

Daily Flash

Asia

Markets in Asia were down slightly today (Kospi: -0.8%, Sensex: -0.6%) on spillovers after weak earnings reports from major US technology companies. The focus for Asia next week will turn to several important data outturns, including South Korea's third quarter GDP (see Weekly Indicator below), Singapore's industrial production and Japan's merchandise exports, along with CPI outturns in Australia, Hong Kong, Japan, Singapore and Vietnam. Also, the Philippines will hold its policy meeting on Thursday – though it will be a close call, we expect the central bank will keep rates on hold at 3.75%.

Taiwan's export orders rise on increased China, US demand

Taiwan's export orders increased in September by 1.9% y/y (in line with the consensus), ending six straight months of contraction. On a seasonally adjusted sequential basis, export orders grew by 3.9% m/m. The outturn followed recent positive exports data from China and Korea as the latest in a regional trend showing some improvement in external demand. By country, orders from China (including Hong Kong) further accelerated to 4.8% y/y, in line with China's recent stabilization of growth momentum. Demand from the US also increased, however European demand was negative. The latest outturn suggests a positive outlook for Taiwan's exports in Q4, furthering Taiwan's rebound from this year's second quarter, when the economy contracted by -0.2% y/y.

China FDI inflows data at odds with recent currency appreciation

In China, FDI inflows decreased by -6.8% y/y in September, while total FDI inflows in Q3 further declined by -5.6% y/y from -3.0% y/y in the first half of 2012, as direct investment from the EU remained weak. While today's data outturn was partially due to a base effect, it also indicated that external uncertainties are dampening investment in the world's second largest economy. Today's data was also at odds with the recent positive macro readings that signaled China's growth momentum has bottomed out, and also conflicted with the recent appreciation of the RMB.

Malaysia's inflation declines; remains lowest in emerging Asia

Malaysia's inflation in September edged down to 1.3% y/y (consensus: 1.4% y/y) from 1.4% y/y the previous month. September's outturn was Malaysia's lowest level of inflation since February 2010, and is the current lowest rate in emerging Asian economies, which may allow the central bank to keep interest rates at 3.0%, a level they have mentioned several times as being "rather accommodative." Bank Negara Malaysia will hold its last monetary policy meeting of the year on November 8, where we expect no change in rates, despite the central bank's governor recently stating that downside risks to growth were stronger than risks from price pressures.

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Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Money Supply - M2 (YoY)	13-Oct	Sep	13.50%	13.70%	14.80%
Trade Balance (USD)	13-Oct	Sep	\$26.66B	\$20.54B	\$27.67B
Exports YoY%	13-Oct	Sep	2.70%	5.50%	9.90%
Imports YoY%	13-Oct	Sep	-2.60%	2.40%	2.40%
Actual FDI (YoY)	19-Oct	Sep	-1.40%	-3.50%	-6.80%
Consumer Price Index (YoY)	15-Oct	Sep	2.00%	1.90%	1.90%
Producer Price Index (YoY)	15-Oct	Sep	-3.50%	-3.50%	-3.60%
China September Property Price	18-Oct	Sep	--	--	--
Real GDP (YoY)	18-Oct	3Q	7.60%	7.40%	7.40%
Real GDP YTD (YoY)	18-Oct	3Q	7.80%	7.70%	7.70%
Real GDP (QoQ)	18-Oct	3Q	1.80%	2.00%	2.20%
Industrial Production (YoY)	18-Oct	Sep	8.90%	9.00%	9.20%
Industrial Production YTD YoY	18-Oct	Sep	10.10%	10.00%	10.00%
Fixed Assets Inv Excl. Rural YTD YoY	18-Oct	Sep	20.20%	20.20%	20.50%
Retail Sales (YoY)	18-Oct	Sep	13.20%	13.20%	14.20%
Retail Sales YTD YoY	18-Oct	Sep	14.10%	14.00%	14.10%
Hong Kong	Date	Period	Prior	Cons.	Actual
Unemployment Rate SA	18-Oct	Sep	3.20%	3.30%	3.30%
India	Date	Period	Prior	Cons.	Actual
Monthly Wholesale Prices YoY%	15-Oct	Sep	7.55%	7.70%	7.81%
Japan	Date	Period	Prior	Cons.	Actual
All Industry Activity Index (MoM)	19-Oct	Aug	-0.60%	0.10%	0.10%
Malaysia	Date	Period	Prior	Cons.	Actual
CPI YoY	19-Oct	Sep	1.40%	1.40%	1.30%
Philippines	Date	Period	Prior	Cons.	Actual
Overseas Remittances (YoY)	15-Oct	Aug	5.40%	5.00%	7.60%
Singapore	Date	Period	Prior	Cons.	Actual
Retail Sales (YoY)	15-Oct	Aug	-2.90%	2.00%	3.20%
Non-oil Domestic Exports (YoY)	17-Oct	Sep	-10.60%	1.20%	-3.40%
Taiwan	Date	Period	Prior	Cons.	Actual
Export Orders (YoY)	19-Oct	Sep	-1.50%	1.94%	1.91%

