



RMB in the New Economic and Banking Landscape

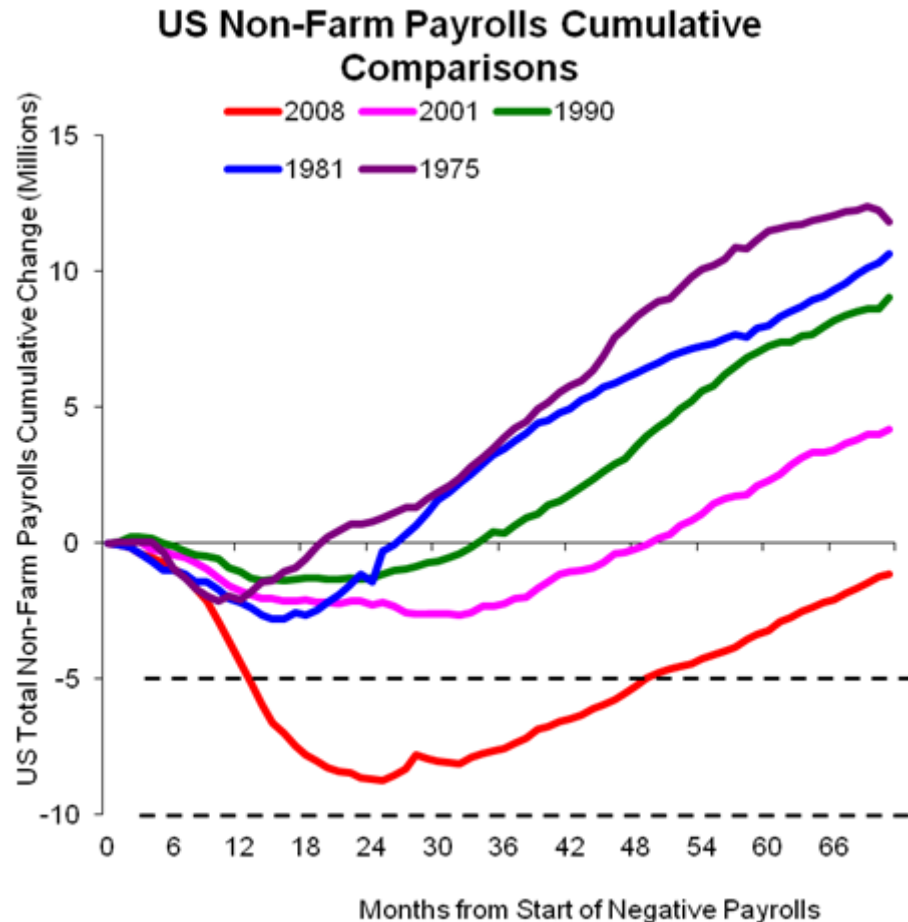
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It Is Nearly 6 Years Since The 2008 US Jobs Downturn Started, & 2014 Looks Like The Year US Overcomes the Jobs Loss



1975 – 19 months

1981 – 26 months

1990 – 33 months

2001 – 49 months

2008 – 71 months and still counting!

The time required to "breakeven" for the US jobs market to recover is getting longer and longer

