

# Asian FX Policy Dashboard

The calm before the storm?  
(May 2012)

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## The calm before the storm?

- ▶ There was little evidence of strong intervention from the majority of Asian central banks in April
- ▶ This is unsurprising given the relatively neutral performance of Asian currencies during the month
- ▶ How policy makers respond to recent currency weakness will be important, with early indications suggesting increased efforts to limit currency weakness
- ▶ India's FX policy appears to be becoming more constrained, though further policy measures are likely in an attempt to arrest the INR's recent slide
- ▶ China's large rise in reserves in Q1 appears to be mainly due to accounting rather than USD purchases
- ▶ Indonesia continues to see BI sell USD in the face of depreciation pressure on the IDR

## About the Asian FX Policy Dashboard

The HSBC Asian FX Policy Dashboard provides a comprehensive look at FX policy, its cost, and the sustainability of the overall policy regime. The Estimated Intervention Activity Dashboard provides refined estimates of central bank intervention based on publicly available data. The Policy Sustainability Dashboard is an aggregation of indicators combined with a framework of analysis to assess the pressure on, and sustainability of, central banks' policies to manage the value of their currencies. We also provide our own assessment of what the Dashboard is saying about the current pressure on each country's currency regime. For more information, refer to *Introducing an intervention dashboard* (3 June 2007), *Deciphering FX reserves* (12 May 2008), *Regime sustainability under depreciation pressure* (16 June 2008), and *Introducing a new FX policy indicator* (22 May 2009).

# The Dashboard this month

## Limited intervention in April

There was little evidence of strong intervention from the majority of Asian central banks in April. In Asia ex-China, central bank intervention activity was generally well below the average monthly amount seen since 2009 (Chart 1). The one country where intervention was more closely inline with the average levels seen in that period was Indonesia (see below).

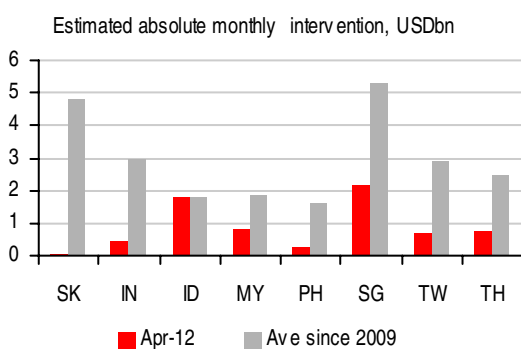
This lack of central bank intervention activity is somewhat unsurprising given the limited moves in Asian currencies during April. The biggest mover ex-INR in Asia was the PHP which appreciated a modest 1.4% in April. Without a strong move in either direction during the month, and the following negligible estimated intervention, it is difficult to ascertain the exact nature of FX policy of Asian central banks.

However, **the coming months will give a much better indication of respective policy stances across Asia.** The data released at the end of May

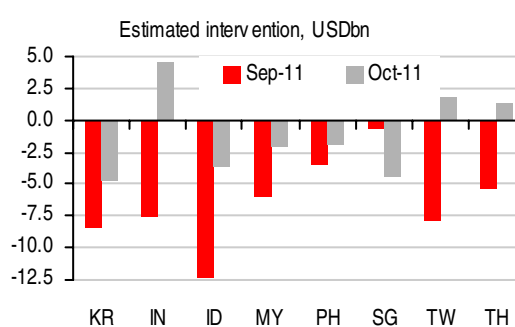
and in early June will give more insight into just how willing Asian central banks are to limit weakness in their respective currencies, given that USD-Asia has already moved quite abruptly higher this month. We noted in September and October last year – when Asian currencies were weakening quickly – that central banks were large sellers of USDs (Chart 2). The rate and size of the response will depend on how disorderly the market is and whether we see a return of a USD shortage as occurred last year. The initial indications suggest that there may have been some response from authorities in May, though we need to wait to see if more heavy handed intervention to prevent currency weakness has returned.

We have long maintained that most Asian central banks have the firepower and the ability to limit currency weakness due to the size of their reserves. However, if **policy makers are more concerned about both European and regional growth, then it may be that weaker currencies are tolerated as a route towards helping local**

1. Limited intervention by Asian central banks in April



2. September saw large scale USD selling by central banks



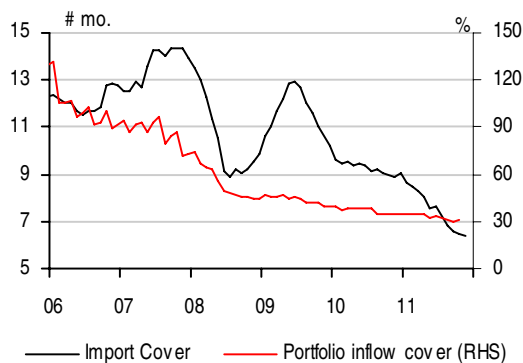
**economies rebound.** In such an instance, Asian currencies could continue their recent underperformance, as we highlighted [recently](#).

### RBI policy appears constrained

The most interesting development in our view was in India, where the INR depreciated over 3.5% in April, and yet reserves increased and intervention appeared to be mildly positive. Normally under such depreciation pressures, and given high inflation impulses in India, one would expect the RBI to be selling USD. However, as we have noted both in April's *"Dashboard"* and in our recent *"Asian FX focus"* on India, policy appears to have become more constrained in recent months. This is due to both the ongoing deterioration on the balance of payments and onshore liquidity constraints. The ongoing deterioration in the BoP has been noted by authorities, with some seeing a weaker currency as helping the BoP adjustment process. In the recent RBI minutes, some members of the board stated that INR should weaken to help adjust the current account deficit. In addition, with a number of reserves adequacy metrics having shown a notable long-term decline (Chart 3), this would further caution the authorities from intervening too aggressively.

Second, any aggressive intervention could exacerbate the onshore local currency liquidity tightness and slow economic growth further, which is unwelcoming in the current environment. Overall, and unlike in the past, the problem India is facing is endogenous rather than exogenous and as such to slow INR weakness or stabilise the currency the government has to undergo the necessary reforms such as addressing the fiscal deficit. Until then, there is limited scope for RBI to do much. What the authorities can do – and are doing – is to manage INR volatility. In recent weeks, the authorities have announced a series of measures to limit USD purchasing and we think more actions seem likely to come.

3. Questions could start to arise of India's reserve adequacy



Source: Bloomberg, CEIC, HSBC

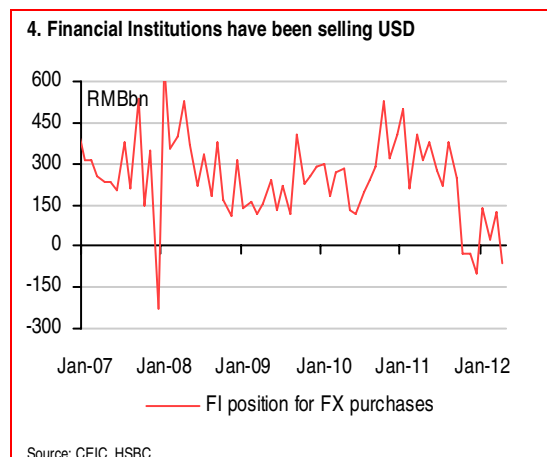
That said, the broader environment continues to encourage USD strength, while policy concerns are still prevalent in India, and the balance of current and capital account flows remains challenging. Therefore, we think it could be difficult for authorities to turn the tide of INR weakness.