Indicator of the Week

South Korea: GDP (Q3, October 26th)

Forecast: 0.2 q/q

Consensus: 0.2% q/q

Prior: 0.3% q/q

Following last week's release of Q3 GDP in China, Korea's GDP will be watched as an indication of the extent of the regional slowdown, and the likely stance of policies in the coming months. Korean GDP growth has been under downward pressure in recent quarters due to the weak external environment, as slowing exports have progressively spilled over to domestic demand. We expect Q3 GDP to slow to a seasonally adjusted 0.2% q/q from 0.3% q/q in the second quarter (and from 0.9% q/q in the first quarter), as exports contracted for a third straight month in September (by -1.8% y/y). With inflation contained at the low end of the BOK's 2-4% target range, there is scope for further policy stimulus to support growth. The BOK has cut interest rates by 50bps so far this year, to 2.75%, and the government has implemented modest fiscal stimulus measures, with the latest round occurring in September. Should the Q3 GDP outturn confirm a continued slowdown, we would expect more policy stimulus, likely through increased fiscal spending in the early part of 2013 after Presidential elections this coming December, though for now we see no additional rate cuts forthcoming.

Calendar Events

Thailand - Benchmark Interest Rate, October 17

We expected the benchmark rate to remain unchanged

Current

3.00%

Consensus

3.00%

New

2.75%

Upcoming Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Consumer Prices (QoQ)	24-Oct	3Q	0.50%	1.00%	--
Consumer Prices (YoY)	24-Oct	3Q	1.20%	1.60%	--
China	Date	Period	Prior	Cons.	Actual
HSBC Flash Manufacturing PMI	24-Oct	Oct	47.9	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
CPI - Composite Index (YoY)	22-Oct	Sep	3.70%	3.60%	--
Exports YoY%	25-Oct	Sep	0.60%	10.0%	--
Japan	Date	Period	Prior	Cons.	Actual
Merchnds Trade Balance Total	22-Oct	Sep	¥754.1B	¥547.9B	--
Merchnds Trade Exports YoY	22-Oct	Sep	-5.8	-9.9	--
Natl CPI YoY	26-Oct	Sep	-0.40%	-0.40%	--
Natl CPI Ex-Fresh Food YoY	26-Oct	Sep	-0.30%	-0.20%	--
Tokyo CPI YoY	26-Oct	Oct	-0.70%	-0.80%	--
Singapore	Date	Period	Prior	Cons.	Actual
CPI (MOM) - NSA	23-Oct	Sep	0.60%	0.50%	--
CPI (YoY)	23-Oct	Sep	3.90%	4.30%	--
Industrial Production MoM SA	25-Oct	Sep	-2.30%	2.80%	--
Industrial Production YoY	25-Oct	Sep	-2.20%	1.90%	--
South Korea	Date	Period	Prior	Cons.	Actual
GDP (QoQ)	26-Oct	3Q P	0.30%	0.20%	--
GDP (YoY)	26-Oct	3Q P	2.30%	1.70%	--
Taiwan	Date	Period	Prior	Cons.	Actual
Unemployment Rate - sa	22-Oct	Sep	4.29%	4.29%	--
Industrial Production (YoY)	23-Oct	Sep	1.89%	6.60%	--
Thailand	Date	Period	Prior	Cons.	Actual
Customs Exports (YoY)	24-Oct	Sep	-6.95%	-3.00%	--
Mfg. Production Index ISIC NSA (YoY)	26-29 OCT	Sep	-11.32	--	--
Vietnam	Date	Period	Prior	Cons.	Actual
CPI (YoY)	24-Oct	Oct	6.48%	--	--
Exports YTD (YoY)	24-31 OCT	Oct	18.90%	--	--

Upcoming Calendar Events

Philippines - Overnight Borrowing Rate, October 25	Current	Consensus	New
We expect the benchmark rate to remain unchanged	3.75%	3.50%	--

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.	2128.3	-0.2	1.1	-3.2	-10.5
	Hong Kong - Hang Seng	21551.8	0.2	2.0	16.9	17.7
	Taiwan - Weighted	7408.8	-0.8	-0.4	4.8	0.8
	Japan - Nikkei 225	9002.7	0.2	5.5	6.5	2.6
	Korea - Kospi	1943.8	-0.8	0.5	6.5	4.7
	India - Sensex 30	18683.8	-0.6	0.0	20.9	9.4
	Australia - SPX/ASX 200	4571.1	0.3	1.9	12.7	8.5
	Singapore - Strait Times	3048.9	-0.4	0.2	15.2	12.1
	Indonesia - Jakarta Comp	4331.3	-0.6	0.5	13.3	17.5
Thailand - SET	1308.8	-0.2	0.9	27.7	39.5	
Malaysia - KLCI	1666.4	0.1	0.8	8.9	14.9	
Philippines - Manila Comp.	5432.4	-0.1	1.2	24.3	29.5	