Source: CEIC, UOB Treasury Research

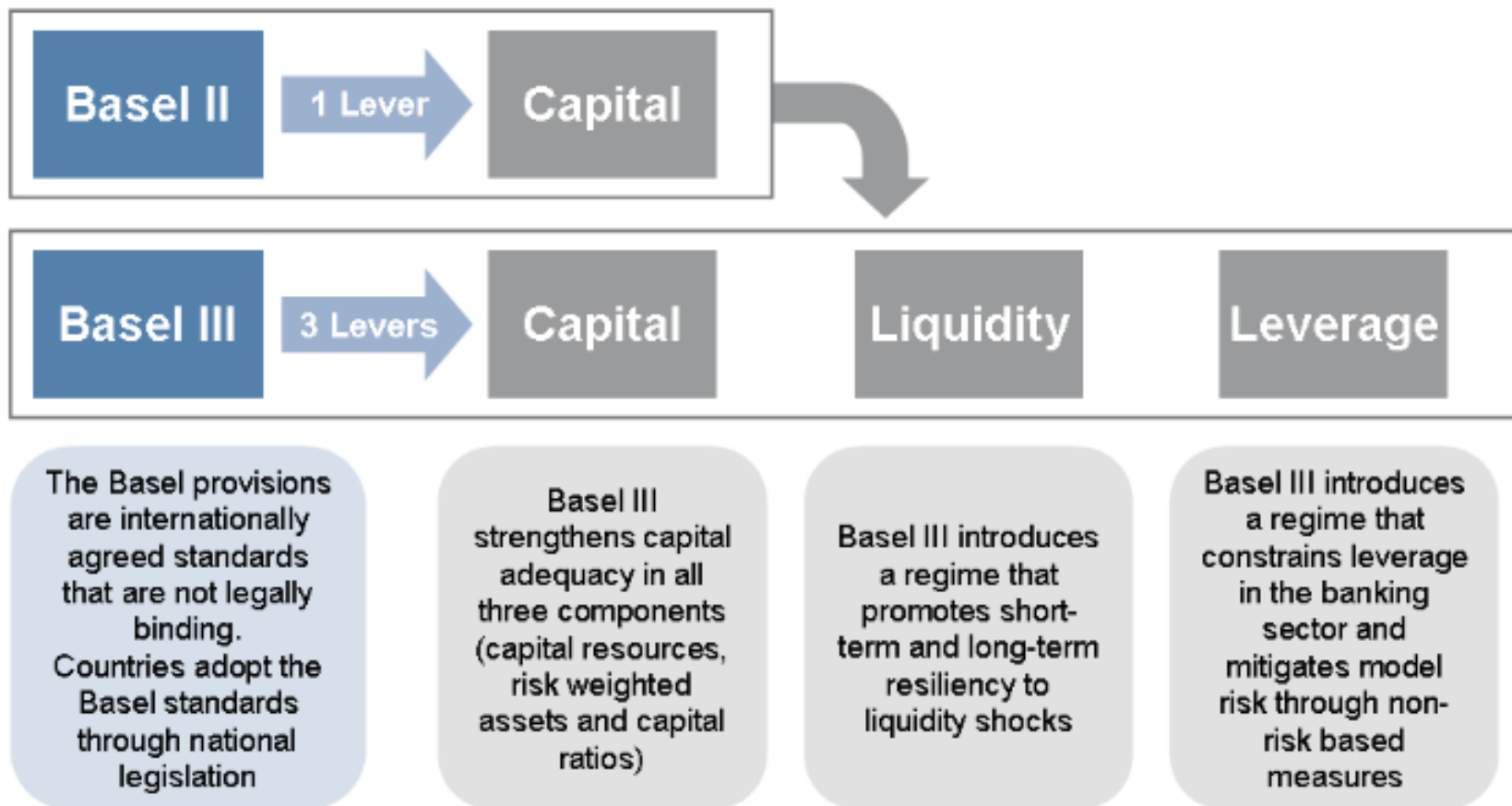
Expecting Rate Hike Cycle To Start in 1Q 2015, But **Depends On How Fed's Forward Guidance Evolve Under Janet Yellen**

