

# Daily Flash

## Asia

Asian equities fell sharply today following the declines in the US yesterday, on a combination of weak European data and concerns about the US fiscal cliff. The Hang Seng and the Shanghai Composite led the declines (-2.2% and -1.6% respectively). China's National Party Congress and leadership transition are dominating the news today (see below), while we await the release of October activity indicators due out tomorrow, with the PBoC Governor and the Chief of Statistics both hinting today that the data are likely to show a further strengthening of growth momentum, after a positive set of September figures released last month.

### China's National Party Congress gets underway, with new growth targets

In the opening speech of 18th National Party Congress, President Hu Jintao announced a goal of doubling GDP and per capita income by 2020 compared to 2010 levels. By our calculation, this would imply an average of 6.9% annual growth during 2013-2020, in line with the 7% growth target for 2011-15 established in last year's 12th 5-year plan. While double-digit growth may be a thing of the past, and we expect potential growth to slow over the coming decade, we view the longer term target as achievable, provided that progress is made toward rebalancing the economy towards domestic demand, enhancing the efficiency of the financial sector, and reducing the influence of state-owned enterprises, as outlined in the 5-year Plan.

### Indonesia and Malaysia keep rates on hold, as expected

With growth remaining resilient in Southeast Asia, both Indonesia and Malaysia kept their policy rates on hold today (at 5.75% and 3.0%, respectively). We think further rate cuts are unlikely for the time being, as domestic demand is robust. In Indonesia's case, forward-looking indicators such as consumer confidence have begun pointing up, which, along with other encouraging regional outturns, suggests that growth may be rebounding. For Malaysia, as noted in its policy statement, the committee 'considers the current stance of monetary policy to be accommodative and supportive of the economy,' in language similar to that which it has been typically used in recent months.

### Taiwan's exports contract, halting last month's momentum

Taiwan's exports contracted in October by -1.9% y/y (consensus: +2.0% y/y) after a pickup in September (10.4%). Demand from the US and Europe was especially weak. Exports to ASEAN markets also moderated, but were resilient compared to other regions. The outturn underscores the continued external headwinds facing Asian exports, despite some recent signs of stabilization (in China and Korea).

### Weak Japan's machinery orders signal sluggish capital spending

Japan's machinery orders in September came in below expectations, falling by -4.3% m/m sa (consensus: -1.8% m/m sa). Machinery orders are an indicator of upcoming capital spending over the next three to six months, and the weak outturn points to a slowing growth outlook for the Japanese economy. We expect GDP to contract in the second half of 2012, and the upcoming Q3 growth (due out next Monday on Nov 12th) is expected to be negative. The yen finished today slightly appreciated against the USD, at 79.86/USD.

### Briefly noted:

- **Australia's unemployment rate stayed at 5.4% (consensus: 5.5%), the same as September.** The economy created 10,700 net jobs for the month, much better than the market's expectation (500 new jobs), an encouraging outturn that decreases the likelihood of a rate cut next month. The Australia dollar was little changed after the data, remaining flat today at 1.04 USD per AUD.

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## Calendar Indicators

<b>Australia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Retail Sales s.a. (MoM)	05-Nov	Sep	0.20%	0.40%	0.50%
Unemployment Rate	08-Nov	Oct	5.40%	5.50%	5.40%
<b>China</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
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%	-2.70%	--
Industrial Production (YoY)	09-Nov	Oct	9.20%	9.40%	--
Industrial Production YTD YoY	09-Nov	Oct	10.00%	9.90%	--
Fixed Assets Inv Excl. Rural YTD YoY	09-Nov	Oct	20.50%	20.60%	--
Retail Sales (YoY)	09-Nov	Oct	14.20%	14.40%	--
Retail Sales YTD YoY	09-Nov	Oct	14.10%	14.10%	--
<b>Hong Kong</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Purchasing Managers Index	05-Nov	Oct	49.6	--	50.5
<b>Indonesia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
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%
<b>Japan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Machine Orders (MoM)	08-Nov	Sep	-3.30%	-2.10%	-4.30%
Machine Orders YOY%	08-Nov	Sep	-6.10%	-4.90%	-7.80%
Current Account Total	08-Nov	Sep	¥454.7B	¥761.8B	¥503.6B
Trade Balance - BOP Basis	08-Nov	Sep	-¥644.5B	-¥413.5B	-¥471.3B
Japan Money Stock M2 YoY	09-Nov	Oct	2.40%	2.40%	--
<b>Malaysia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Industrial Production YoY	08-Nov	Sep	-0.70%	0.60%	4.90%
Manufacturing Sales Value YoY%	08-Nov	Sep	1.80%	--	3.30%
Exports YoY%	09-Nov	Sep	-4.50%	-3.00%	--
<b>Philippines</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Consumer Price Index (YoY)	06-Nov	Oct	3.60%	3.50%	3.10%
<b>Singapore</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Purchasing Managers Index	05-Nov	Oct	48.7	49.5	48.3
<b>Taiwan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
CPI YoY%	05-Nov	Oct	2.96%	2.39%	2.36%
Total Exports (YoY)	08-Nov	Oct	10.40%	1.90%	-1.90%

## Indicator of the Week

### China: Industrial output for October (November 9)

Forecast: 9.6% y/y

Consensus: 9.4% y/y

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 expected the benchmark rate to remain unchanged

