

# Daily Flash

## Asia

Asian equities drifted higher today on further evidence that regional growth momentum may have bottomed out (see below). Gains were led by the Nikkei and Hang Seng (both +1.0%). Markets will be watching for tomorrow's release of China's official PMI, which is expected to rise back above the 50 expansion level (see Weekly Indicator below), and Korean October exports. The data will be watched especially closely for signs of whether a recent upturn in regional activity indicators is sustainable.

### Taiwan's 3Q GDP growth turns positive

Taiwan's preliminary Q3 GDP rose to 1.0% y/y (consensus: 1.5%) compared with a -0.2% contraction in Q2. On a sequential basis, quarterly GDP grew by 0.86% seasonally adjusted, up from 0.55% in Q2, indicating a stabilization in growth momentum, despite weak domestic demand. That said, the government lowered its 2012 GDP forecast to 1.1% y/y from 1.7% previously. The outturn follows relatively weak recent Q3 GDP releases in China, Korea, and Singapore.

### Korea's IP in September - another sign of a rebound?

Though falling short of expectations, Korea's industrial production rebounded to 0.7% y/y in September (consensus: 1.0% y/y) from -0.3% in August, as cars and electronics production rebounded (the outturn was also positive in seasonally adjusted terms, at +0.8% m/m). Along with better-than-expected September exports announced earlier this month, the outturn could hint at a possible rebound in growth momentum, after a disappointing Q3 GDP outturn (0.2% q/q, s.a) released last week. We expect a gradual pickup in Korea's growth momentum (bringing full-year growth to 2.3%), although we remain cautious given the still-weak global environment. Tomorrow's release of October exports, the first monthly outturn for the region, will be closely watched (consensus: 0.0%).

### Australia's building and credit data dims expectations of more rate cuts

Australia's building approvals rose by a much better-than-expected 7.8% m/m, s.a. (consensus: 1.0% m/m) in September following 6.4% s.a. m/m gain in August, suggesting a possible recovery in the housing sector. Meanwhile, private sector credit growth remained steady at 4.0% y/y (consensus: 3.9%). Along with signs that China's growth is picking up, the new data are dampening expectations of a rate cut by the RBA at its next policy meeting on November 6. This is in line with our expectations that the RBA will stay on hold at 3.25%, after its 25 bp cut in October, on top of the 75 bps in cuts during the first half year.

### China's banks report healthy, but declining Q3 profit growth

The majority of China's listed banks have announced Q3 financial results over the past week. Most notably, the large four state-owned banks reported healthy profits in the 10-15% y/y range, albeit down from over 30% growth last year. The results indicated an increase in banks' NPLs (still below 1.5% of total loans), prompting them to set aside loss provisions. In addition, they reported a narrowing of interest margins following the PBoC's asymmetric interest rate cuts in June and July. The results are in line with our expectation of declining profit growth due to rising NPLs and declining net interest margins (as gradual interest rate liberalization proceeds).

### Briefly noted:

- **Korea announced that the Incheon region (the location of Seoul's international airport) will be the focal point of a massive, US\$290bn project** to create a gaming industry to rival Macau's. The project, being called "Eightcity," will cover 80 square kilometers, create 930,000 jobs, and is scheduled to be built through 2030.

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## Calendar Indicators

<b>China</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Manufacturing PMI	01-Nov	Oct	49.8	50.5	--
HSBC Manufacturing PMI	01-Nov	Oct	47.9	49.1	--
<b>Hong Kong</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Retail Sales - Value (YoY)	01-Nov	Sep	4.50%	7.30%	--
<b>India</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Cash Reserve Ratio	30-Oct	30-Oct	4.50%	4.25%	4.25%
<b>Indonesia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
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%	--
<b>Japan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Jobless Rate	30-Oct	Sep	4.20%	4.20%	4.20%
Industrial Production (MoM)	30-Oct	Sep P	-1.60%	-3.10%	-4.10%
Industrial Production YOY%	30-Oct	Sep P	-4.60%	-7.10%	-8.10%
<b>Singapore</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Unemployment Rate (sa)	31-Oct	3Q P	2.00%	2.00%	1.90%
<b>South Korea</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Industrial Production (MoM)	31-Oct	Sep	-0.70%	1.50%	0.80%
Industrial Production (YoY)	31-Oct	Sep	0.30%	1.00%	0.70%
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	--	--
<b>Taiwan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
GDP - Constant Prices (YoY)	31-Oct	3Q P	-0.18%	1.50%	1.02%
<b>Thailand</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
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 expected a 25bps cut in the benchmark rate

