

Daily Flash

Asia

Hong Kong announces new measures to contain property prices

Last Friday evening the Hong Kong government implemented a new round of measures to curb soaring residential property prices, which have risen by 20% so far this year. In recent weeks Hong Kong has seen renewed capital inflows, which have necessitated intervention by the HKMA to defend the Hong Kong dollar peg against the USD, which continues to trade at the strong end of the 7.75-7.85 band. The latest property measures include a new 15% stamp duty on non-permanent resident purchases, and an extension and increase of the existing stamp duty on housing re-sales (to 3 years from 2 years previously, and to 20% for resale within 6 months from 15% previously). The move follows recent efforts by Hong Kong's new government to increase the supply of homes, and follows similar efforts in Singapore, which imposed a tax on foreign purchases last December. The Hong Kong Property Sector Index fell by -3.7% today, well below the broader HSI's -0.2% decline.

China's industrial profits rebound in another sign of growth stabilization

Industrial profits of major enterprises in China rebounded by 7.8% y/y in September, according to an NBS statement released over the weekend. The outturn is the first year-on-year gain in the past six months, and has been welcomed by analysts as another sign of growth stabilization after the economy slowed to 7.4% y/y in Q3. Looking ahead, we will be watching for the official October PMI to be released on November 1.

Indian finance minister lays down a roadmap for fiscal consolidation

In a bid to contain India's burgeoning fiscal deficit, the Indian finance minister today laid down a roadmap for fiscal consolidation. While the fiscal deficit for FY13 (year ending March 2013) is now targeted at 5.3% of GDP from a previously budgeted 5.1%, it is still well below consensus expectations of 5.8%. The deficit would thereafter be lowered to 4.8% (FY14), 4.2% (FY15), 3.6% (FY16) and 3.0% (FY17). The government expects to achieve its target through a series of measures to boost revenue and rationalize expenses. Today's announcement comes ahead of tomorrow's RBI meeting, where we expect a 25bp cut in the repo rate and the cash reserve ratio to 7.75% and 4.25%, respectively.

Japan's retail sales rise; BoJ expected to ease tomorrow

Japan's retail sales rose in September by a less-than-expected 0.4% y/y (consensus: 1.0% y/y), as domestic auto sales fell by 13.9% y/y after the government's subsidy for buying fuel-efficient cars ended on Sept 21. The weak retail sales outturn added more evidence that Japan's economy is stalling. On the policy front, we expect the Bank of Japan to ease the monetary stance further at its scheduled meeting tomorrow through an expansion in its asset purchasing program.

The Philippines gets an upgrade from Moody's

Moody's today upgraded the Philippines' sovereign rating to Ba1 from Ba2, bringing it in line with S&P and Fitch, at one notch below investment grade, with a stable outlook. Moody's noted the Philippines potential for increasing investment and economic growth on the back of sound fiscal policies and a pro-business approach to governance.

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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
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%	--

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

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.	2058.9	-0.4	-3.5	-6.4	-16.8
	Hong Kong - Hang Seng	21511.1	-0.2	-0.2	16.7	7.5
	Taiwan - Weighted	7091.7	-0.6	-3.8	0.3	-6.9
	Japan - Nikkei 225	8929.3	0.0	-0.9	5.6	-1.3
	Korea - Kospi	1891.5	0.0	-2.6	3.6	-2.0
	India - Sensex 30	18640.3	0.1	-0.2	20.6	4.7
	Australia - SPX/ASX 200	4476.9	0.1	-1.4	10.4	2.8
	Singapore - Strait Times	3029.6	-0.9	-0.6	14.5	9.4
	Indonesia - Jakarta Comp	4331.4	-0.2	0.0	13.3	15.9
	Thailand - SET	1279.4	-0.2	-2.2	24.8	31.5
	Malaysia - KLCI	1672.6	0.0	0.6	9.3	12.9
Philippines - Manila Comp.	5397.4	-0.1	-0.6	23.5	27.8	

