Daily Flash

Asia

The Chinese currency continued to gain strength today, reaching a new record high against the USD of 6.266. While we see room for RMB appreciation in the next couple of years, the currency's strength since early August has been surprising against the backdrop of slowing growth momentum and an uncertain global outlook. A number of factors may be at play, including politics -- market rumors suggest the PBoC's stronger daily fixings of the last couple of days may reflect efforts to blunt US criticism during the Presidential election and/or during the ongoing IMF/World Bank annual meetings. It may also reflect rising capital inflows (the spot rate has been trading toward the more appreciated end of the daily +/- 1% trading band). In either case, it remains to be seen whether the recent strengthening will be sustained through end-year. In the meantime, markets are bracing for a slew of Chinese data out next week, including Q3 GDP and September activity indicators (see Upcoming Calendar below).

Singapore dashes expectations of monetary easing despite weak 3Q GDP

Singapore's advance third quarter GDP estimate came out at a -1.5% q/q, seasonally adjusted annualized rate (consensus: -1.6%, BBVA: 0.1%), from an upwardly revised +0.2% outturn in Q2, as weaker external demand weighed on exports. Meanwhile, at its semi-annual policy meeting today the Monetary Authority of Singapore (MAS) surprised markets by maintaining the center and slope of its currency band (i.e., no monetary easing), referring to "tightness in the labor market" that is expected to "support slightly stronger wage increases in 2013, which will continue to be passed through to consumer prices." At its last meeting in April, the MAS tightened policy. The MAS statement echoes the sentiment across much of Asia in which, despite the slowdown, policymakers are reluctant to use room for stimulus given prevailing tight labor market conditions.

China's new RMB loans fall in September, but overall financing rises

The PBoC announced today that new RMB loans declined to 632bn in September (consensus: 700bn) from 704bn in August. While the outturn is a disappointment for those looking for indications of an upturn in credit demand and growth, the broader concept of lending, "Total Social Financing" (TSF), consisting of bank loans, off-balance-sheet lending, and corporate bond issuance, increased to RMB 1.65trn in September, compared with 1.24trn in August. The divergence between the trends of RMB loans and TSF may be due to end-quarter seasonal factors when banks are reluctant to issue new loans and turn to off-balance-sheet lending in order to comply with regulations regarding their loan-to-deposit ratios. That said, it appears that credit conditions have not eased sufficiently to bolster China's sluggish growth. Looking ahead, we anticipate more monetary easing measures (such as an interest rate cut and a reduction in the RRR) in the coming months.

Briefly noted:

- Japan's government lowered its assessment on Japan's economy in October for the third consecutive month, citing the European debt crisis and China's slowdown. Recent activities indicators (like IP) point to stalling growth in Japan. We expect Japan's economy to fall into contraction in the third and fourth quarters.
- India's August industrial production rose by 2.7% y/y (consensus: 1.0%) after a -0.2% decline in July, driven mainly by a moderate pick up in manufacturing and mining activity. The outturn is in line with our expectations of a gradual recovery in output on the back of renewed reform momentum. In a separate release, India's September CPI outturn was slightly lower at 9.7% y/y from 10.0% y/y previously, on easing food prices.

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Unemployment Rate	11-Oct	Sep	5.10%	5.30%	5.40%
China	**Date**	**Period**	**Prior**	**Cons.**	**Actual**
HSBC Services PMI	08-Oct	Sep	52.0	--	54.3
New Yuan Loans	12-Oct	Sep	703.9B	700.0B	623.5B
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%	1.10%	2.70%
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%	--	-3.00%
Machine Orders (MoM)	11-Oct	Aug	4.60%	-2.30%	-3.30%
Japan Money Stock M2 YoY	12-Oct	Sep	2.40%	2.40%	2.40%
Tertiary Industry Index (MoM)	12-Oct	Aug	-0.80%	0.40%	0.40%
Malaysia	**Date**	**Period**	**Prior**	**Cons.**	**Actual**
Industrial Production YoY	11-Oct	Aug	1.40%	-2.00%	-0.70%
Philippines	**Date**	**Period**	**Prior**	**Cons.**	**Actual**
Total Exports (YoY)	10-Oct	Aug	7.80%	5.50%	-9.00%
Singapore	**Date**	**Period**	**Prior**	**Cons.**	**Actual**
GDP (annualized) (QoQ)	12-Oct	3Q A	-0.70%	-1.60%	-1.50%
GDP (YoY)	12-Oct	3Q A	2.00%	1.10%	1.30%
South Korea	**Date**	**Period**	**Prior**	**Cons.**	**Actual**
Unemployment Rate (SA)	10-Oct	Sep	3.10%	3.20%	3.10%
Taiwan	**Date**	**Period**	**Prior**	**Cons.**	**Actual**
Total Exports (YoY)	08-Oct	Sep	-4.20%	1.00%	10.40%

