

# Daily Flash

## Asia

*The Asia Daily returns today from a two-day hiatus due to national holidays in Hong Kong. It has been brought to our attention that some readers did not receive the Daily last Friday due to a technical glitch, for which we apologize (find the link here). During the two-day holiday in Hong Kong, a slew of regional data was released, mostly revealing an ongoing slowdown (see below). On the policy front, the Reserve Bank of Australia yesterday cut interest rates, which most market participants had not anticipated, causing the AUD to drop sharply (to 1.02/USD).*

### Recent data releases in China and Korea show ongoing slowdown

On Monday, Korea reported that September exports—as always, the first monthly export release in the region—contracted for a third straight month (-1.8%, consensus: -5.5%). On Tuesday, Korea reported inflation ticked up to 2.0% y/y in September (consensus: 1.8%) from 1.2% y/y in August on supply disruptions from a typhoon last month. The sluggish exports outturn, which came after a weak industrial production outturn for August, will place further pressure on the Bank of Korea to deliver a rate cut at their next policy meeting on October 11. In China, the official PMI for September, released on October 1, rose to 49.8% (consensus: 50.1%; BBVA: 50.6%) from 49.2% in the previous month. The increase was mainly due to improved new orders, which increased from 48.7% in August to 49.8%. Nevertheless, the outturn was disappointing as it remained below 50. Looking ahead, we anticipate that a more forceful set of fiscal and monetary policies will eventually be rolled out, once the forthcoming leadership transition is formally settled at the National People's Congress, scheduled to begin on November 8.

### Mixed inflation readings in Indonesia and Thailand

Indonesia reported a decline in inflation to 4.3% y/y in September (consensus: 4.6%) from 4.6% y/y due to a seasonal dropoff in demand after the Eid Al Fitr holiday, while Thailand reported a rise in inflation to 3.4% y/y in September, from 2.7%. Despite the increase, weakening exports and manufacturing growth are increasing calls for the Bank of Thailand to cut interest rates.

### Australia cuts interest rates on weakening outlook

In a move that came as a surprise to many market participants, Australia cut interest rates yesterday by 25bps to 3.25%. In a slowing global environment in which risks remain to the downside, Central Bank Governor Glenn Stevens said that for Australia 'the peak in resource investment is likely to occur next year, and may be at a lower level than earlier expected,' which caused the central bank to cut interest rates to spur other economic activity as the resource boom wanes. Australia also reported a sharply higher trade deficit of US\$2bn for August, a sign that lower commodity prices and a strong Aussie dollar are negatively affecting trade.

### Asian Development Bank lowers regional growth outlook

The Asian Development Bank today announced it was scaling back its growth forecast for developing Asia in 2012 and 2013 amid an ongoing slump in global demand and slowdowns in China and India. The ADB projects the region's GDP growth will ease to 6.1% in 2012 (from 6.9% earlier), and 6.7% (7.3% earlier) in 2013, down significantly from 7.2% in 2011. In today's difficult environment, the region also remains susceptible to capital outflows, according to the ADB.

Jeffrey Cantwell, CFA  
Economist  
jeffrey.cantwell@bbva.com.hk  
+852 2582 3173