Last update: today, 17:00 Hong Kong time

FOREIGN EXCHANGE MARKETS	CURRENCY	Spot	% change over a day	% change over a week	Forward 3-month	Forward 12-month
	China (CNY/USD)	6.24	0.09	0.17	6.31	6.36
	Hong Kong (HKD/USD)	7.75	0.00	0.00	7.75	7.74
	Taiwan (TWD/USD)	29.3	-0.02	0.04	29.17	28.91
	Japan (JPY/USD)	79.65	0.00	0.36	79.58	79.28
	Korea (KRW/USD)	1096	0.10	0.76	1102	1113
	India (INR/USD)	54.0	-0.71	-0.90	54.79	57.00
	Australia (USD/AUD)	1.04	-0.19	0.32	0.97	0.99
	Singapore (SGD/USD)	1.22	-0.06	0.03	1.22	1.22
	Indonesia (IDR/USD)	9610	0.08	0.01	9727	10119
	Thailand (THB/USD)	30.7	-0.07	-0.07	30.89	31.29
	Malaysia (MYR/USD)	3.06	-0.25	-0.26	3.07	3.11
Philippines (PHP/USD)	41.3	0.01	0.19	41.29	41.30	

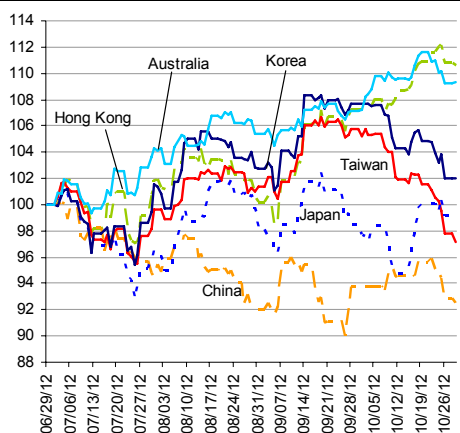
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	5.10	1.57	1.95	1.80
	Hong Kong (HIBOR/1W)	0.13	0.00	-0.02	-0.07
	Taiwan (TAIBOR/1W)	0.60	0.00	-0.01	-0.02
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	2.78	0.00	0.00	-0.24
	India (MIBOR/7D)	4.31	-1.69	1.59	1.31
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.29	0.00	0.01	0.03
	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)	1.38	-0.50	0.13	-0.06

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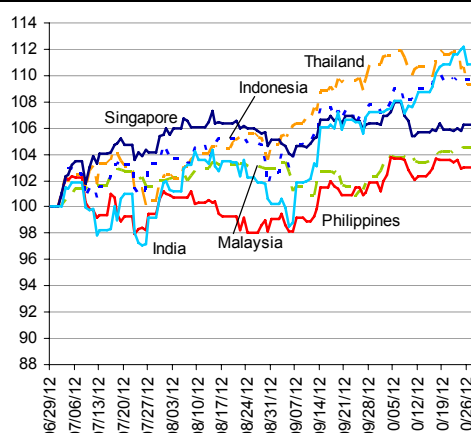
Charts

Chart 1
Stock Markets



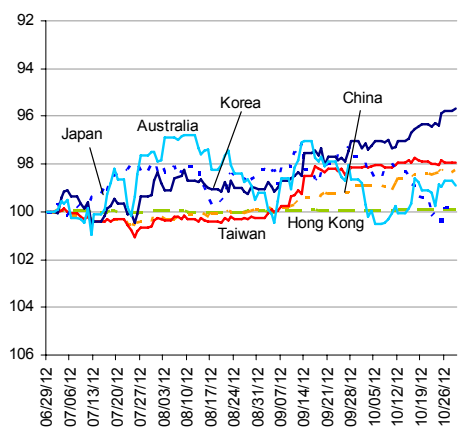
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



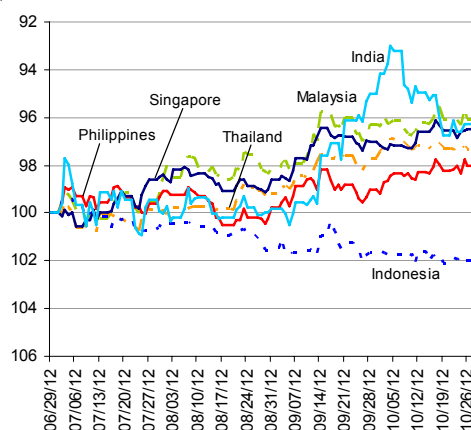
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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