Calendar Events

	Current	Consensus	New
South Korea – 7-Day Repo Rate, October 11	**Current**	**Consensus**	**New**
We expected a 25 bps cut in the benchmark rate	3.00%	2.75%	2.75%
Indonesia – Bank Indonesia Reference Rate, October 11	**Current**	**Consensus**	**New**
We expected the benchmark rate to remain unchanged	5.75%	5.75%	5.75%

Singapore – Monetary Authority policy meeting, October 12
We expected policy easing

Upcoming Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Money Supply - M2 (YoY)	12-15 OCT	Sep	13.50%	13.70%	--
Trade Balance (USD)	13-Oct	Sep	$26.66B	$20.54B	--
Exports YoY%	13-Oct	Sep	2.70%	5.50%	--
Imports YoY%	13-Oct	Sep	-2.60%	2.40%	--
Actual FDI (YoY)	14-18 OCT	Sep	-1.40%	-3.50%	--
Consumer Price Index (YoY)	15-Oct	Sep	2.00%	1.90%	--
Producer Price Index (YoY)	15-Oct	Sep	-3.50%	-3.50%	--
China September Property Price	18-Oct	Sep	--	--	--
Real GDP (YoY)	18-Oct	3Q	7.60%	7.40%	--
Real GDP YTD (YoY)	18-Oct	3Q	7.80%	7.70%	--
Real GDP (QoQ)	18-Oct	3Q	1.80%	2.00%	--
Industrial Production (YoY)	18-Oct	Sep	8.90%	9.00%	--
Industrial Production YTD YoY	18-Oct	Sep	10.10%	10.00%	--
Fixed Assets Inv Excl. Rural YTD YoY	18-Oct	Sep	20.20%	20.20%	--
Retail Sales (YoY)	18-Oct	Sep	13.20%	13.20%	--
Retail Sales YTD YoY	18-Oct	Sep	14.10%	14.00%	--
Hong Kong	**Date**	**Period**	**Prior**	**Cons.**	**Actual**
Unemployment Rate SA	18-Oct	Sep	3.20%	3.30%	--
India	**Date**	**Period**	**Prior**	**Cons.**	**Actual**
Monthly Wholesale Prices YoY%	15-Oct	Sep	7.55%	7.70%	--
Japan	**Date**	**Period**	**Prior**	**Cons.**	**Actual**
All Industry Activity Index (MoM)	19-Oct	Aug	-0.60%	0.10%	--
Malaysia	**Date**	**Period**	**Prior**	**Cons.**	**Actual**
CPI YoY	17-Oct	Sep	1.40%	1.40%	--
Philippines	**Date**	**Period**	**Prior**	**Cons.**	**Actual**
Overseas Remittances (YoY)	15-Oct	Aug	5.40%	--	--
Singapore	**Date**	**Period**	**Prior**	**Cons.**	**Actual**
Retail Sales (YoY)	15-Oct	Aug	-2.90%	2.00%	--
Non-oil Domestic Exports (YoY)	17-Oct	Sep	-10.60%	1.20%	--
Taiwan	**Date**	**Period**	**Prior**	**Cons.**	**Actual**
Export Orders (YoY)	19-Oct	Sep	-1.50%	1.87%	--
Thailand	**Date**	**Period**	**Prior**	**Cons.**	**Actual**
Customs Exports (YoY)	19-26 OCT	Sep	-6.95%	--	--

Upcoming Calendar Events

Thailand – Benchmark Interest Rate, October 17	**Current**	**Consensus**	**New**
We expect the benchmark rate to remain unchanged	3.00%	3.00%	--

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.	2104.9	0.1	0.9	-4.3	-13.0
Hong Kong – Hang Seng	21136.4	0.7	0.6	14.7	15.3
Taiwan – Weighted	7437.0	-0.2	-3.2	5.2	0.7
Japan – Nikkei 225	8534.1	-0.1	-3.3	0.9	-2.3
Korea – Kospi	1933.3	0.0	-3.1	5.9	6.8
India – Sensex 30	18644.8	-0.9	-1.6	20.6	9.9
Australia – SPX/ASX 200	4486.6	0.1	-0.2	10.6	6.7
Singapore – Strait Times	3045.2	0.4	-2.0	15.1	11.2
Indonesia – Jakarta Comp	4311.4	0.6	0.0	12.8	18.6
Thailand – SET	1298.8	0.3	-1.0	26.7	36.3
Malaysia – KLCI	1653.4	-0.1	-0.4	8.0	15.7
Philippines – Manila Comp.	5369.7	0.3	-1.3	22.8	30.3