### China – accounting for Q1's rise in reserves

Last month, we reported the large rise seen in China's reserves in Q1, but highlighted at the time it was difficult to make too much of the data as we did not have the monthly breakdown. It was also clear that the quarterly data suggested very strong USD buying by the PBOC, despite the fact that pressure on CNY had been more to the weak side.

An [announcement by SAFE](#) on 27 April has given more insight into the data. This press release stated that the book value of the reserves mostly rose due to "asset price and exchange rate changes", suggesting that the large increase in reserves was more of an accounting issue than a counterbalancing force to strong inflows. This is the first time such a statement has been made. We already take FX valuation effects into account in our models, but as yet we do not aim to adjust changes in reserve holdings for changes in asset values. If this trend continues, it could mean that the reserves data itself becomes less of an indicator of underlying flow pressures, and that

the fluctuations in FX reserves are likely to increase due to mark-to-market accounting.



Given this, we may need to pay more heed to the various measures of Banks and Financial Institutions purchases and sales of FX, which often provide a good proxy of monthly FX activities. The latest release for April shows a net outflow of USD61bn from Financial Institutions. Chart 4 shows that the overall flow pressures have turned significantly less one-sided since late last year. This also coincides with USD-CNY trading in the weak side of the daily trading band. With greater two-way volatility in flows, we continue to expect USD-CNY to trade with more volatility in 2012 and see much less appreciation than in the past (less than 2% over the full year).

## Other developments in the dashboard this month

### ► Indonesia still limiting currency weakness:

The stand out intervention figures came from Indonesia, where we estimated BI sold around USD1.8bn to stem further currency weakness. This is despite a jump in headline reserves which we estimate was largely due to USD bond auctions by several state companies. While the estimated intervention pales into insignificance compared to the reserve draw down we saw late last year, the trend for policy makers is clear. This is the 11<sup>th</sup> straight month that we have estimated USD selling by the authorities, during a period in which IDR has more often than not been under depreciation pressure. With inflation concerns looming further down the track, a weaker currency is clearly a concern for BI. The question will be to what extent BI could become constrained in its intervention activities, having already sold an estimated USD33bn over the aforementioned period. As yet, reserve adequacy remains comfortable, but ongoing pressure on the IDR could raise questions about FX policy in the future.

Table 1: Estimated intervention activity dashboard: Latest changes in FX reserves

Country			Current, USDbn	MoM Chge USDbn	Interest Adjustments , USDbn	Valuation Adjustment, USDbn	Others, USDbn	Total adjustment, USDbn	Estimated Intervention, USDbn*
China	Reserves	Jan-12	3,254	72.5	-2.6	-12.5	-	-15.1	57.4
	Reserves	Feb-12	3,310	56.0	-2.6	-2.4	50.00	45.1	101.1
	Reserves	Mar-12	3,305	-4.7	-2.6	8.0	-	5.4	0.7
India	Reserves	Apr-12	261	0.9	-0.2	-0.2	-	-0.4	0.5
	Incl Fwds	Mar-12	257	-2.3	-0.2	0.6	-	0.4	1.4
Indonesia	Reserves	Apr-12	109	5.9	-0.1	-0.1	3.5	3.3	-1.8
	Incl Fwds	Mar-12	102	-1.7	-0.1	0.2	-2.1	-2.0	0.0
Korea	Reserves	Apr-12	308	0.9	-0.2	-0.6	-	-0.8	0.1
	Incl Fwds	Mar-12	338	-1.5	-0.2	-0.2	-	-0.5	0.0
Malaysia	Reserves	Apr-12	123	0.9	-0.1	0.0	-	-0.1	0.8
	Incl Fwds	Mar-12	131	2.8	-0.1	-0.3	-	-0.4	0.0
Philippines	Reserves	Apr-12	64	0.4	0.0	-0.1	-	-0.1	-0.2
	Incl Fwds	Mar-12	71	-2.7	-0.1	0.1	-	0.1	0.0
Taiwan	Reserves	Apr-12	395	1.2	-0.3	-0.2	-	-0.5	0.7
Thailand	Reserves	Apr-12	199	0.9	-0.1	-0.1	-	-0.2	0.0
Singapore	Reserves	Apr-12	243	2.5	-0.2	-0.1	-	-0.3	2.1
	Incl Fwds	Mar-12	358	-3.0	-0.2	0.7	-	0.5	0.0

Source: HSBC, Bloomberg, CEIC, Reuters; \* Intervention numbers are calculated estimates based on public data including FX reserves, FX and interest rates

Table 2: Changes in reserves including forward commitments

Country	Total (as % of GDP)				Reserves (as % of GDP)			Forward commitments (USDbn)		
	(USDbn)	(% GDP)	Change (m)	Change (y)	Latest	Change (m)	Change (y)	Latest	Change (m)	Change (y)
China	3,254	45%	0.8%	1.1%	0%	-0.1%	-50.0%	-	-	-
India	257	14%	0.1%	-2.5%	14%	0.0%	-2.4%	0.0	-1.8	-3.2
Indonesia	102	12%	0.1%	2.2%	13%	-0.2%	-1.5%	-0.9	0.0	-0.7
Korea	338	31%	0.3%	1.5%	28%	0.0%	-1.2%	30.9	-1.6	-21.5
Malaysia	131	48%	0.5%	2.9%	45%	0.4%	-2.1%	9.4	1.8	-2.9
Philippines	71	32%	-0.2%	5.2%	28%	-1.1%	-0.4%	7.4	-0.3	-8.5
Taiwan	395	84%	0.9%	-1.8%	85%	-0.1%	-5.8%	-	-	-
Thailand	199	56%	0.1%	4.6%	48%	-0.3%	-7.3%	30.4	1.2	9.0
Singapore	358	140%	0.7%	7.8%	96%	-1.4%	-5.0%	117.0	0.4	16.2