Market-Implied Interest Rate Pricing Vs Historical Cycles

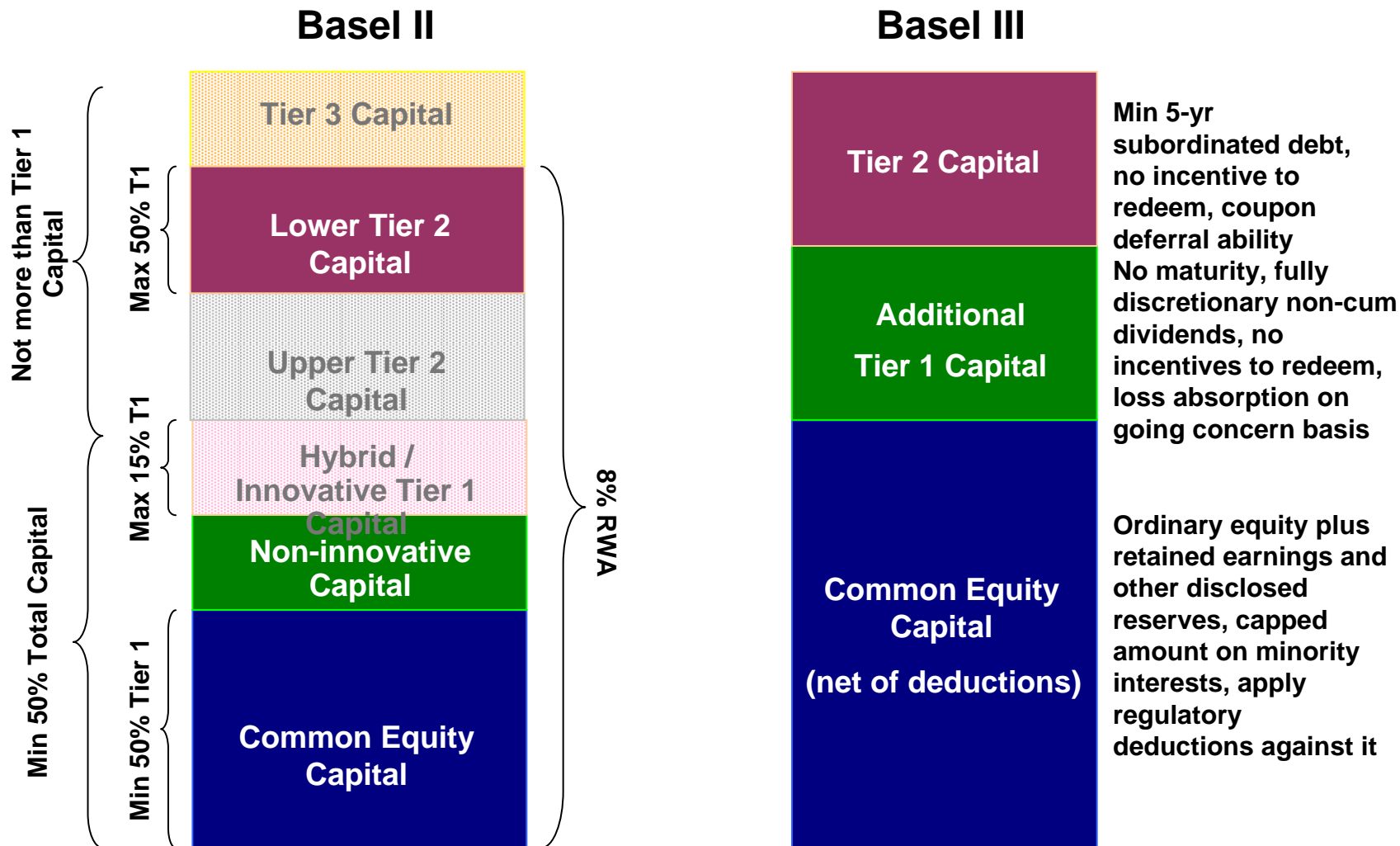
Start of Federal Reserve Rate Hiking Cycle	Cycle Length (months)	Total Hikes (basis points)	Total Hike in First Year (basis points)	Average Hike per Month (basis points)
Jul-1958	19	342	246	18
Jan-1962	59	425	150	7
Jun-1967	27	625	200	23
Dec-1971	31	1,031	250	33
Dec-1976	49	1,783	236	36
Apr-1983	17	288	188	17
Dec-1986	30	394	94	13
Jan-1994	14	300	250	21
Mar-2004	28	425	175	15
Median	28	425	200	18
Mar-2015	49	381	73	6

Source: IMF WEO Oct 2013

Streamlining of Bank Capital Components



Streamlining of Bank Capital Components



Basel III Liquidity Ratios

Regulatory standards:

- **Liquidity Coverage Ratio (LCR):**

$$\frac{\text{High quality liquid assets}}{\text{Net cash outflow over 30 days}} \geq 100\%$$

Identifies amount of unencumbered, high quality liquid assets that can be used to offset net cash outflows encountered under acute **short-term** severe stress scenario

- **Net Stable Funding Ratio (NSFR):**

$$\frac{\text{Available stable funding}}{\text{Required stable funding}} > 100\%$$

Measures amount of **longer-term**, stable sources of funding relative to liquidity profile of assets funded & potential contingent funding liquidity needs from OBS commitments under conditions of extended stress