Last update: today, 17.00 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)	6.27	0.18	0.30	6.31	6.35
Hong Kong (HKD/USD)	7.75	0.01	0.00	7.75	7.75
Taiwan (TWD/USD)	29.3	0.12	0.08	29.17	28.92
Japan (JPY/USD)	78.41	-0.09	0.33	78.34	78.05
Korea (KRW/USD)	1111	0.27	0.01	1116	1128
India (INR/USD)	52.8	-0.24	-1.81	53.48	55.70
Australia (USD/AUD)	1.03	0.02	0.78	0.98	1.00
Singapore (SGD/USD)	1.22	0.47	0.61	1.22	1.22
Indonesia (IDR/USD)	9585	0.51	0.09	9708	10093
Thailand (THB/USD)	30.7	0.07	-0.36	30.85	31.27
Malaysia (MYR/USD)	3.06	0.35	-0.10	3.07	3.11
Philippines (PHP/USD)	41.4	0.33	0.07	41.41	41.46

Last update: today, 17.00 Hong Kong time.

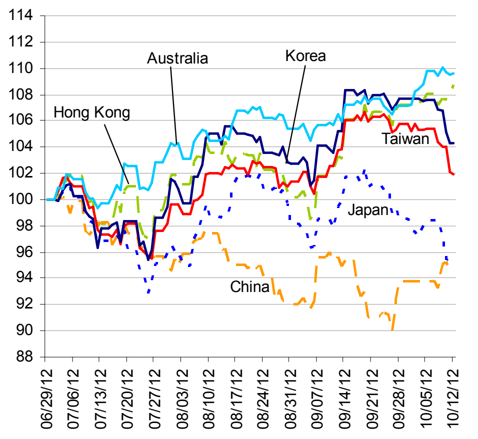
INTERBANK RATES

INDEX	Rate	net change over a day	net change over a week	net change over a month
China (SHIBOR/7D)	3.16	-0.01	-0.14	-0.36
Hong Kong (HIBOR/1W)	0.15	0.00	-0.02	0.02
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)	2.79	-0.22	-0.23	-0.23
India (MIBOR/7D)	3.47	0.28	0.47	0.00
Singapore (SIBOR/1W)	0.25	-0.06	0.00	0.00
Indonesia (JIBOR/1W)	4.26	0.00	0.02	0.02
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)	2.06	0.00	0.13	1.13

Last update: today, 17.00 Hong Kong time

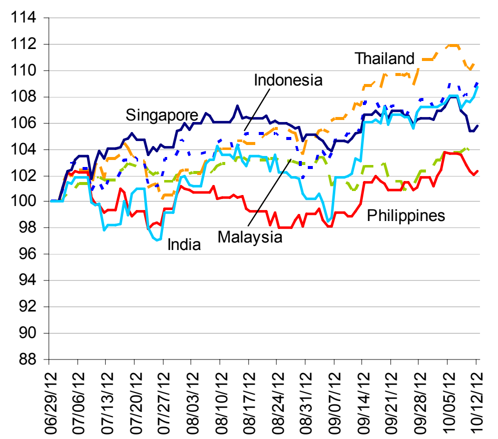
Charts

Chart 1
Stock Markets



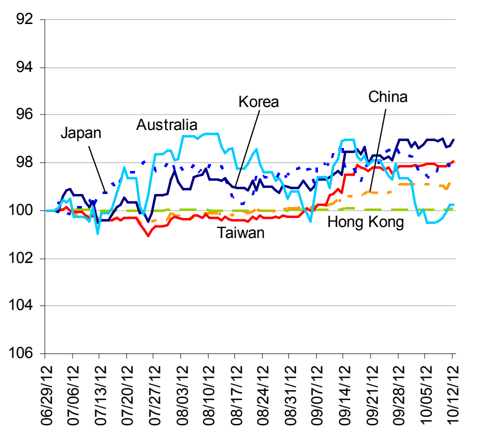
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



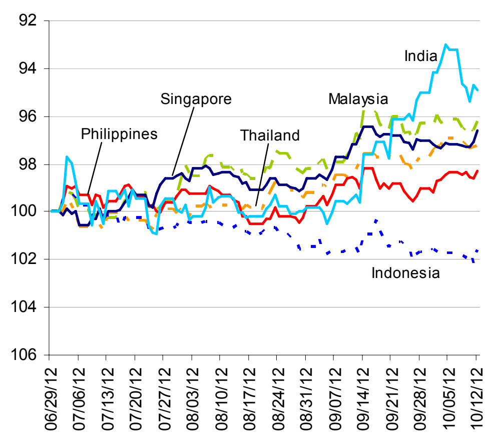
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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