

Daily Flash

Asia

Reversing yesterday's strong performance, Asian equities ended the week on the downside today, led by Taiwan, Korea and China (Taipei: -1.8%; Kospi: -1.7%; Shanghai: -1.7%), on concerns about weak earnings in the tech sector. For the coming week investors will be watching for the Reserve Bank of India's next policy meeting on Tuesday, where we expect a rate cut as a complement to recent positive reform measures from the government; China's official PMI is due on Thursday, where we are looking for a rebound following recent signs of stabilizing growth (see Weekly Indicator below).

Korean 3Q GDP slows as expected – but is it bottoming out?

Korea's third quarter GDP slowed to 0.2% q/q, seasonally adjusted, in line with expectations, and down from 0.3% in Q2. (In year-on-year terms, GDP growth slowed to 1.6% from 1.7% in Q2.) This is the slowest quarterly growth momentum since Q4 2009, although it is far better than the -4.7% plunge at the height of the global financial crisis in Q4 2008, reflecting weak investment, which was partly offset by a slight increase in domestic consumption and net exports. The outturn is indicative of the broader growth slowdown in Asia on headwinds from weak external demand. Nevertheless, we expect growth to pick up in Q4 to 0.7% q/q, which would bring full year growth to 2.3% y/y, on the effects of policy easing and a stabilization in export trends, as has already been evident in China.

Japan unveils additional fiscal stimulus, as the BoJ prepares to act on Oct 30

Japan's government approved a larger-than-expected, although still modest, fiscal stimulus package of subsidies and grants worth 0.1% of GDP to help offset an expected economic contraction in the second half of this year. The package will be financed with funds in the budget reserve to avoid new debt issuance given Japan's extremely high public debt level. Meanwhile, data released today show that Japan's inflation fell for a fifth straight month, by -0.3% y/y (consensus: -0.4% y/y) in September. Persistent deflation is adding to pressure on the BoJ to ease policy further at its next policy meeting on October 30, given its 1% inflation target.

Briefly noted:

- **Vietnam's exports rose by 17.9% y/y in October** from 22.1% y/y in September. The trade balance swung to a USD 0.5 bn deficit as imports also grew strongly (13.7% y/y). Though highly volatile, Vietnam's exports are performing well during the current weakening exports cycle going on in Asia.

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Consumer Prices (QoQ)	24-Oct	3Q	0.50%	1.00%	1.40%
Consumer Prices (YoY)	24-Oct	3Q	1.20%	1.60%	2.00%
China	Date	Period	Prior	Cons.	Actual
HSBC Flash Manufacturing PMI	24-Oct	Oct	47.9	--	49.1
Hong Kong	Date	Period	Prior	Cons.	Actual
CPI - Composite Index (YoY)	22-Oct	Sep	3.70%	3.60%	3.80%
Exports YoY%	25-Oct	Sep	0.60%	10.0%	15.20%
Japan	Date	Period	Prior	Cons.	Actual
Merchnds Trade Balance Total	22-Oct	Sep	-¥754.1B	-¥547.9B	-¥558.6B
Merchnds Trade Exports YoY	22-Oct	Sep	-5.8	-9.9	-10.3
Natl CPI YoY	26-Oct	Sep	-0.40%	-0.40%	-0.30%
Natl CPI Ex-Fresh Food YoY	26-Oct	Sep	-0.30%	-0.20%	-0.10%
Tokyo CPI YoY	26-Oct	Oct	-0.70%	-0.80%	-0.80%
Singapore	Date	Period	Prior	Cons.	Actual
CPI (MOM) - NSA	23-Oct	Sep	0.60%	0.30%	0.60%
CPI (YoY)	23-Oct	Sep	3.90%	4.30%	4.70%
Industrial Production MoM SA	25-Oct	Sep	-2.30%	2.80%	-1.80%
Industrial Production YoY	25-Oct	Sep	-2.20%	1.80%	-2.50%
South Korea	Date	Period	Prior	Cons.	Actual
GDP (QoQ)	26-Oct	3Q P	0.30%	0.20%	0.20%
GDP (YoY)	26-Oct	3Q P	2.30%	1.70%	1.60%
Taiwan	Date	Period	Prior	Cons.	Actual
Unemployment Rate - sa	22-Oct	Sep	4.29%	4.29%	4.30%
Industrial Production (YoY)	23-Oct	Sep	1.89%	6.50%	3.00%
Thailand	Date	Period	Prior	Cons.	Actual
Customs Exports (YoY)	24-Oct	Sep	-6.95%	-2.70%	0.20%
Mfg. Production Index ISIC NSA (YoY)	25-Oct	Sep	-11.32%	-9.60%	-13.68%
Vietnam	Date	Period	Prior	Cons.	Actual
CPI (YoY)	24-Oct	Oct	6.48%	6.75%	7.00%
Exports YTD (YoY)	26-Oct	Oct	18.90%	--	18.40%