Source: HSBC, Bloomberg, CEIC, Reuters

Table 3: Policy sustainability dashboard

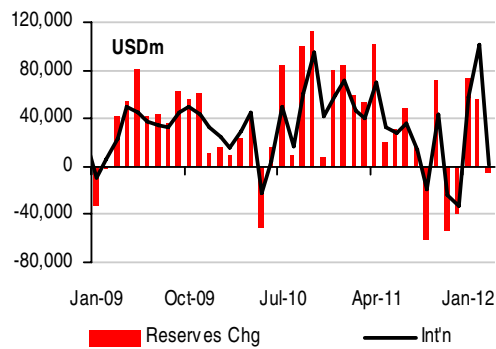
		unit	China	Indonesia	India	Korea	Malaysia	Philippines	Singapore	Thailand	Taiwan	unit	
Strength of flows	Net CA flows	USD bn, 3mma	Apr: -2.6 ↓	Mar: 0.9 ↑	Q4: -19.4 ↓	Mar: 0.9 ↑	Mar: 3.3 ↑	Feb: 0.7 ↑	Mar: 2.4 ↓	Mar: 0.2 ↓	Apr: 2.0 ↑	Net CA flows	USD bn, 3mma
	(% GDP)	% GDP	Apr: -0.4 ↓	Mar: 1.3 ↑	Q4: -4.7 ↓	Mar: 0.9 ↑	Mar: 14.0 ↑	Feb: 3.8 ↑	Mar: 11.1 ↓	Mar: 0.6 ↓	Apr: 5.0 ↑	(% GDP)	% GDP
	Net KA flows	USD bn, 3mma	Mar: 15.2 ↑	Apr: 0.1 ↓	Feb: 7.5 ↑	Mar: -1.9 ↑	Q4: 0.1 ↑	Dec: -1.1 ↑	Q4: -12.7 ↓	Mar: 0.7 ↑	Q4: -12.3 ↓	Net KA flows	USD bn, 3mma
	(% GDP)	% GDP	Mar: 2.4 ↑	Apr: 0.1 ↓	Feb: 5.4 ↑	Mar: -2.0 ↑	Q4: 0.1 ↑	Dec: -5.8 ↑	Q4: -19.8 ↓	Mar: 2.5 ↑	Q4: -10.6 ↓	(% GDP)	% GDP
	Foreign ccy deposits	% of total deposits	Mar: 2.5 ↑	Mar: 14.0 ↓		Mar: 1.9	Mar: 5.7 ↓	Feb: 22.7 ↑	Mar: 1.1 ↑		Mar: 10.9	deposits	% of total deposits
	(3m chg)	%-pts	Mar: 0.4 ↑	Mar: 0.4 ↑		Mar: 0.1 ↑	Mar: 0.6 ↑	Feb: -0.5 ↑	Mar: 0.1 ↑		Mar: 0.0 ↓	(3m chg)	%-pts
Inflation / Liquidity pressure	Broad Liquidity	M2/M3 %y/y 3mma	Mar: 17.5 ↑	Mar: 17.9 ↑	Feb: 6.1 ↑	Mar: 5.3 ↑	Mar: 14.9	Feb: 7.0	Mar: 9.7 ↓	Mar: 14.2 ↓	Mar: 5.1 ↑	Broad Liquidity	M2/M3 %y/y 3mma
	Narrow Liquidity	M0/M1 %y/y 3mma	Mar: 7.5 ↓	Apr: 15.2 ↓	Apr: 8.7 ↓	Apr: 13.8 ↑	Mar: 53.8 ↑	Mar: 16.7 ↑	Mar: 7.9 ↓	Mar: 5.9 ↓	Mar: 3.8 ↓	Narrow Liquidity	M0/M1 %y/y 3mma
	Inflation	CPI %y/y, 3mma	Apr: 3.4 ↓	Apr: 4.0 ↑	Apr: 7.1 ↑	Apr: 2.7 ↓	Mar: 2.3 ↓	Apr: 2.8 ↓	Mar: 4.9 ↓	Apr: 3.1 ↓	Apr: 1.0 ↓	Inflation	CPI %y/y, 3mma
	Equity mkt	%y/y, 3mma	Apr: -19	Apr: 12 ↓	Apr: -7 ↓	Apr: -3 ↓	Apr: 4 ↑	Apr: 25 ↓	Apr: -3 ↑	Apr: 15	Apr: -10 ↑	Equity mkt	%y/y, 3mma
	Govt bond yield	chg bp, 3m	Apr: 15 ↑	Apr: 44 ↑	Apr: -26 ↓	Apr: 07 ↓	Apr: 11	Apr: 15 ↑	Apr: 05 ↑	Apr: 56 ↑	Apr: 06 ↑	Govt bond yield	chg bp, 3m
	Property mkt	%y/y	Apr: 0.0	Q4: 5.0 ↑		Apr: 5.0 ↓	Q4: 6.6 ↓		Q1: 3.5 ↓	Q2: 13.0 ↑	Q1: -7.1 ↑	Property mkt	%y/y
Export competitiveness	Export growth	%y/y, 3mma	Apr: 10.7 ↑	Mar: 7.0 ↑	Mar: 2.8 ↓	Apr: 4.8 ↑	Mar: 4.9 ↓	Mar: 4.9 ↑	Mar: 7.6 ↓	Mar: 9.1 ↑	Apr: 0.2 ↑	Export growth	%y/y, 3mma
	Relative appreciation	%12m chg less region ave	Apr: 7.2 ↑	Apr: -3.2 ↓	Apr: -15.3 ↓	Apr: -1.5 ↓	Apr: 1.7 ↑	Apr: 5.2 ↑	Apr: 3.0 ↑	Apr: 1.0 ↑	Apr: 2.0	Relative appreciation	%12m chg less region ave
Constraints on sterilized intervention	Unit sterilization cost	bp, 3mma	Apr: 179	Apr: 328 ↑	Apr: 755 ↓	Apr: 235 ↑	Apr: 179 ↑	Apr: 266 ↓	Apr: -61 ↓	Apr: 197 ↓	Apr: -1 ↑	cost	bp, 3mma
	Annual Sterilization cost	% GDP, last 12m	Apr: 0.76	Apr: 0.22	Apr: 0.79	Apr: 0.29	Apr: 0.46 ↑	Apr: 0.46 ↓	Apr: -0.29 ↓	Apr: 0.66	Apr: 0.00 ↑	cost	% GDP, last 12m
	FX valuation sensitivity	% GDP for a 1% chg in fx	Mar: 0.4	Apr: 0.1	Apr: 0.2	Apr: 0.3	Apr: 0.4	Apr: 0.3	Apr: 0.9	Apr: 0.5	Apr: 0.8	sensitivity	% GDP for a 1% chg in fx
	FX valuation cost	% GDP for a 1% chg in fx	Mar: 1.7 ↓	Apr: -0.9 ↓	Apr: -3.0 ↓	Apr: -1.5 ↓	Apr: -1.0 ↓	Apr: 0.3	Apr: -0.9 ↓	Apr: -1.5 ↓	Apr: -1.6 ↓	FX valuation cost	% GDP for a 1% chg in fx
	Size of reserves	% GDP	Mar: 44	Apr: 13 ↑	Apr: 16	Apr: 27	Apr: 43	Apr: 27 ↓	Apr: 93 ↑	Apr: 50 ↑	Apr: 84	Size of reserves	% GDP
	Fiscal balance	% GDP (2012f)	-1.9	-1.5	-4.4	-1.1	-4.9	-2.5	0.0	-4.0	-1.2	Fiscal balance	% GDP (2012f)
	Fiscal debt	% GDP		2011e: 35	2011e: 72	2011e: 32	2011e: 52	2011e: 52		2011e: 47	2011e: 35	Fiscal debt	% GDP
Adequacy of Reserves	Import Cover	no. months	Mar: 22.4 ↓	Apr: 7.1 ↑	Mar: 6.4 ↓	Apr: 5.9 ↓	Mar: 7.7 ↑	Feb: 13.2 ↓	Mar: 15.1 ↓	Mar: 9.8 ↓	Apr: 17.1 ↑	Import Cover	no. months
	M2 Cover	% of M2	Mar: 23.2 ↓	Apr: 34.4 ↑	Apr: 81.5 ↑	Apr: 19.7	Apr: 29.2 ↓	Apr: 60.5 ↓	Apr: 66.3 ↓	Apr: 37.3 ↓	Apr: 35.0 ↓	M2 Cover	% of M2
	ST Debt cover	% of ST-debt	Mar: 695 ↓	Apr: 321 ↑	Apr: 353 ↑	Apr: 234 ↑	Apr: 768 ↑	Apr: 949 ↓		Apr: 581 ↓	Apr: 693 ↑	ST Debt cover	% of ST-debt
	Total Debt cover	% of total debt	Mar: 505 ↓	Apr: 49 ↑	Apr: 71 ↑	Apr: 77	Apr: 208 ↑	Apr: 114		Apr: 271 ↓	Apr: 555 ↑	Total Debt cover	% of total debt
	Port. inflow cover	% of 5yr portfolio inflow	Feb: 2542 ↑	Feb: 206	Feb: 30	Mar: 242 ↓		Mar: 106 ↓	Feb: -9286 ↓	Feb: 1094 ↑	Feb: 5529 ↑	Port. inflow cover	% of 5yr portfolio inflow
	Gross Liab Cover	% of Gross ext liabilities	Feb: 110 ↑		Feb: 30	Feb: 36	Nov: 44	Dec: 58 ↓	Nov: 20		Nov: 80 ↓	Gross Liab Cover	% of Gross ext liabilities
	Bond holdings cover	% of holdings		Apr: 437 ↑			Mar: 215 ↓					Bond holdings cover	% of holdings
	Eqty holdings cover	% of holdings		Apr: 238 ↓	Apr: 47 ↑	Apr: 98 ↓					Apr: 56 ↓	Eqty holdings cover	% of holdings
Balance of policy choices	RRR hikes	chg %p.a., 12m	Apr: 0 ↓	Mar: 0	Apr: -125	Apr: 0	Mar: 300					RRR hikes	chg %p.a., 12m
	Policy rate hikes	chg %p.a., 12m	Apr: 25 ↓	Apr: -100	Apr: 125 ↓	Apr: 25	Apr: 25	Apr: -25		Apr: 25 ↓	Apr: 13 ↓	Policy rate hikes	chg %p.a., 12m
	Fwd position	% of reserves, 3mma		Apr: -1	Apr: -1	Apr: 10 ↓	Apr: 7	Apr: 12	Apr: 48	Apr: 18		Fwd position	% of reserves, 3mma
	Estimated Inv'n++	USDbn 3mma	Mar: 53.1 ↑	Apr: -2.3 ↓	Apr: 0.0 ↑	Apr: 0.8 ↓	Apr: 1.5 ↑	Apr: -1.2 ↓	Apr: 0.3 ↓	Apr: 0.0 ↓	Apr: 1.6 ↓	Estimated Inv'n++	USDbn 3mma
	Inv'n, % of reserves	% reserves	Mar: 1.6 ↑	Apr: -2.1 ↓	Apr: 0.0 ↑	Apr: 0.3	Apr: 1.2 ↑	Apr: -1.8 ↓	Apr: 0.1 ↓	Apr: 0.0 ↓	Apr: 0.4 ↓	Inv'n, % of reserves	% reserves
Assessment of current policy regime+	Pressure on regime	Qualitative assessment	Moderate ↔	High ↑	High ↑	Moderate ↔	Moderate ↔	Moderate ↔	Moderate ↔	Moderate ↔	Moderate ↔	Pressure on regime	Qualitative assessment
	FX Policy		Manage volatility in band; Increase flexibility	Curb Depreciation	Curb Depreciation	Manage Volatility	Manage Volatility	Manage Volatility	Modest and Gradual appreciation	Manage Volatility	Manage Volatility	FX Policy	