ASEAN's trade will be increasingly intra-regional

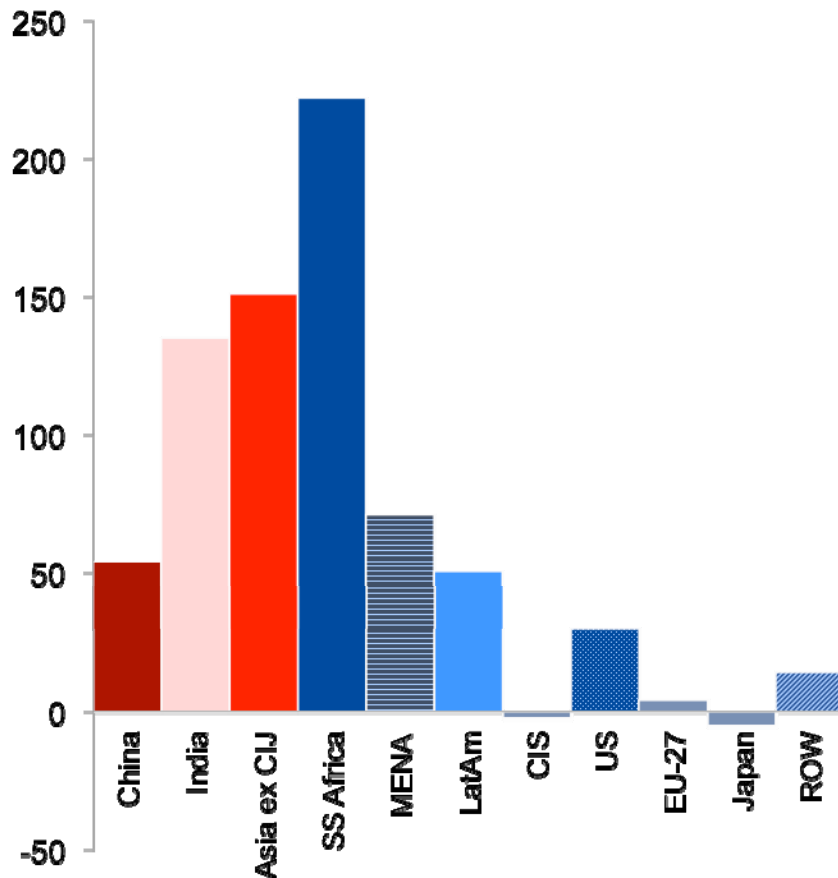
ASEAN Total Merchandise Exports by Destination (% of total)			
Country	2000	2011	2020F
<i>ASEAN</i>	22.8	25.3	30.0
<i>China</i>	3.9	11.5	15.0
<i>India</i>	1.6	3.7	6.0
Japan	13.6	10.2	8.0
EU 27	14.9	10.7	8.2
North America	20.1	9.8	8.5
Middle East	1.9	2.6	3.5

} 51%

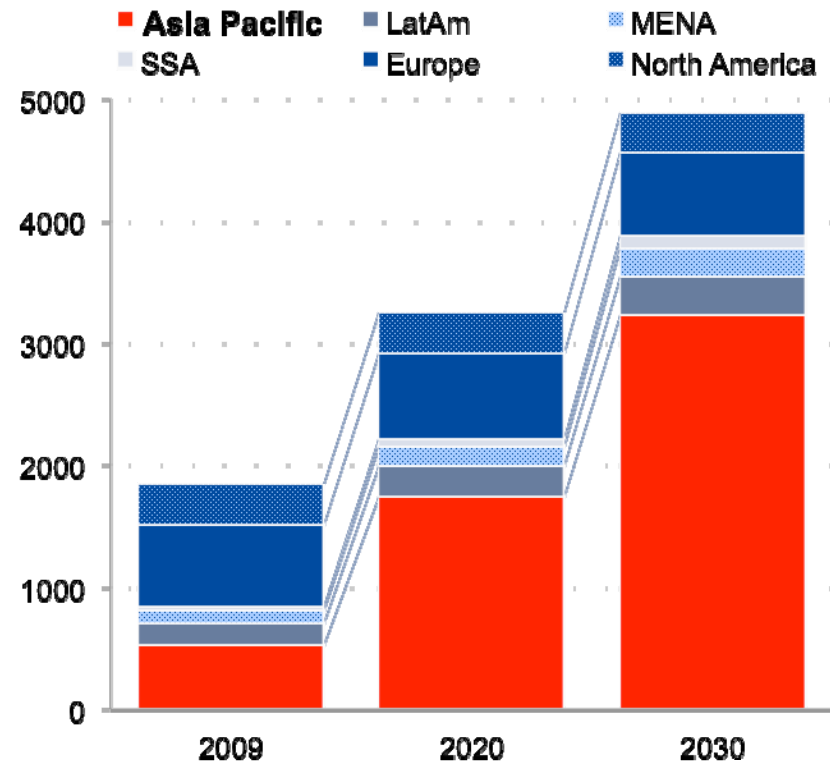
Sources: aseansec.org: ASEAN investment report 2011, UOB Economic-Treasury Research Estimate