William Fitchett  
Economist  
william.fitchett@bbva.com.hk  
+852 2582 3246

With contributions from the BBVA Research Asia Team

## Calendar Indicators

	Date	Period	Prior	Cons.	Actual
<b>Australia</b>					
Trade Balance	03-Oct	Aug	-556M	-685M	-2027M
Retail Sales s.a. (MoM)	04-Oct	Aug	-0.80%	0.40%	--
<b>China</b>					
HSBC Manufacturing PMI	29-Sep	Sep	47.6	--	47.9
Manufacturing PMI	01-Oct	Sep	49.2	50.1	49.8
Non-manufacturing PMI	03-Oct	Sep	56.3	--	53.7
<b>Hong Kong</b>					
Retail Sales - Value (YoY)	04-Oct	Aug	3.80%	--	--
<b>Indonesia</b>					
Inflation (YoY)	01-Oct	Sep	4.58%	4.60%	4.31%
Inflation NSA (MoM)	01-Oct	Sep	0.95%	0.29%	0.01%
Core Inflation (YoY)	01-Oct	Sep	4.16%	4.18%	4.12%
Exports (YoY)	01-Oct	Aug	-7.30%	-12.60%	-24.30%
<b>India</b>					
Exports YoY%	01-Oct	Aug	-14.80%	--	-9.70%
Imports YoY%	01-Oct	Aug	-7.60%	--	-5.10%
<b>Japan</b>					
Monetary Base (YoY)	02-Oct	Sep	6.50%	--	9.00%
<b>Malaysia</b>					
Exports YoY%	05-Oct	Aug	-1.90%	-1.00%	--
<b>Philippines</b>					
Consumer Price Index (YoY)	05-Oct	Sep	3.80%	3.80%	--
<b>Singapore</b>					
Purchasing Managers Index	02-Oct	Sep	49.1	49.5	48.7
<b>South Korea</b>					
Ext Trade - Export (YoY)	01-Oct	Sep	-6.20%	-5.50%	-1.80%
Consumer Price Index (YoY)	02-Oct	Sep	1.20%	1.80%	2.00%
HSBC Manufacturing PMI	02-Oct	Sep	47.5	--	45.7
<b>Taiwan</b>					
CPI YoY%	05-Oct	Sep	3.42%	--	--
<b>Thailand</b>					
Consumer Price Index (YoY)	01-Oct	Sep	2.69%	3.29%	3.38%
Core CPI (YoY)	01-Oct	Sep	1.76%	1.80%	1.89%

## Calendar Events

### Australia - RBA Cash Target, October 2

We expect the benchmark rate to remain unchanged

Current	Consensus	New
3.50%	3.50%	3.25%

### Japan - BOJ Target Rate, October 5

We expect the benchmark rate to remain unchanged

Current	Consensus	New
0.10%	0.10%	--

## 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.	2086.2	1.5	2.9	-5.1	-11.6
	Hong Kong - Hang Seng	20888.3	0.2	0.9	13.3	18.7
	Taiwan - Weighted	7684.6	-0.4	0.2	8.7	9.6
	Japan - Nikkei 225	8746.9	-0.4	-1.8	3.4	2.4
	Korea - Kospi	1996.0	0.0	-0.4	9.3	12.8
	India - Sensex 30	18869.7	0.2	0.9	22.1	14.7
	Australia - SPX/ASX 200	4438.6	0.1	1.8	9.4	13.9
	Singapore - Strait Times	3077.1	-0.1	1.0	16.3	17.4
	Indonesia - Jakarta Comp	4251.5	-0.1	1.7	11.2	27.0
	Thailand - SET	1307.6	0.1	2.6	27.5	50.4
	Malaysia - KLCI	1649.8	-0.1	1.9	7.8	20.6
Philippines - Manila Comp.	5375.5	0.5	1.6	23.0	39.1	

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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)	6.32	-0.61	-0.29	6.35	6.41
	Hong Kong (HKD/USD)	7.76	0.00	-0.01	7.76	7.75
	Taiwan (TWD/USD)	29.3	-0.05	0.32	29.26	29.04
	Japan (JPY/USD)	78.23	-0.09	-0.61	78.16	77.86
	Korea (KRW/USD)	1115	-0.24	0.50	1120	1132
	India (INR/USD)	52.2	0.35	2.51	52.92	55.14
	Australia (USD/AUD)	1.02	-0.46	-1.46	0.99	1.01
	Singapore (SGD/USD)	1.23	-0.07	0.02	1.23	1.23
	Indonesia (IDR/USD)	9599	-0.08	0.26	9697	10068
	Thailand (THB/USD)	30.7	0.13	1.17	30.81	31.23
	Malaysia (MYR/USD)	3.06	-0.33	0.74	3.07	3.11
Philippines (PHP/USD)	41.6	0.06	0.91	41.67	41.73	

