

Daily Flash

Asia

Most Asian markets were down today and emerging Asian currencies weakened following Friday's downturn in the US. The Jakarta Composite (-1.0%) and the Kospi (-0.6%) were among the biggest declining equity markets, while the Indian rupee weakened significantly (-1.1%) to 54.41 against the US dollar. Nevertheless, prospects in the region are improving, following recent positive data prints on manufacturing production and exports in China and elsewhere in the region, and ahead of China's 18th National Party Congress set to begin on Thursday, which will set the forthcoming leadership transition in motion. There are also a series of central bank meetings this week, starting with the RBA tomorrow, followed by Malaysia and Indonesia on November 8, and by Korea on November 9. We expect all central banks to remain on hold.

Indonesia sustains strong Q3 GDP growth, in line with estimates

In Indonesia, strong investment and private consumption led to 6.2% y/y GDP growth in the third quarter (consensus: 6.2% y/y). While growth slowed from the 6.4% outturn in Q2, domestic demand helped to offset a slowdown in exports (-2.8% y/y) as global commodity demand softened. Along with several other Southeast Asian economies, strong domestic demand has enabled Indonesia to weather the external slowdown – this was the eighth consecutive quarter Indonesia has had GDP growth of above 6.0%. We expect growth to remain robust for the foreseeable future in Indonesia on continued resilience in domestic demand (BBVA GDP forecasts: 6.2% and 6.3% y/y in 2012 and 2013, respectively).

Asia-Europe two day summit is underway; trade ties on the agenda

Leaders of 49 countries in Asia and Europe are gathering for a two-day summit that began today in Laos. A stalled trade agenda between countries in both regions will be among the items discussed, as concerns in Asian economies grow over a potential rise of European protectionism amidst the EU's economic slowdown. This is the ninth Asia-Europe summit, an event which was established in 1996; the most recent meeting was held in Brussels in October 2010.

Australia's retail sales rise, reducing chances of a rate cut

Australia's retail sales rose by 0.5% m/m sa, better than the market's expectation of 0.4% m/m sa. Recent Australia activity indicators in September such as building approvals and credit growth are also pointing to a resilient economy. The RBA is holding its monthly policy meeting tomorrow: in light of these recent positive outturns, we expect the RBA to keep its policy rate unchanged at 3.25% at the meeting (consensus: 25bps cut).

Briefly noted:

- **Taiwan's inflation slowed** to 2.36% y/y in October from 2.96% y/y in September, broadly in line with expectations. Easing food prices were partially behind the decline. The outturn, however, is unlikely to trigger an interest rates cut during Taiwan's central bank meeting in December, when we expect rates to stay unchanged.

Stephen Schwartz
Chief Economist for Asia
stephen.schwartz@bbva.com.hk
+852 2582 3218

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

Australia	Date	Period	Prior	Cons.	Actual
Retail Sales s.a. (MoM)	05-Nov	Sep	0.20%	0.40%	0.50%
Unemployment Rate	08-Nov	Oct	5.40%	5.50%	--
China	Date	Period	Prior	Cons.	Actual
Non-manufacturing PMI	03-Nov	Oct	53.7	--	55.5
HSBC Services PMI	05-Nov	Oct	54.3	--	53.5
Consumer Price Index (YoY)	09-Nov	Oct	1.90%	1.90%	--
Producer Price Index (YoY)	09-Nov	Oct	-3.60%	-2.80%	--
Industrial Production (YoY)	09-Nov	Oct	9.20%	--	--
Industrial Production YTD YoY	09-Nov	Oct	10.00%	--	--
Fixed Assets Inv Excl. Rural YTD YoY	09-Nov	Oct	20.50%	--	--
Retail Sales (YoY)	09-Nov	Oct	14.20%	14.30%	--
Retail Sales YTD YoY	09-Nov	Oct	14.10%	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Purchasing Managers Index	05-Nov	Oct	49.6	--	50.5
Indonesia	Date	Period	Prior	Cons.	Actual
GDP Constant Price (YoY)	05-Nov	3Q	6.37%	6.17%	6.17%
GDP Constant Price (QoQ)	05-Nov	3Q	2.80%	3.26%	3.21%
Japan	Date	Period	Prior	Cons.	Actual
Machine Orders (MoM)	08-Nov	Sep	-3.30%	-2.10%	--
Machine Orders YOY%	08-Nov	Sep	-6.10%	-4.90%	--
Current Account Total	08-Nov	Sep	¥454.7B	¥761.8B	--
Trade Balance - BOP Basis	08-Nov	Sep	-¥644.5B	-¥413.5B	--
Japan Money Stock M2 YoY	09-Nov	Oct	2.40%	2.40%	--
Malaysia	Date	Period	Prior	Cons.	Actual
Industrial Production YoY	08-Nov	Sep	-0.70%	0.00%	--
Manufacturing Sales Value YoY%	08-Nov	Sep	1.80%	--	--
Exports YoY%	09-Nov	Sep	-4.50%	-3.00%	--
Philippines	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	06-Nov	Oct	3.60%	3.50%	--
Singapore	Date	Period	Prior	Cons.	Actual
Purchasing Managers Index	05-Nov	Oct	48.7	49.5	--
Taiwan	Date	Period	Prior	Cons.	Actual
CPI YoY%	05-Nov	Oct	2.96%	2.39%	2.36%
Total Exports (YoY)	08-Nov	Oct	10.40%	1.90%	--