**Current**

8.00%

**Consensus**

8.00%

**New**

8.00%

### Japan - Bank of Japan Target Rate, October 30

We expected unconventional easing, no rate change

**Current**

0.10%

**Consensus**

0.10%

**New**

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.	2068.9	0.3	-2.2	-5.9	-16.2
	Hong Kong - Hang Seng	21641.8	1.0	-0.6	17.4	8.9
	Taiwan - Weighted	7166.1	-0.2	-2.0	1.3	-5.6
	Japan - Nikkei 225	8928.3	1.0	-0.3	5.6	-0.7
	Korea - Kospi	1912.1	0.7	-0.1	4.7	0.2
	India - Sensex 30	18506.0	0.4	-1.1	19.7	4.5
	Australia - SPX/ASX 200	4517.0	0.7	0.2	11.4	5.1
	Singapore - Strait Times	3038.4	0.0	-0.4	14.8	6.4
	Indonesia - Jakarta Comp	4350.3	-0.3	0.5	13.8	14.8
	Thailand - SET	1299.1	0.4	0.3	26.7	33.3
	Malaysia - KLCI	1673.1	-0.1	0.3	9.3	12.1
Philippines - Manila Comp.	5424.5	0.0	-0.1	24.1	25.2	

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	0.04	0.17	6.30	6.35
	Hong Kong (HKD/USD)	7.75	0.00	0.01	7.75	7.74
	Taiwan (TWD/USD)	29.2	0.12	0.27	29.11	28.85
	Japan (JPY/USD)	79.76	-0.16	0.06	79.68	79.40
	Korea (KRW/USD)	1091	0.07	1.20	1095	1107
	India (INR/USD)	53.9	0.15	-0.28	54.71	56.95
	Australia (USD/AUD)	1.04	0.29	0.38	0.97	0.99
	Singapore (SGD/USD)	1.22	0.02	0.25	1.22	1.22
	Indonesia (IDR/USD)	9624	-0.01	0.05	9720	10107
	Thailand (THB/USD)	30.7	0.13	0.16	30.82	31.25
	Malaysia (MYR/USD)	3.05	0.14	0.45	3.06	3.10
Philippines (PHP/USD)	41.2	0.07	0.70	41.17	41.17	

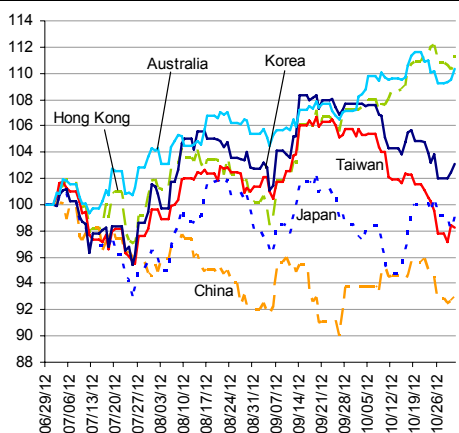
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.15	0.00	-0.38	-0.15
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	-0.07
	Taiwan (TAIBOR/1W)	0.60	0.00	0.00	-0.02
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	2.78	0.00	0.00	-0.24
	India (MIBOR/7D)	3.41	-0.19	0.14	0.41
	Singapore (SIBOR/1W)	0.25	0.00	0.00	-0.06
	Indonesia (JIBOR/1W)	4.30	0.01	0.02	0.05
	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)	1.63	-0.06	0.63	0.19

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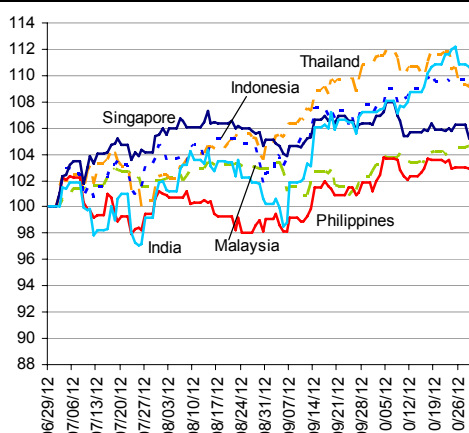
# Charts

Chart 1  
Stock Markets



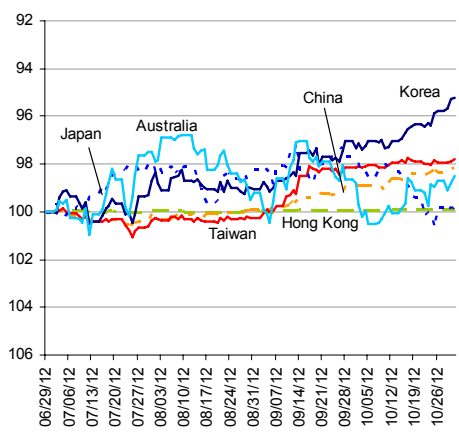
Source: BBVA Research and Bloomberg

Chart 2  
Stock Markets



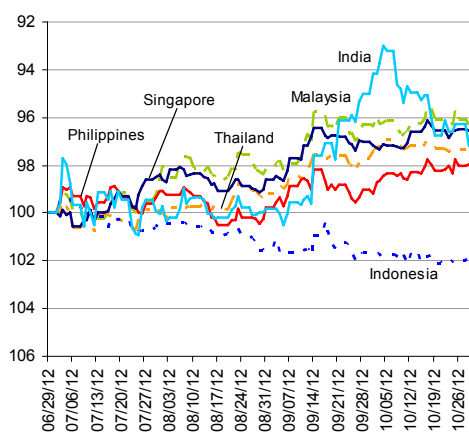
Source: BBVA Research and Bloomberg

Chart 3  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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