Source: Note: Arrow represents change from previous datapoint. Refer to appendix for other notes. + Arrows next to assessment denote growing/declining pressures. Changes in assessment (and bias) are bolded. ++ Intervention number are calculated estimates based on public data, including FX reserves, FX and interest rates. Source: HSBC, Bloomberg, CEIC, Reuters

## China

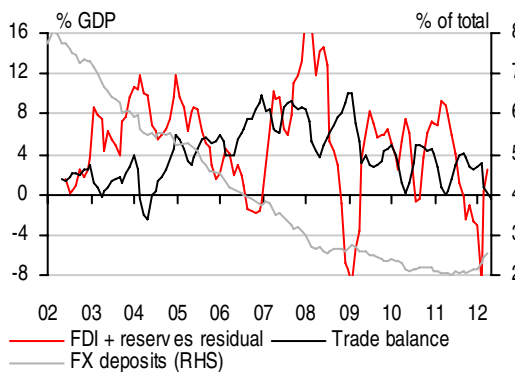
- ▶ Financial Institutions positions for FX purchases fell by RMB61bn in April – suggesting further outflows
- ▶ Q1's large rise in reserves appears to be more due to accounting methods rather than actual USD buying
- ▶ The trade surplus is narrowing on a structural basis, while inflation and monetary growth are subdued
- ▶ Sterilisation costs remain close to all-time highs
- ▶ Pressure on the regime (to manage volatility in the trading band and increase flexibility) is moderate

Estimated FX intervention



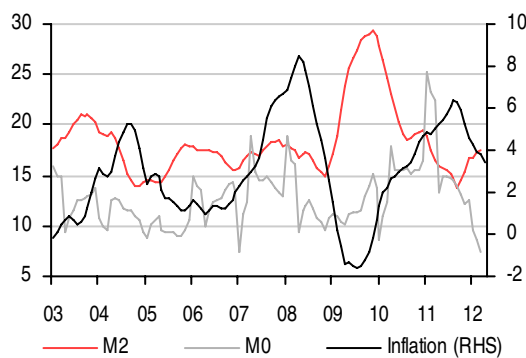
Source: HSBC, CEIC, Bloomberg

Strength of flows



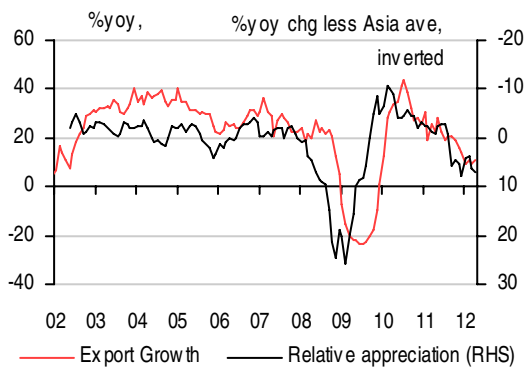
Source: HSBC, CEIC, Bloomberg

Liquidity pressure



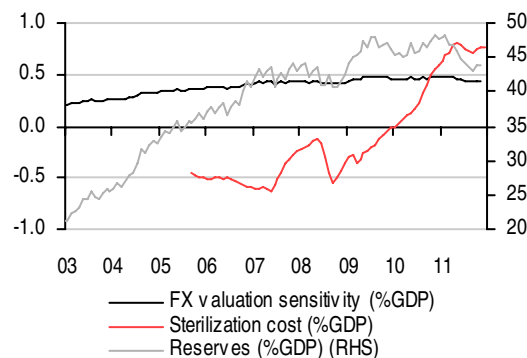
Source: CEIC, HSBC

Export competitiveness



Source: HSBC, CEIC, Bloomberg

Constraints on sterilised intervention

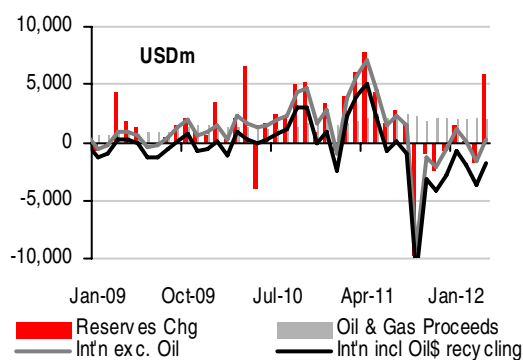


Source: HSBC, CEIC, Bloomberg

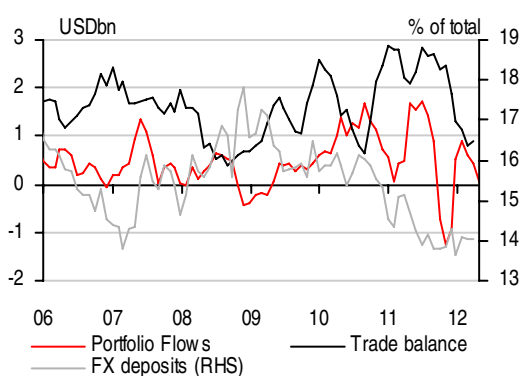
## Indonesia

- ▶ BI remained sellers of USD on our estimates, despite a headline increase in reserves, which were bolstered by a number of USD bond auctions
- ▶ Trade inflows and portfolio flows have both deteriorated
- ▶ Inflation rates have declined, but high money growth suggests that latent inflation risks remain
- ▶ Indonesia's FX reserves import cover is adequate though low by regional standards
- ▶ Pressure on the regime (to curb depreciation) is high and rising