Indicator of the Week

China: PMI for October (November 1)

Forecast: 50.1

Consensus: 50.5

Prior: 49.8

The official PMI reading for October will be closely watched following positive activity data for September and an improved HSBC/Market flash PMI estimate for October. Though Q3 GDP growth slowed further, September activity indicators such as industrial production, retail sales, and investment surprised to the upside; meanwhile, the October flash HSBC/Markit PMI estimate improved to 49.1% from last month's outturn of 47.8% on improved production and new orders. We expect the October official PMI (covering larger and more domestically-oriented companies) to rise back above the 50 expansion/contraction threshold which, if confirmed, would be further evidence of stabilizing growth trends after two consecutive months of sub-50 official PMI readings. Given risks to the growth outlook, however, we still expect further policy easing in the months ahead, especially after the leadership selection process is completed in November.

Calendar Events

Philippines - Overnight Borrowing Rate, October 25

We expected the benchmark rate to remain unchanged

Current

3.75%

Consensus

3.50%

New

3.50%

Upcoming Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Manufacturing PMI	01-Nov	Oct	49.8	50.5	--
HSBC Manufacturing PMI	01-Nov	Oct	47.9	49.1	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Retail Sales - Value (YoY)	01-Nov	Sep	4.50%	7.30%	--
India	Date	Period	Prior	Cons.	Actual
Reverse Repo Rate	30-Oct	30-Oct	7.00%	7.00%	--
Cash Reserve Ratio	30-Oct	30-Oct	4.50%	4.25%	--
Indonesia	Date	Period	Prior	Cons.	Actual
Inflation (YoY)	01-Nov	Oct	4.31%	4.60%	--
Inflation NSA (MoM)	01-Nov	Oct	0.01%	0.15%	--
Core Inflation (YoY)	01-Nov	Oct	4.12%	4.40%	--
Exports (YoY)	01-Nov	Sep	-24.30%	-15.30%	--
Japan	Date	Period	Prior	Cons.	Actual
Jobless Rate	30-Oct	Sep	4.20%	4.20%	--
Industrial Production (MoM)	30-Oct	Sep P	-1.60%	-3.20%	--
Industrial Production YOY%	30-Oct	Sep P	-4.60%	-7.10%	--
Singapore	Date	Period	Prior	Cons.	Actual
Unemployment Rate (sa)	31-Oct	3Q P	2.00%	1.90%	--
South Korea	Date	Period	Prior	Cons.	Actual
Industrial Production (MoM)	31-Oct	Sep	-0.70%	1.30%	--
Industrial Production (YoY)	31-Oct	Sep	0.30%	1.00%	--
Consumer Price Index (MoM)	01-Nov	Oct	0.70%	-0.10%	--
Consumer Price Index (YoY)	01-Nov	Oct	2.00%	2.10%	--
Ext Trade - Export (YoY)	01-Nov	Oct	-1.80%	0.00%	--
Ext Trade - Imports (YoY)	01-Nov	Oct	-6.10%	1.10%	--
HSBC Manufacturing PMI	01-Nov	Oct	45.7	--	--
Taiwan	Date	Period	Prior	Cons.	Actual
GDP - Constant Prices (YoY)	31-Oct	3Q P	-0.18%	1.50%	--
Thailand	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	01-Nov	Oct	3.38%	3.35%	--
Core CPI (YoY)	01-Nov	Oct	1.89%	2.00%	--
Vietnam	Date	Period	Prior	Cons.	Actual
Exports YTD (YoY)	26-31 OCT	Oct	18.90%	--	--

Calendar Events

India - India REPO Cutoff Yield, October 30

We expect a 25bps cut in the benchmark rate

Current	Consensus	New
8.00%	8.00%	--

Japan - Bank of Japan Target Rate, October 30

We expect unconventional easing, no rate change

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.	2066.2	-1.7	-2.9	-6.1	-14.9
	Hong Kong - Hang Seng	21545.6	-1.2	0.1	16.9	13.0
	Taiwan - Weighted	7134.1	-1.8	-3.7	0.9	-5.3
	Japan - Nikkei 225	8933.1	-1.3	-0.8	5.6	2.1
	Korea - Kospi	1891.4	-1.7	-2.7	3.6	-0.2
	India - Sensex 30	18643.4	-0.6	-0.8	20.6	7.8
	Australia - SPX/ASX 200	4472.4	-0.8	-2.2	10.3	5.4
	Singapore - Strait Times	3057.5	0.4	-0.1	15.5	10.4
	Indonesia - Jakarta Comp	4339.2	0.1	-0.4	13.5	16.1
	Thailand - SET	1281.8	-1.2	-2.2	25.0	36.6
	Malaysia - KLCI	1671.9	0.2	0.3	9.2	14.7
Philippines - Manila Comp.	5405.2	0.1	-0.6	23.6	27.9	

