

China stimulus hopes and fading Fed hike lift Asian markets

China stimulus

In light of weak economic data, Beijing approved RMB886 billion in new infrastructure projects, almost doubling the outlays so far this year. At the same time, down payments for first-time home buyers were reduced to 25% from 30%, in cities not subject to restrictions, and the sales tax on cars with engine capacities below 1.6L were halved to 5%.

We think the market is also beginning to price in the likelihood of further monetary stimulus from China, and possibly Japan and Europe, as disinflationary pressures there persist.

Fed rate hike expectations fade

September's disappointing non-farm payrolls, where the economy created only 142k jobs versus 201k expected, along with downward revisions for July and August, pushed out market expectations of the Fed's first hike into 2016. We think that despite Chairwoman Janet Yellen's reiteration last week that a hike this year is "likely", her insistence that any move would remain "data-dependent" means that a hike this year is now off the table.

India rate cut surprise

The central bank cut rates by 50bps, twice the expected move, citing softening economic activity and inflation. We think rates will remain on hold for the rest of the year, as the authorities take a wait-and-see approach.

Third quarter ends with broad declines

An array of major equity indices marked their worst quarterly declines in several years, and core government bond yields fell, as concerns over slowing growth, especially in emerging markets, spooked investors. Our view is that we may see a rebound in the fourth quarter on the back of fresh stimulus measures, and the delay in US rate hikes. However, the necessary deleveraging process, most apparent in economies that built up large debt piles since the last crisis, may weigh on equities into next year.

	Value	% w/w Change
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Equities

Dow Jones Indus. Avg	16,472.4	+1.0
S&P 500 Index	1,951.4	+1.0
MSCI Ac Asia Pacific	126.4	+1.0
S&P/ASX 200 Index	5,052.0	+0.2
Hang Seng Index	21,506.1	+1.5
Ho Chi Minh Stock Index	562.3	-1.4
Jakarta Composite Index	4,207.8	-0.0
FTSE Bursa Malaysia KLCI	1,628.8	+0.9
KOSPI Index	1,969.7	+1.4
Karachi 100 Index ¹	32,750.3	-0.2
S&P Bse Sensex Index ¹	26,221.0	+1.4
Shanghai Se Composite ²	3,052.8	-2.0
Stock Exch Of Thai Index	1,346.4	-2.2
Straits Times Index	2,793.2	-1.4
Taiwan TAIEX Index	8,305.0	+2.1
TOPIX Index (Tokyo)	1,444.9	-0.6

Bonds / Currencies

US 10YR Treasuries	1.9929	-17bps
EUR/USD	1.1216	+0.2
USD/JPY	119.91	-0.6
GBP/USD	1.5185	+0.0

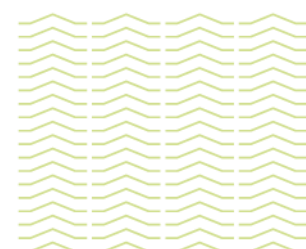
Commodities

Gold (Spot)	1,138.8	-0.7
Crude Oil (WTI)	45.5	-0.4
RJ/CRB Commodity Index	194.1	-0.8

Note: 1: As of 1 Oct 2015

2: As of 30 Sep 2015

Source: Bloomberg (last trading price for week ended 2 October)



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