81	31.22
	Malaysia (MYR/USD)	3.07	-0.18	-0.72	3.09	3.13
Philippines (PHP/USD)	41.4	0.10	0.36	41.46	41.49	

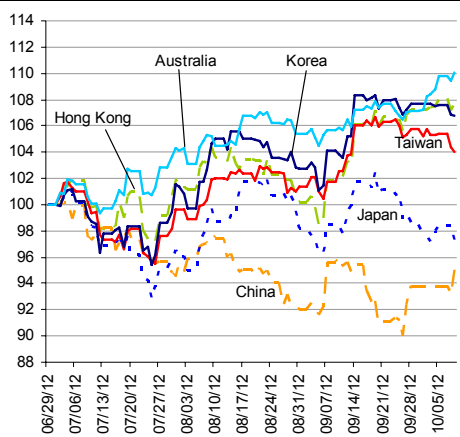
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.76	-0.04	0.46	0.40
	Hong Kong (HIBOR/1W)	0.17	0.00	-0.03	0.04
	Taiwan (TAIBOR/1W)	0.62	0.00	0.00	-0.01
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	3.01	0.00	-0.01	-0.01
	India (MIBOR/7D)	3.76	-0.74	-1.02	0.36
	Singapore (SIBOR/1W)	0.25	0.00	-0.03	0.00
	Indonesia (JIBOR/1W)	4.25	0.00	0.01	0.00
	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	-0.50	-0.31	0.19

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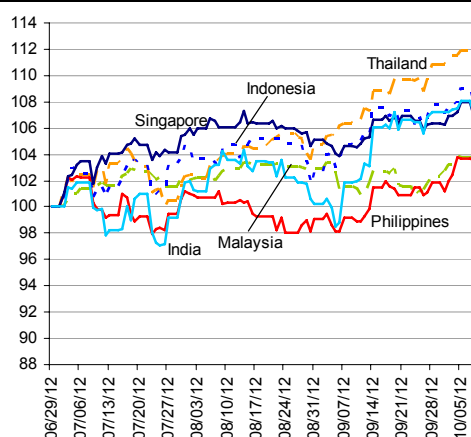
Charts

Chart 9
Stock Markets



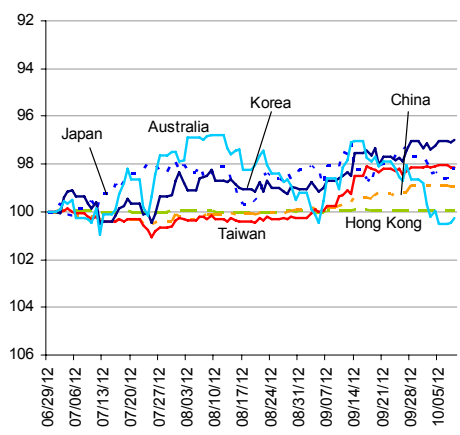
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



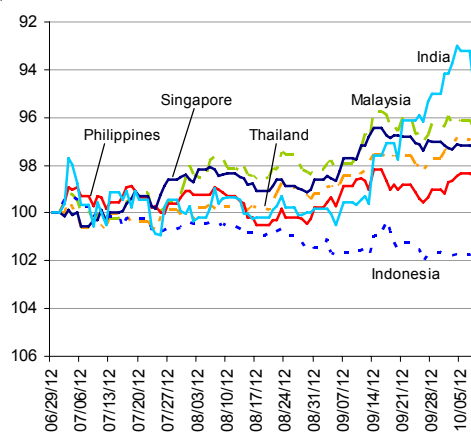
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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