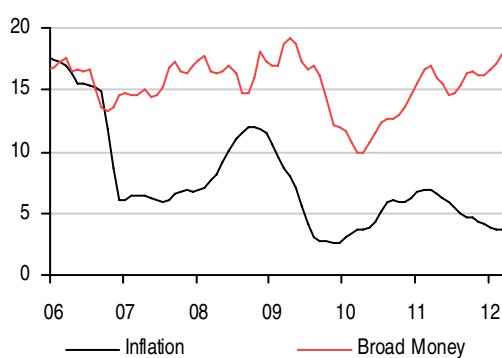
Estimated FX intervention



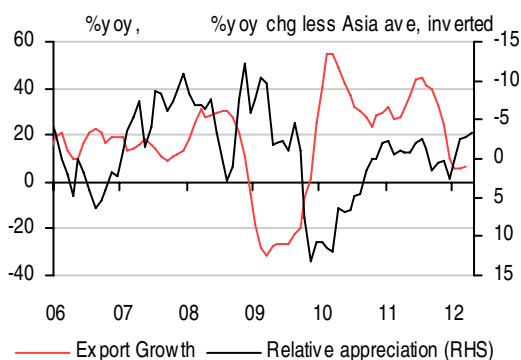
Strength of flows



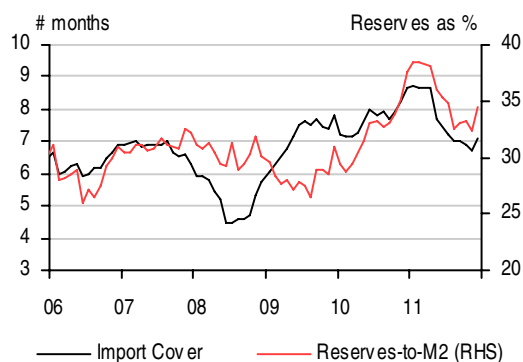
Liquidity pressure



Export competitiveness



Reserve adequacy

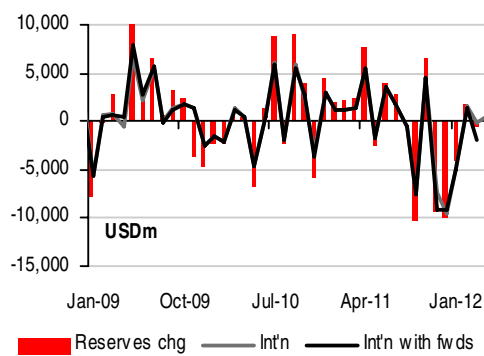




## India

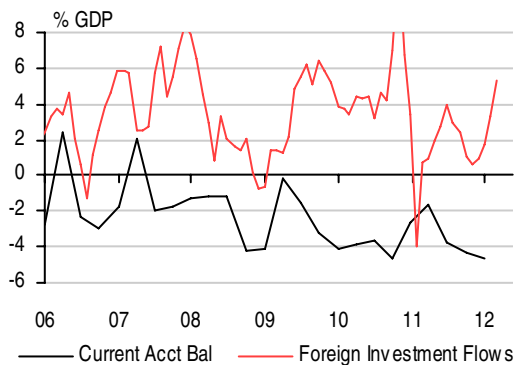
- ▶ RBI FX policy remained neutral despite the strong depreciation pressures on the INR in April
- ▶ The current account deficit has widened, although foreign investment flows picked up earlier in the year
- ▶ Inflation has been declining, along with money growth
- ▶ Import cover continues to decline but is not yet low enough to cause too great a concern
- ▶ Pressure on the regime (to curb depreciation) is high and rising