The demand from Asia's rising middle-income will boost intra-regional trade

Population change by region, 2010 – 2020
millions

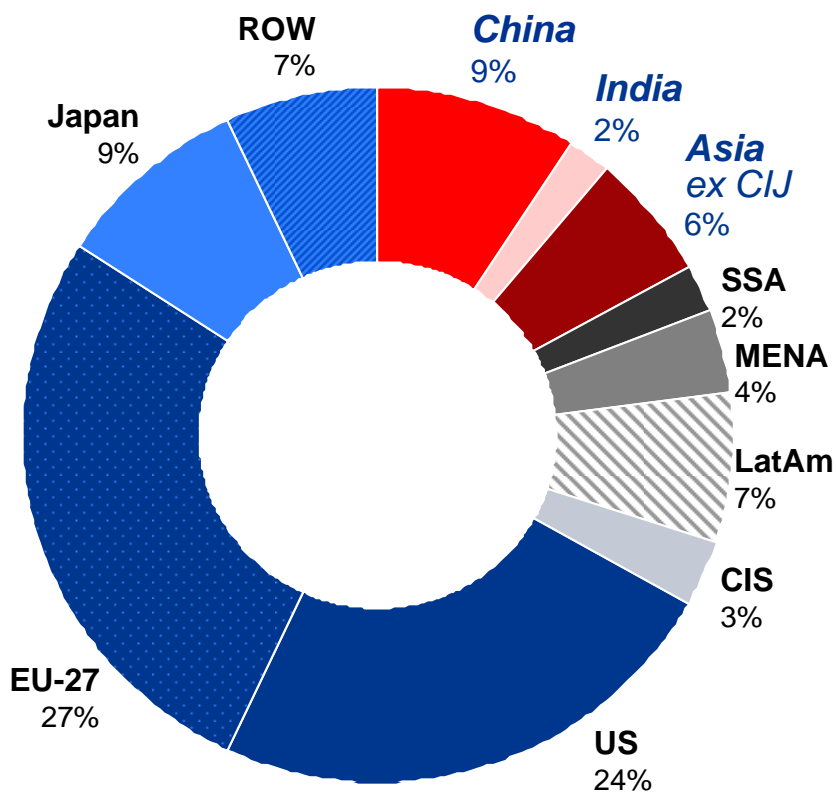


Size of the middle-class
millions

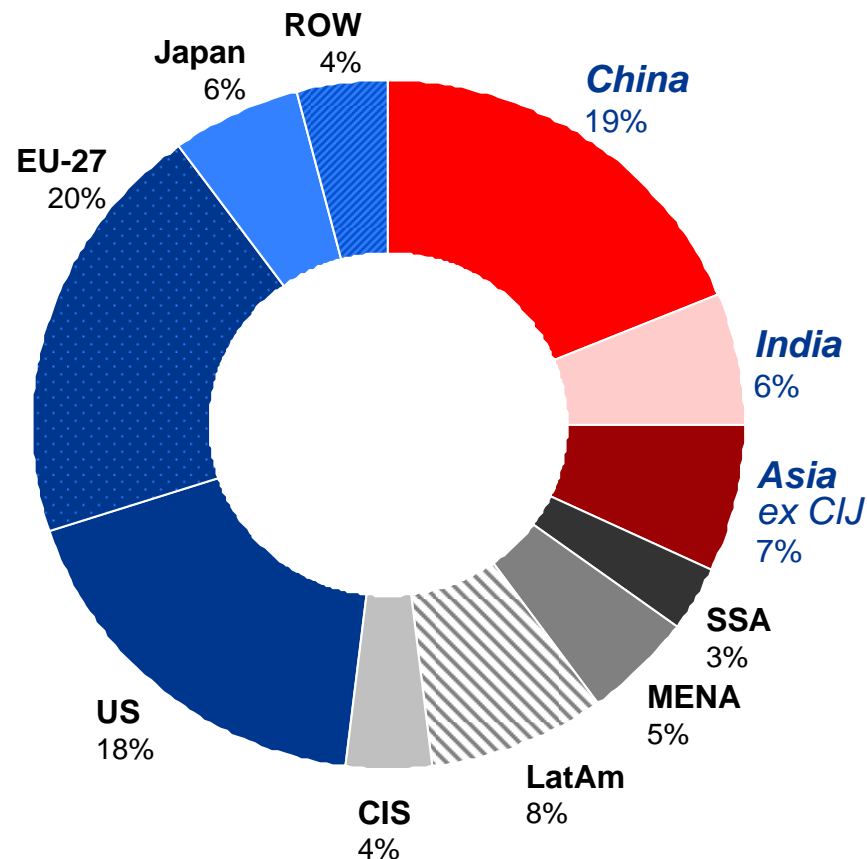