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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)	6.25	-0.03	0.20	6.31	6.37
	Hong Kong (HKD/USD)	7.75	0.00	0.01	7.75	7.75
	Taiwan (TWD/USD)	29.2	-0.05	0.05	29.15	28.89
	Japan (JPY/USD)	79.28	0.00	-1.06	79.21	78.93
	Korea (KRW/USD)	1103	0.08	0.71	1108	1121
	India (INR/USD)	53.9	-0.93	-2.03	54.72	56.95
	Australia (USD/AUD)	1.04	-0.06	1.24	0.97	0.99
	Singapore (SGD/USD)	1.22	-0.05	0.22	1.22	1.22
	Indonesia (IDR/USD)	9629	-0.31	-0.46	9762	10144
Thailand (THB/USD)	30.7	-0.13	-0.10	30.84	31.23	
Malaysia (MYR/USD)	3.05	-0.49	0.18	3.07	3.10	
Philippines (PHP/USD)	41.4	-0.30	0.04	41.35	41.36	

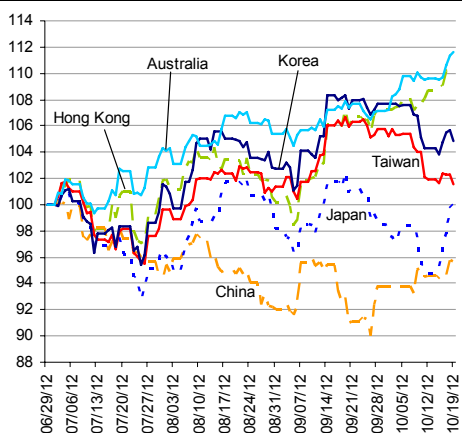
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	2.69	0.01	-0.47	-0.59
	Hong Kong (HIBOR/1W)	0.15	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.62	0.00	0.00	0.00
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	2.78	0.00	-0.01	-0.24
	India (MIBOR/7D)	3.60	0.73	0.13	0.27
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.28	0.00	0.01	0.04
	Thailand (BIBOR/1W)	2.78	0.00	-0.24	-0.24
Malaysia (KLIBOR/1W)	2.90	0.00	0.00	0.00	
Philippines (PHIBOR/1W)	0.75	-0.06	-1.31	-0.38	

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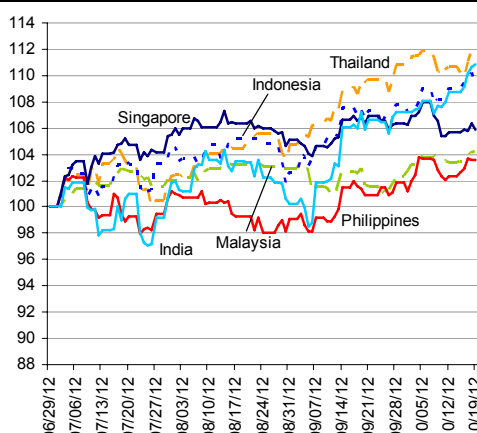
Charts

Chart 1
Stock Markets



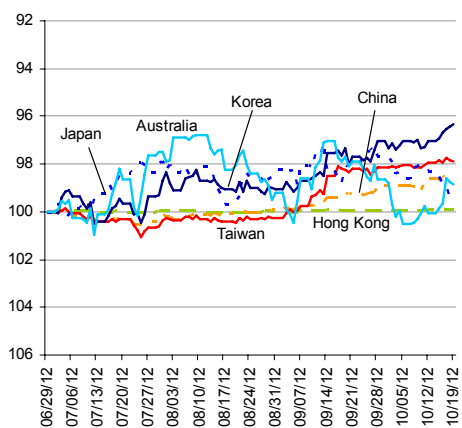
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



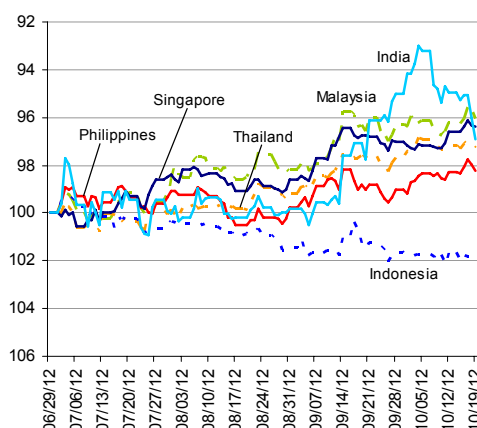
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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