Estimated FX intervention



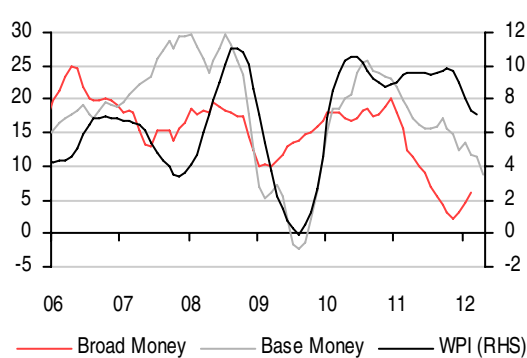
Source: HSBC, CEIC, Bloomberg, IMF

Strength of flows



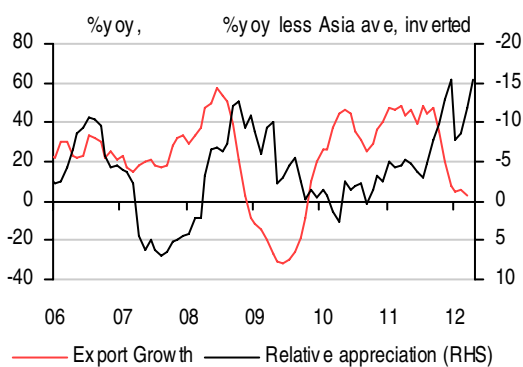
Source: HSBC, CEIC, Bloomberg

Liquidity pressure



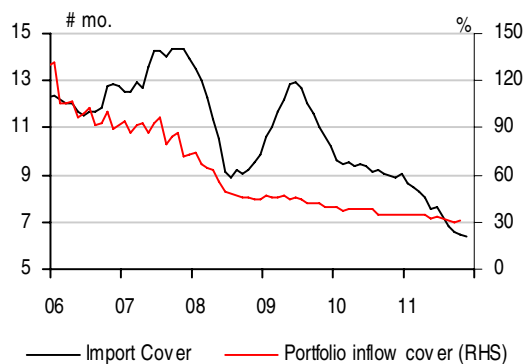
Source: CEIC, HSBC

Export competitiveness



Source: HSBC, CEIC, Bloomberg

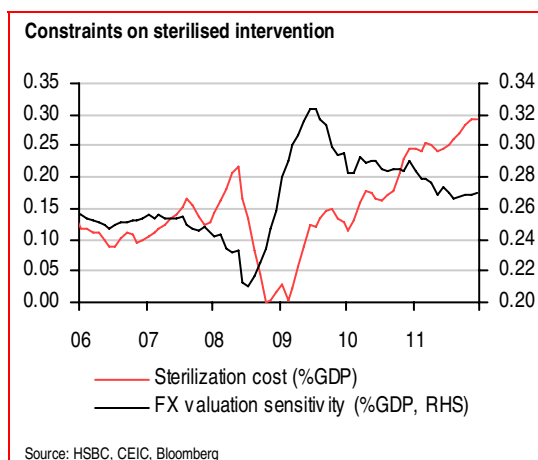
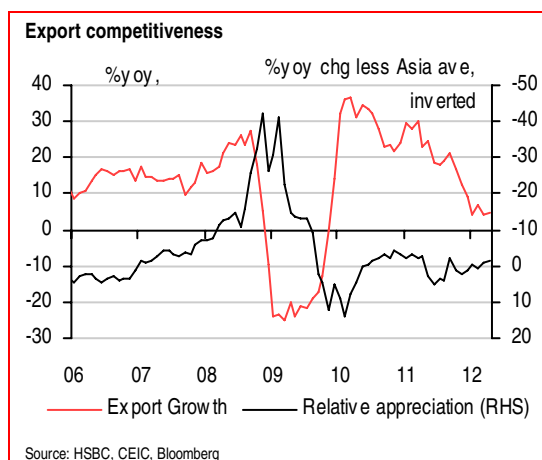
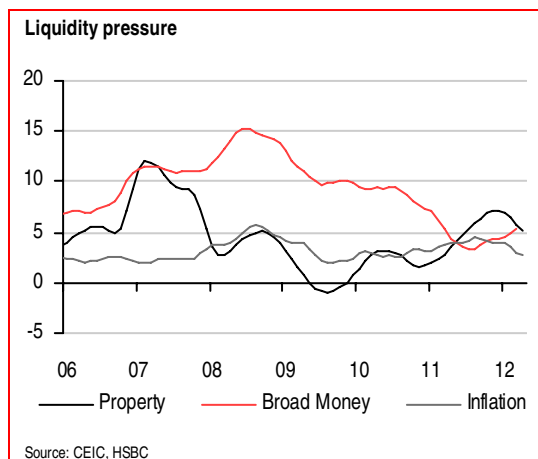
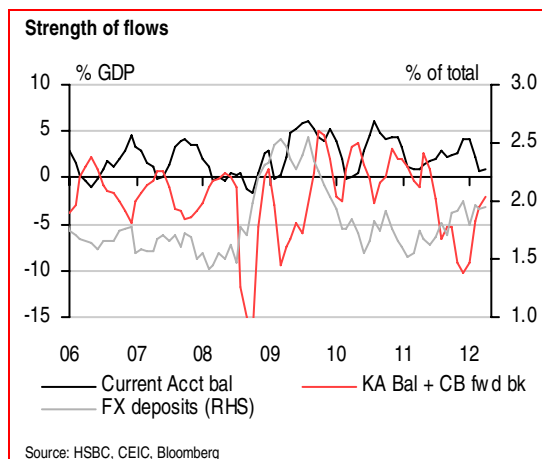
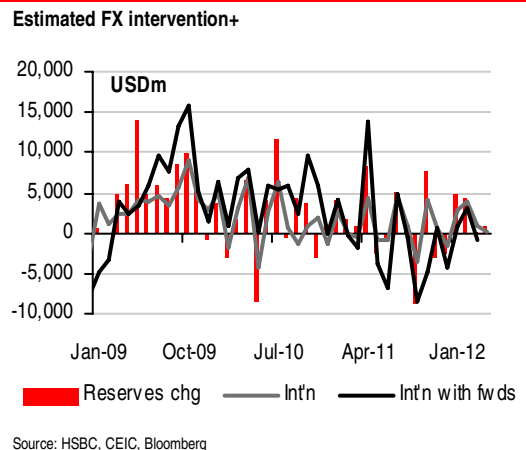
Reserve adequacy



Source: HSBC, CEIC, Bloomberg

## Korea

- ▶ April's reserve change was once again marginal
- ▶ Capital outflows have been easing though current account inflows have also declined recently
- ▶ Inflation and money supply pressures remain muted
- ▶ Sterilisation costs are at record levels

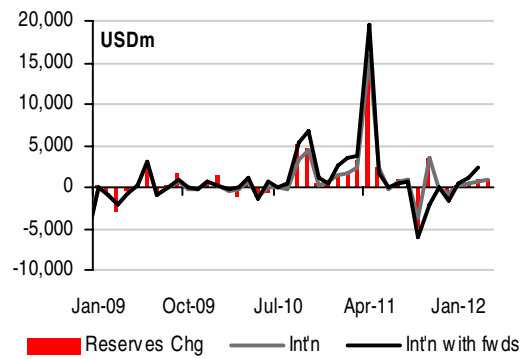


+ Intervention number are calculated estimates based on public data, including FX reserves, FX and interest rates

## Malaysia

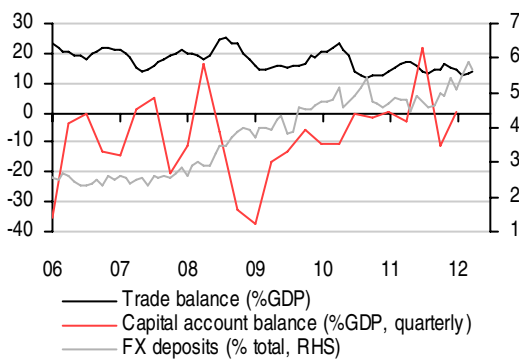
- ▶ Estimated net intervention increased slightly but was less than USD1bn for the sixth consecutive month
- ▶ The trade surplus remains large but has been slowly declining, while rising FX deposits suggest less onshore demand for MYR
- ▶ Inflation is still in check despite the sharp increase in narrow money growth
- ▶ Sterilisation costs have picked up again
- ▶ Pressure on the regime (to manage volatility) is moderate