By 2020, Asia ex-Japan will contribute a third of global GDP

Nominal GDP 2010, USD 63trn
% of global

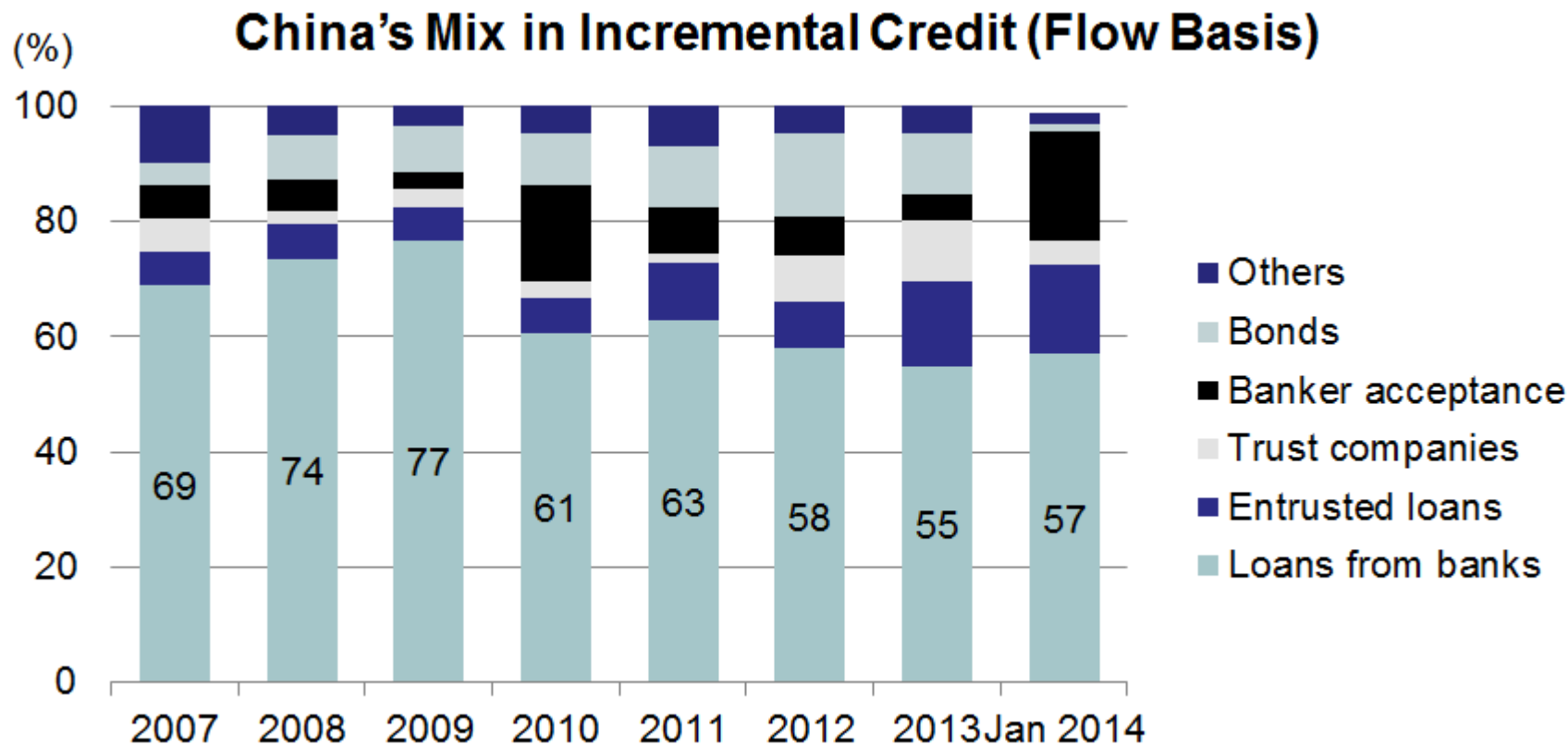


Nominal GDP 2020, USD 109trn
% of global



Growing Credit Intermediation by Non-Banks