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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	-0.12	0.07	6.30	6.35
	Hong Kong (HKD/USD)	7.75	0.00	0.00	7.75	7.74
	Taiwan (TWD/USD)	29.3	-0.09	-0.05	29.16	28.90
	Japan (JPY/USD)	79.94	0.45	-0.78	79.87	79.58
	Korea (KRW/USD)	1097	0.09	0.59	1103	1115
	India (INR/USD)	53.6	0.30	-0.30	54.47	56.65
	Australia (USD/AUD)	1.03	-0.14	0.02	0.97	0.99
	Singapore (SGD/USD)	1.22	-0.02	-0.02	1.22	1.22
	Indonesia (IDR/USD)	9618	-0.01	0.11	9729	10118
	Thailand (THB/USD)	30.7	-0.20	-0.10	30.88	31.27
	Malaysia (MYR/USD)	3.05	-0.47	-0.03	3.05	3.10
Philippines (PHP/USD)	41.3	-0.27	0.24	41.28	41.30	

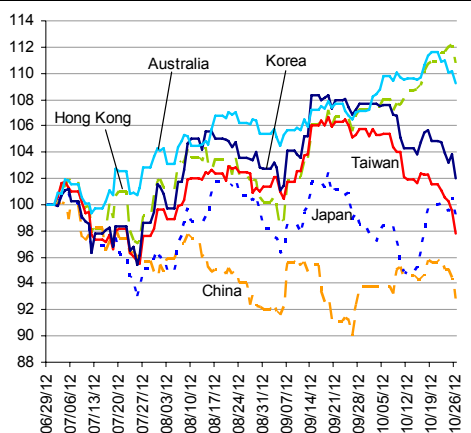
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.53	-0.07	0.84	-0.17
	Hong Kong (HIBOR/1W)	0.13	0.00	-0.02	-0.04
	Taiwan (TAIBOR/1W)	0.60	0.00	-0.01	-0.02
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	2.78	0.00	0.00	-0.24
	India (MIBOR/7D)	6.00	2.39	2.40	2.15
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.29	0.00	0.01	0.06
	Thailand (BIBOR/1W)	2.78	0.00	0.00	-0.24
	Malaysia (KLIBOR/1W)	2.90	0.00	0.00	0.00
	Philippines (PHIBOR/1W)	1.88	0.88	1.06	-0.44

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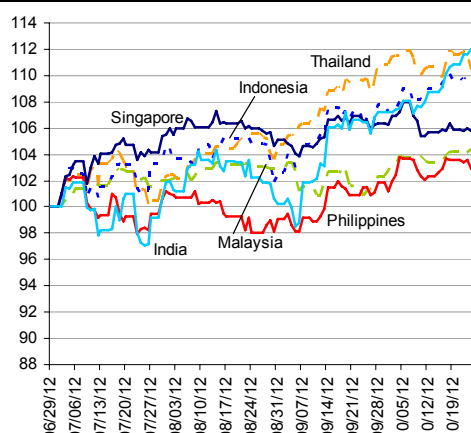
Charts

Chart 1
Stock Markets



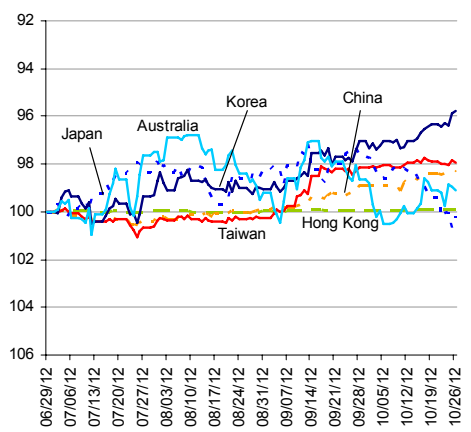
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



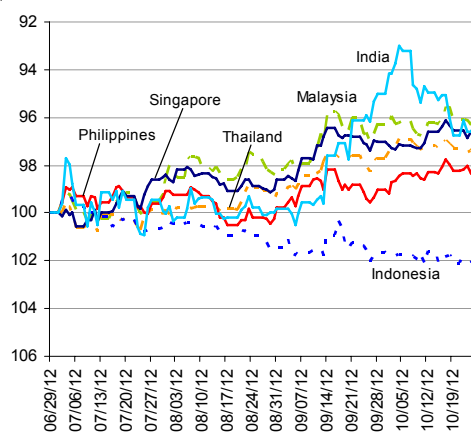
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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