Estimated FX intervention



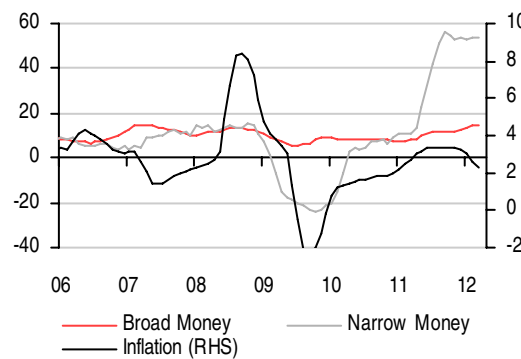
Source: HSBC, CEIC, Bloomberg, BNM

Strength of flows



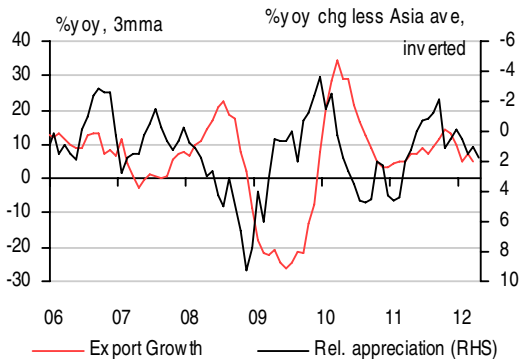
Source: HSBC, CEIC, Bloomberg

Liquidity pressure



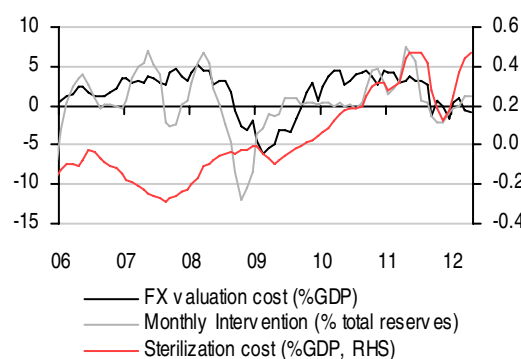
Source: CEIC, HSBC

Export competitiveness



Source: HSBC, CEIC, Bloomberg

Constraints on sterilised intervention

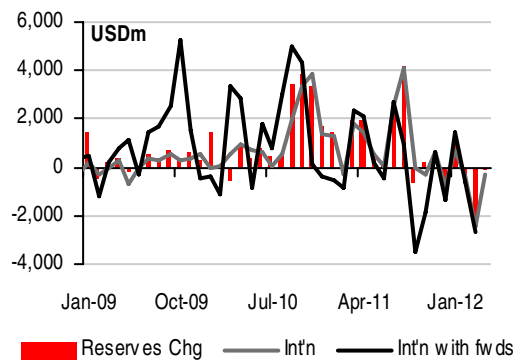


Source: HSBC, CEIC, Bloomberg

## Philippines

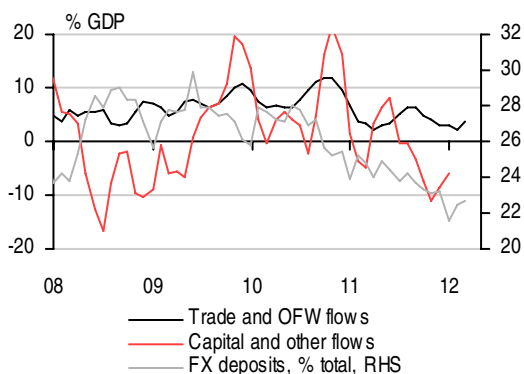
- ▶ There was limited net intervention activity in April according to our estimates
- ▶ Remittances are supporting the current account while the trade deficit has narrowed; capital flows remain volatile
- ▶ Inflation is still under control, though narrow money growth has picked up notably
- ▶ Sterilisation costs remain low by historical standards
- ▶ Pressure on the regime (to manage volatility) is moderate

Estimated FX intervention



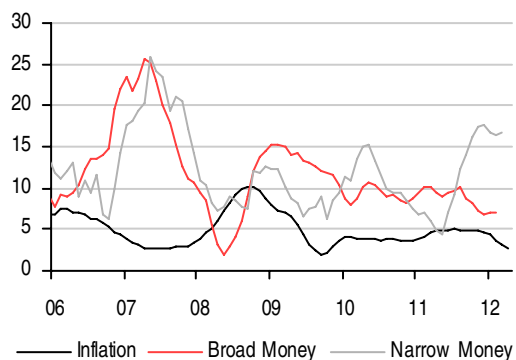
Source: HSBC, CEIC, Bloomberg, IMF

Strength of flows



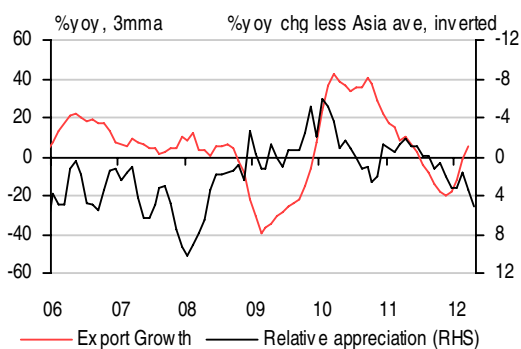
Source: HSBC, CEIC, Bloomberg

Liquidity pressure



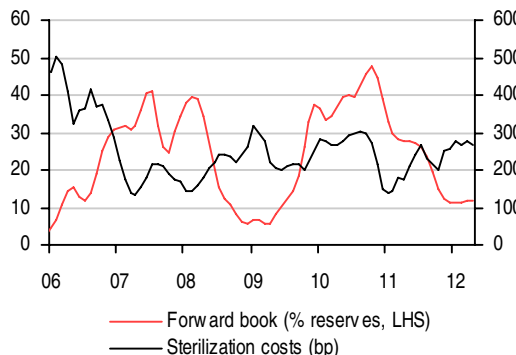
Source: CEIC, HSBC

Export competitiveness



Source: HSBC, CEIC, Bloomberg

Constraints on sterilised intervention

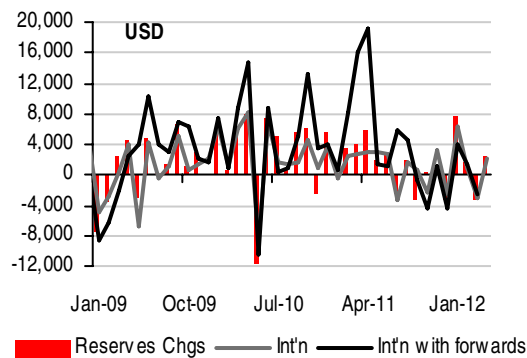


Source: HSBC, CEIC, Bloomberg

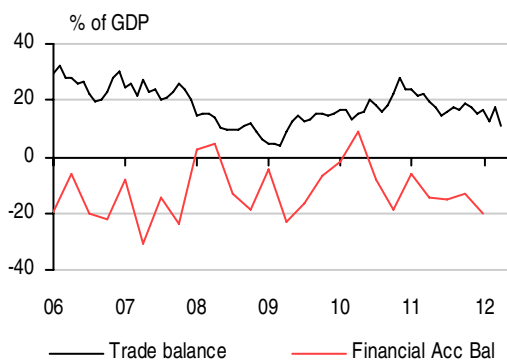
## Singapore

- ▶ April's data suggests moderate USD buying by the MAS, as the SGDNEER traded in the strong side of the band
- ▶ Net flows are large but have been largely stable and offsetting
- ▶ Inflation and money growth look to be peaking, though at elevated levels
- ▶ Sterilisation of intervention still provides a net income, though less so than before
- ▶ Pressure on the regime (for modest and gradual S\$NEER appreciation) is moderate