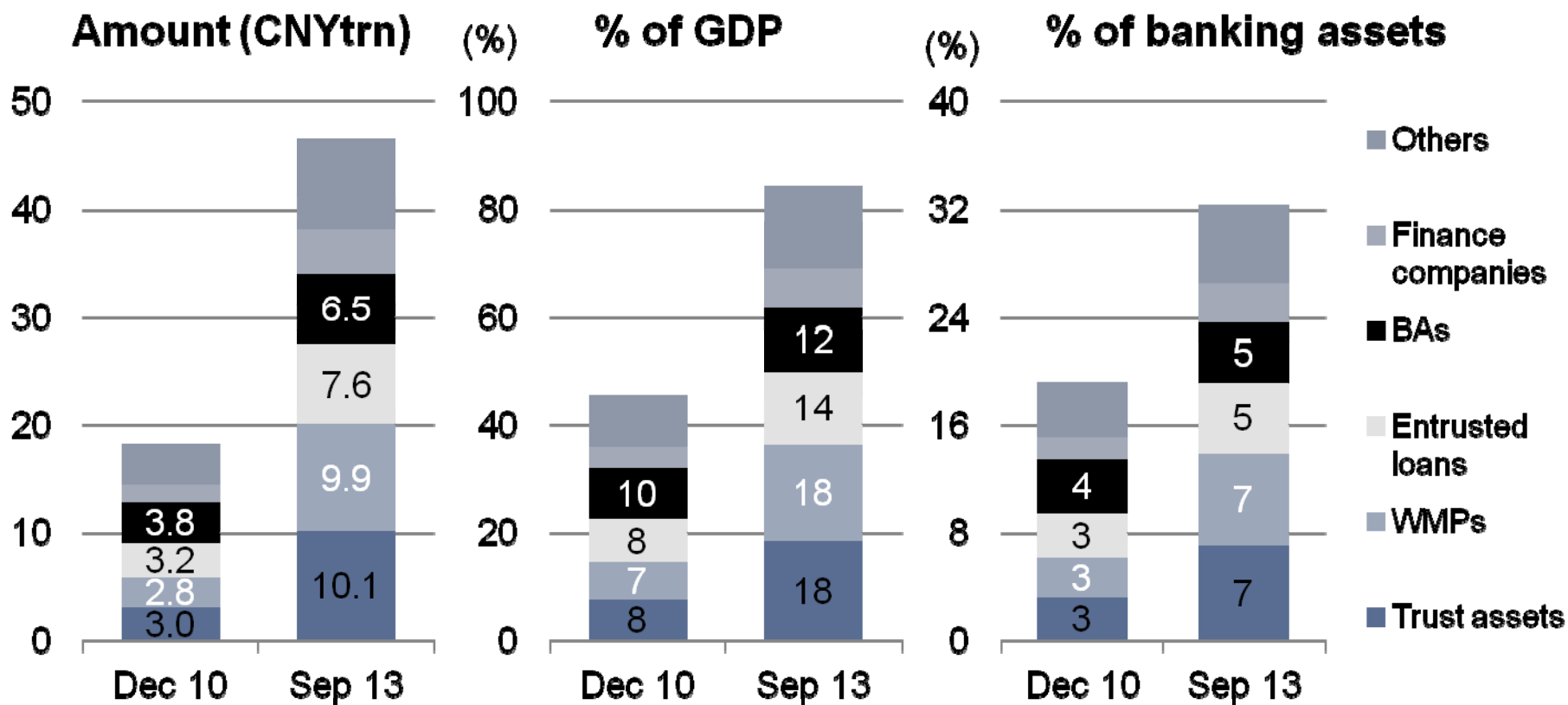
- Based on PBOC's data, banking sector is still the primary provider of credit, accounting for 55%-60% of "net new financing".
- However, share of fresh credit from non-bank channels ("shadow banking") has increased since 2010.