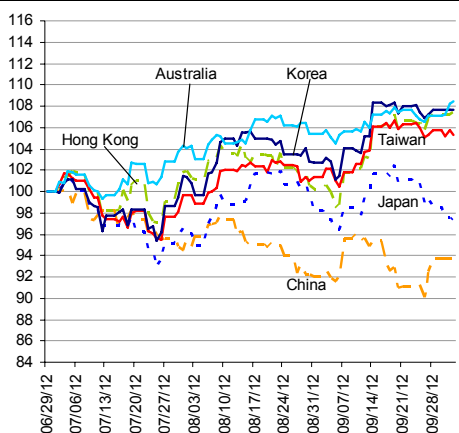
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.30	0.50	-1.20	-0.23
	Hong Kong (HIBOR/1W)	0.20	0.00	0.03	0.07
	Taiwan (TAIBOR/1W)	0.62	0.00	0.00	-0.01
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	3.02	0.00	0.00	-0.01
	India (MIBOR/7D)	3.51	0.51	-1.87	1.66
	Singapore (SIBOR/1W)	0.31	0.03	0.06	0.06
	Indonesia (JIBOR/1W)	4.24	0.00	0.01	-0.04
	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	0.25	0.19	-0.13

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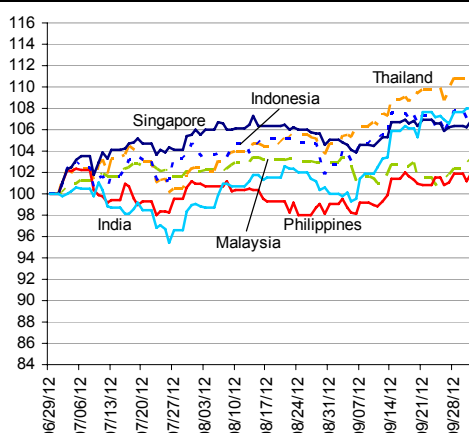
# Charts

Chart 1  
Stock Markets



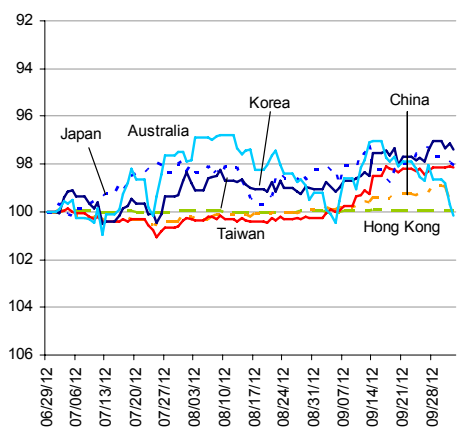
Source: BBVA Research and Bloomberg

Chart 2  
Stock Markets



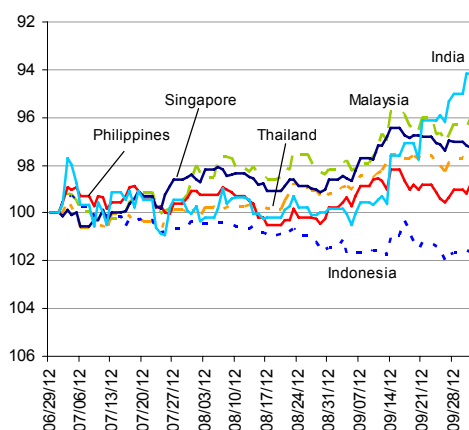
Source: BBVA Research and Bloomberg

Chart 3  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Stephen Schwartz  
Chief Economist for Asia  
[stephen.schwartz@bbva.com.hk](mailto:stephen.schwartz@bbva.com.hk)

Fielding Chen  
Senior Economist  
[fielding.chen@bbva.com.hk](mailto:fielding.chen@bbva.com.hk)

Le Xia  
Senior Economist (China)  
[xia.le@bbva.com.hk](mailto:xia.le@bbva.com.hk)

Zhigang Li  
Senior Economist (China)  
[zhigang.li@bbva.com.hk](mailto:zhigang.li@bbva.com.hk)

Sumedh Deorukhkar  
Senior Economist (India, Mumbai)  
[sumedh.deorukhkar@grupobbva.com](mailto:sumedh.deorukhkar@grupobbva.com)

Jeffrey Cantwell, CFA  
Economist  
[jeffrey.cantwell@bbva.com.hk](mailto:jeffrey.cantwell@bbva.com.hk)

George Xu  
Economist  
[george.xu@bbva.com.hk](mailto:george.xu@bbva.com.hk)

Richard Li  
Asian FX Chief Strategist  
[richard.li@bbva.com.hk](mailto:richard.li@bbva.com.hk)

William Fitchett  
Economist  
[william.fitchett@bbva.com.hk](mailto:william.fitchett@bbva.com.hk)

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