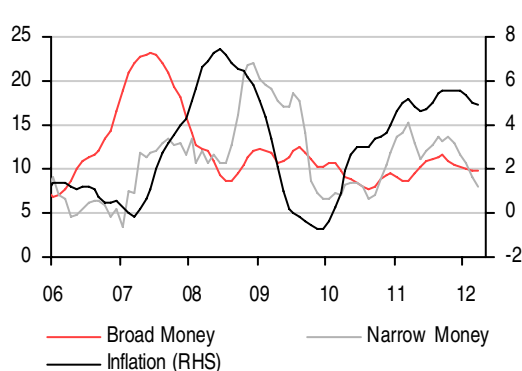
Estimated FX intervention



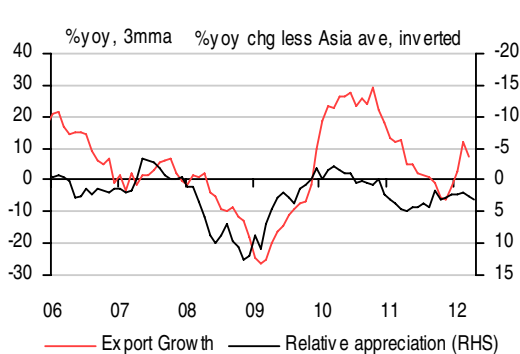
Strength of flows



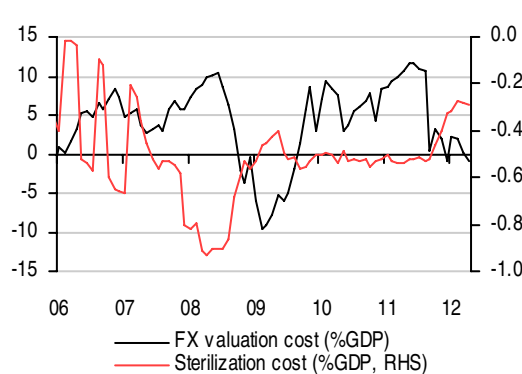
Liquidity pressure



Export competitiveness



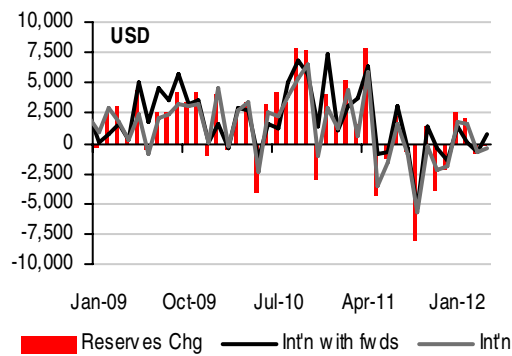
Constraints on sterilised intervention



## Thailand

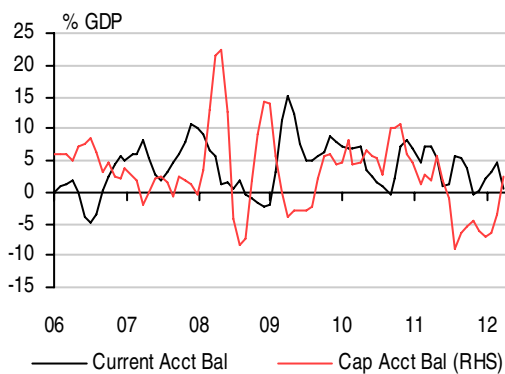
- ▶ April saw negligible net intervention by our calculations
- ▶ Larger imports weighed on the current account though capital account flows have improved
- ▶ Both inflation and money supply growth have declined
- ▶ Sterilisation costs have stabilized but at high levels
- ▶ Pressure on the regime (to manage volatility) is moderate

Estimated FX intervention



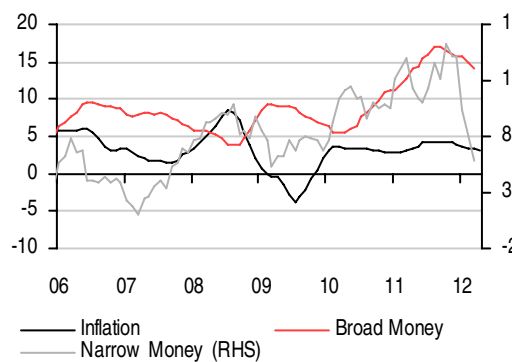
Source: HSBC, CEIC, Bloomberg

Strength of flows



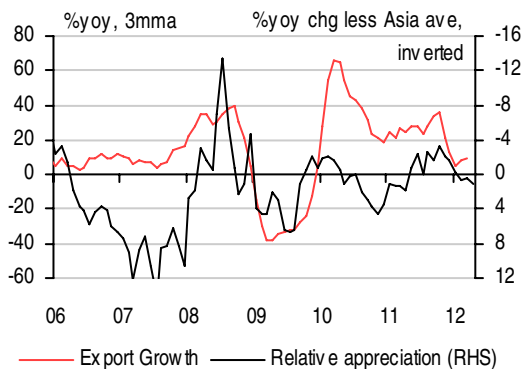
Source: HSBC, CEIC, Bloomberg

Liquidity pressure



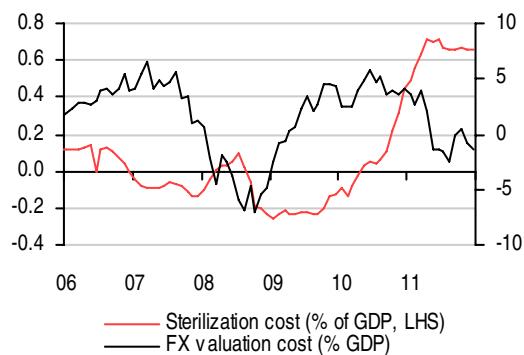
Source: CEIC, HSBC

Export competitiveness



Source: HSBC, CEIC, Bloomberg

Constraints on sterilised intervention

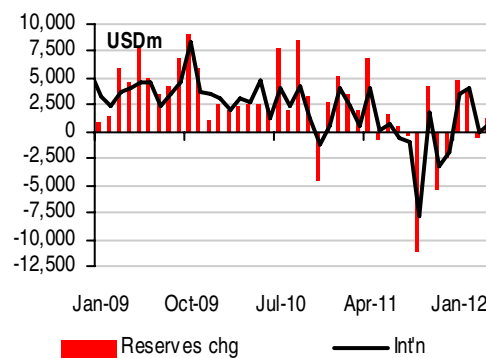


Source: HSBC, CEIC, Bloomberg

## Taiwan

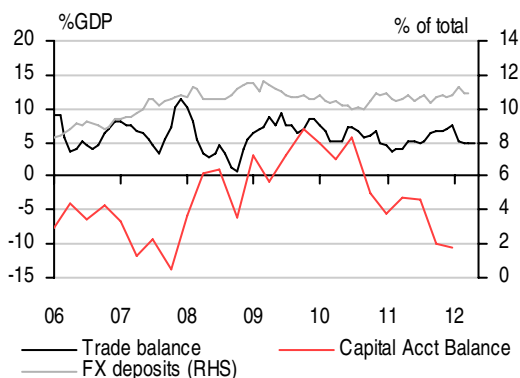
- ▶ Estimated intervention showed a limited amount of USD buying in April
- ▶ Net trade inflows remain large, but the latest capital account data showed a wide deficit in Q4 2011
- ▶ Inflation and money growth both remain subdued
- ▶ Sterilisation appears to now be effectively cost-neutral
- ▶ Pressure on the regime (to manage volatility) remains moderate

Estimated FX intervention



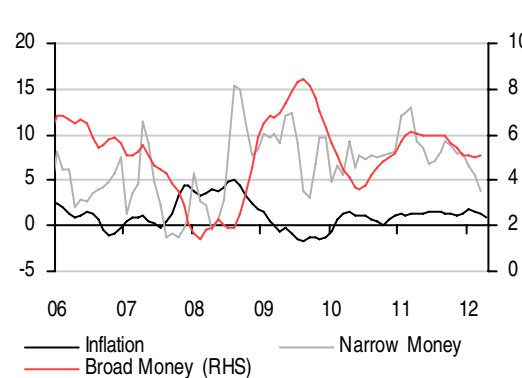
Source: HSBC, CEIC, Bloomberg

Strength of flows



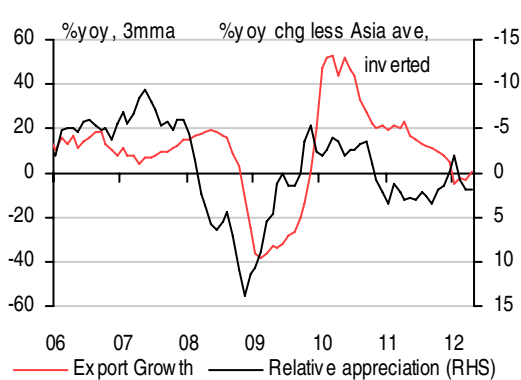
Source: HSBC, CEIC, Bloomberg

Liquidity pressure



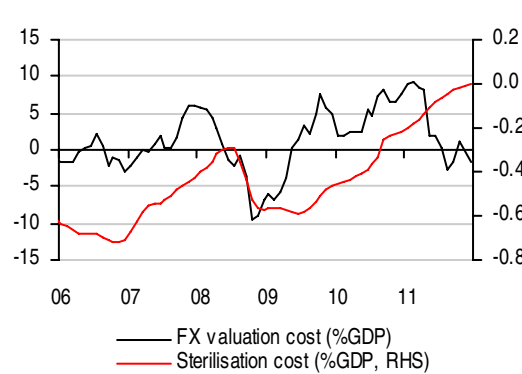
Source: CEIC, HSBC

Export competitiveness



Source: HSBC, CEIC, Bloomberg

Constraints on sterilised intervention



Source: HSBC, CEIC, Bloomberg

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