Source: UOB IR, PBOC

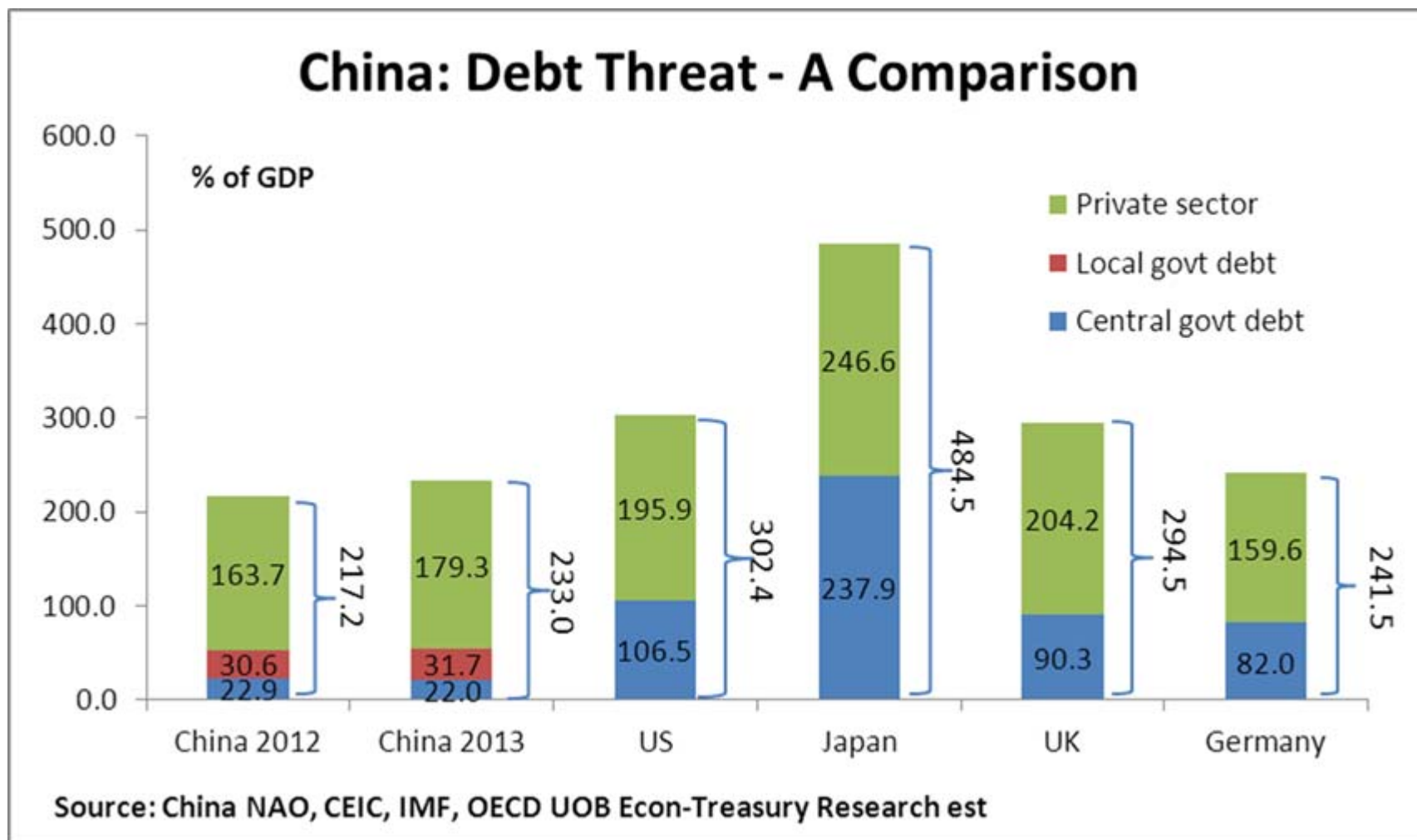
Rapid Growth in Shadow Banking Activities

- Shadow banking assets have outgrown the domestic economy (in terms of GDP) and local banking assets.
- Average growth rate was 40%-50% per annum over 2010-9M13.
- Sustained brisk growth engenders risks for the broader financial sector and economy.**



Source: UOB IR, JPM Note: Others comprise securities firms, pawn shops, guarantors & underground lending.

All in: What Do We Know?



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