Current	Consensus	New
3.25%	3.00%	3.25%

### Malaysia - Overnight Rate, November 8

We expected the benchmark rate to remain unchanged

Current	Consensus	New
3.00%	3.00%	3.00%

### Indonesia - BI Reference Rate, November 8

We expected the benchmark rate to remain unchanged

Current	Consensus	New
5.75%	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.	20715	-1.6	-1.6	-5.8	-17.3
	Hong Kong - Hang Seng	21566.9	-2.4	-1.2	17.0	9.6
	Taiwan - Weighted	7242.6	-0.6	0.9	2.4	-4.7
	Japan - Nikkei 225	8837.2	-1.5	-1.2	4.5	2.1
	Korea - Kospi	1914.4	-1.2	0.8	4.9	0.6
	India - Sensex 30	18843.5	-0.3	1.5	21.9	7.3
	Australia - SPX/ASX 200	4483.8	-0.7	0.6	10.5	4.4
	Singapore - Strait Times	3012.3	-1.0	-0.5	13.8	5.1
	Indonesia - Jakarta Comp	4327.9	-0.5	-0.2	13.2	13.7
	Thailand - SET	12915	-0.6	-0.5	26.0	31.3
	Malaysia - KLCI	1641.1	-0.3	-2.1	7.2	10.8
Philippines - Manila Comp.	5446.7	0.2	0.4	24.6	26.2	

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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)	6.24	0.01	-0.05	6.30	6.35
	Hong Kong (HKD/USD)	7.75	0.00	-0.01	7.75	7.75
	Taiwan (TWD/USD)	29.1	0.15	0.42	29.00	28.74
	Japan (JPY/USD)	79.94	0.08	0.23	79.86	79.60
	Korea (KRW/USD)	1090	-0.39	0.25	1095	1107
	India (INR/USD)	54.5	-0.55	-1.49	55.36	57.65
	Australia (USD/AUD)	1.04	-0.02	0.05	0.97	0.99
	Singapore (SGD/USD)	1.23	-0.24	-0.44	1.23	1.22
	Indonesia (IDR/USD)	9632	-0.03	-0.10	9712	10087
	Thailand (THB/USD)	30.7	0.00	0.03	30.87	31.28
	Malaysia (MYR/USD)	3.06	-0.41	-0.32	3.08	3.12
Philippines (PHP/USD)	41.1	-0.14	0.37	41.07	41.09	

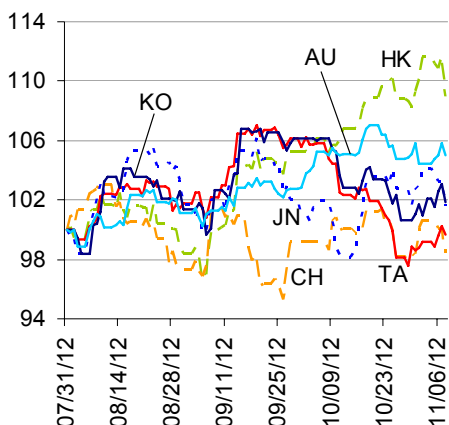
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.34	0.21	-0.09	-0.46
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	-0.04
	Taiwan (TAIBOR/1W)	0.60	0.00	-0.01	-0.02
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	2.78	0.00	0.00	-0.23
	India (MIBOR/7D)	3.35	0.03	-0.09	-1.15
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.29	0.00	-0.01	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)	1.31	-0.63	-0.31	-0.69

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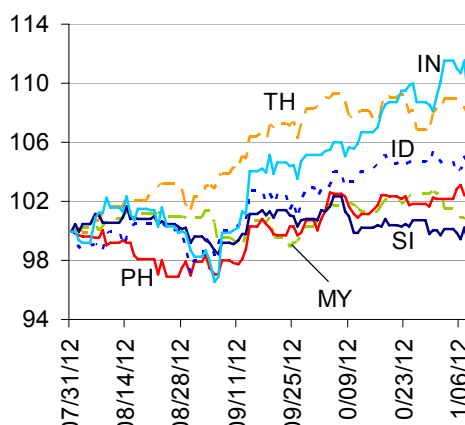
# Charts

Chart 1  
Stock Markets



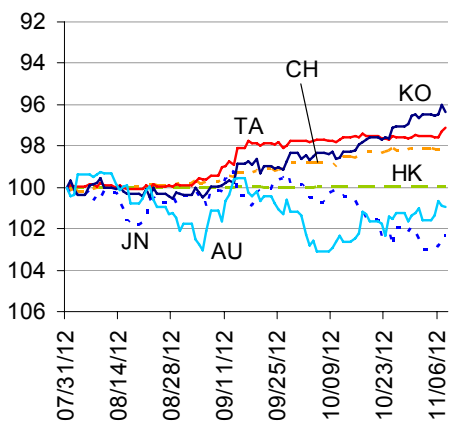
Source: BBVA Research and Bloomberg

Chart 2  
Stock Markets



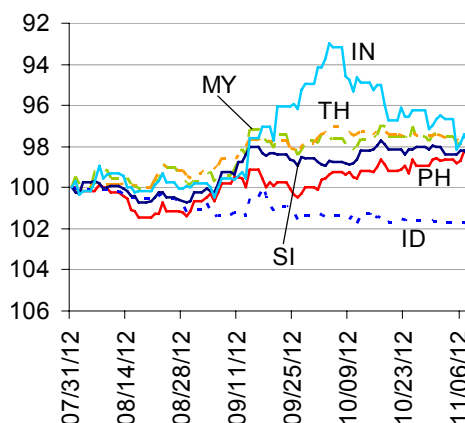
Source: BBVA Research and Bloomberg

Chart 3  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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