Indicator of the Week

China: Industrial output for October (November 9)

Forecast: 9.6% y/y

Consensus: n/a

Prior: 9.2% y/y

Recent indicators, including the October PMI released on November 1, show broad signs that China's growth momentum is stabilizing. In particular, manufacturing PMI has increased for two consecutive months, reaching 50.2% in October. The upcoming batch of monthly indicators will be closely watched for further evidence of stabilization. The data includes inflation, industrial production, retail sales, investment, and trade (to be released between November 9-15). We expect industrial production to strengthen further from the previous month. Given benign inflation (1.9% in September) and risks to external demand, however, we still expect further cuts in the RRR and the policy rate in the coming months, along with stepped up infrastructure spending.

Calendar Events

Australia - RBA Cash Target, November 6

We expect the benchmark rate to remain unchanged

Current	Consensus	New
3.25%	3.00%	--

Malaysia - Overnight Rate, November 8

We expect the benchmark rate to remain unchanged

Current	Consensus	New
3.00%	3.00%	--

Indonesia - BI Reference Rate, November 8

We expect the benchmark rate to remain unchanged

Current	Consensus	New
5.75%	5.75%	--

South Korea - 7-Day Repo Rate, November 9

We expect the benchmark rate to remain unchanged

Current	Consensus	New
2.75%	2.75%	--

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.	2114.0	-0.1	2.7	-3.9	-16.4
	Hong Kong - Hang Seng	22006.4	-0.5	2.3	19.4	10.9
	Taiwan - Weighted	7185.4	-0.3	1.3	1.6	-5.5
	Japan - Nikkei 225	9007.4	-0.5	0.9	6.5	2.3
	Korea - Kospi	1908.2	-0.5	0.9	4.5	-1.0
	India - Sensex 30	18731.1	-0.1	0.5	21.2	6.7
	Australia - SPX/ASX 200	4474.1	0.3	-0.1	10.3	4.5
	Singapore - Strait Times	3031.7	-0.3	0.1	14.6	6.4
	Indonesia - Jakarta Comp	4302.9	-0.8	-0.7	12.6	13.7
	Thailand - SET	1306.2	0.0	2.1	27.4	36.4
	Malaysia - KLCI	1654.0	-0.1	-1.1	8.1	11.9
Philippines - Manila Comp.	5457.8	0.6	1.1	24.8	25.9	

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)	6.25	-0.06	-0.03	6.31	6.36
	Hong Kong (HKD/USD)	7.75	0.00	0.00	7.75	7.75
	Taiwan (TWD/USD)	29.2	-0.02	0.06	29.16	28.91
	Japan (JPY/USD)	80.25	0.22	-0.56	80.17	79.90
	Korea (KRW/USD)	1091	-0.03	0.44	1097	1109
	India (INR/USD)	54.4	-1.17	-0.69	55.31	57.59
	Australia (USD/AUD)	1.04	0.15	0.19	0.97	0.99
	Singapore (SGD/USD)	1.23	-0.04	-0.31	1.23	1.22
	Indonesia (IDR/USD)	9633	-0.02	-0.24	9741	10113
	Thailand (THB/USD)	30.8	-0.19	-0.32	30.97	31.38
	Malaysia (MYR/USD)	3.06	-0.33	-0.09	3.08	3.12
Philippines (PHP/USD)	41.3	-0.19	0.11	41.23	41.23	

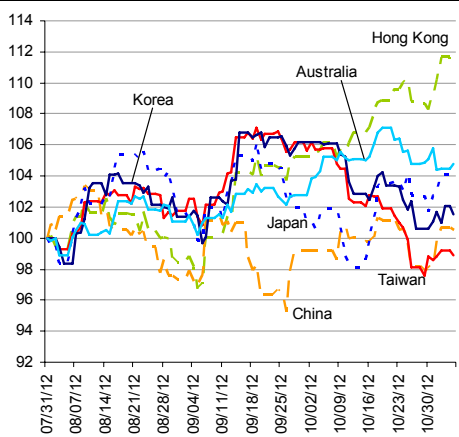
Last update: today, 17:00 Hong Kong time.

INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.37	-0.06	0.22	0.07
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	-0.04
	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)	3.32	-0.12	-0.99	0.32
	Singapore (SIBOR/1W)	0.25	0.00	0.00	-0.06
	Indonesia (JIBOR/1W)	4.29	0.00	0.00	0.04
	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)	1.94	0.31	0.56	0.00

Last update: today, 17:00 Hong Kong time

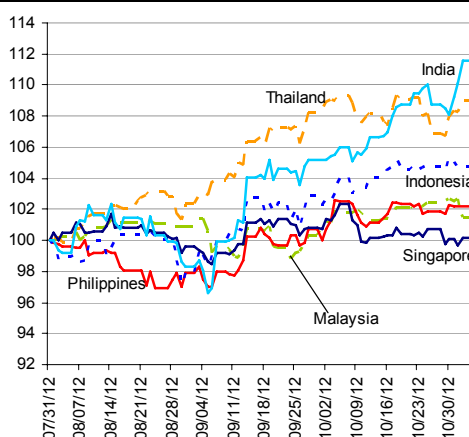
Charts

Chart 1
Stock Markets



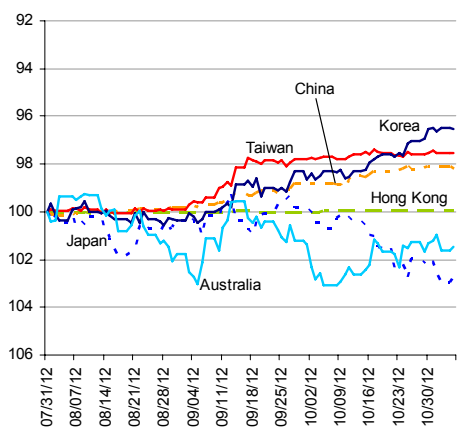
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



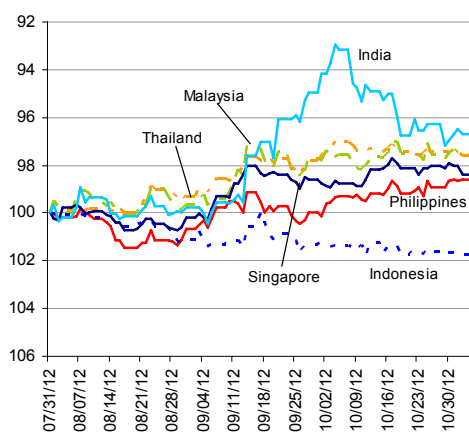
Source: BBVA Research and Bloomberg

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

Fielding Chen
Senior Economist
fielding.chen@bbva.com.hk

Le Xia
Senior Economist (China)
xia.le@bbva.com.hk

Zhigang Li
Senior Economist (China)
zhigang.li@bbva.com.hk

Sumedh Deorukhkar
Senior Economist (India, Mumbai)
sumedh.deorukhkar@grupobbva.com

Jeffrey Cantwell, CFA
Economist
jeffrey.cantwell@bbva.com.hk

George Xu
Economist
george.xu@bbva.com.hk

Richard Li
Asian FX Chief Strategist
richard.li@bbva.com.hk

William Fitchett
Economist
william.fitchett@bbva.com.hk

Before you print this message please consider if it is really necessary.

This email and its attachments are subject to the confidentiality terms established in the corresponding regulations and are intended for the sole use of the person or persons indicated in the header. They are for internal use only and cannot be distributed, copied, conveyed or furnished to third parties without prior written consent from BBVA. If this message has been received erroneously, it is forbidden to read, use or copy any of the contents and you are asked to inform BBVA immediately by forwarding the email to the sender and eliminating it thereafter.

BBVA will continue to provide our readers up-to-date reports by emails, but you can also register directly on our website where you can find a full list of our latest reports & presentations <http://serviciodeestudios.bbva.com/KETD/ketd/ing/index.jsp>

If you wish to be excluded from this mailing list, please write to us on research.emergingmarkets@bbva.com.hk and we shall immediately take you off the list.