

Daily Flash

Asia

The Asian newsflow today was dominated by speculation on the composition of China's new leadership team, following the conclusion of the week-long 18th National Party Congress in Beijing. Market participants are eager to see whether reformers will gain the upper hand in the inner circle of Beijing's policymaking body (the Standing Committee), which could accelerate the pace of reform over the coming years. On the balance, markets generally closed higher today (Hang Seng: +1.2%). In the currency space, the RMB continued its surprising appreciation trend, as the PBoC again set its daily fixing at a stronger level, for the seventh consecutive day; meanwhile, the yen depreciated to 79.9/USD on speculation that the Bank of Japan may come under pressure to ease further when a new government is formed (see below).

China's leadership transition advances at end of 18th NPC

The 18th National Party Congress concluded today amidst speculation on the size and composition of the Politburo's new Standing Committee, to be announced tomorrow. It is likely that the Committee will be reduced in size from 9 at present to 7, which would streamline the policymaking process. Although the composition of the new Committee is not yet known, it was confirmed today that Xi Jinping and Li Keqiang will take over the party leadership, effectively paving their way to the ascendancy of President and Premier, respectively, in March 2013. The new leaders will need to deepen economic and political reforms in the coming years to address China's economic rebalancing, deteriorating environment, and widening income gap, among others.

India's wholesale inflation unexpectedly eases

India's wholesale inflation in October slowed to 7.5% y/y (consensus: 7.9% y/y) from 7.8% y/y the prior month, as easing food prices helped to offset a rise in fuel prices. The outturn, along with recent weak economic data releases, including a contraction in September industrial production and a slide in exports, could add to the case for a rate cut at the RBI's monetary policy meeting on December 18, although it is unlikely given the RBI's recent preference to stay on hold for further evidence of implementation of government reform measures. That said, we expect further rate cuts to be forthcoming in early 2013.

Japan's Prime Minister paves the way for election

Japan's embattled Prime Minister Yoshihiko Noda has said he is willing to dissolve Parliament and hold fresh elections by end-year on the conditions that the opposition passes a deficit financing bill this week to allow the government to implement its budget. The opposition LDP is widely expected to win the coming elections as Noda's popularity rating has dropped below 20% as the economy has weakened (Q3 GDP came to a disappointing -3.5% annualized rate). Expectations are that the LDP would adopt more growth-supportive policies, including to press the BoJ to ease monetary policies further. The latter was a factor for the yen's weakness today, falling -0.62% to 79.88 yen per USD today.

Korea's unemployment rate ticks down to 3.0%

Korea's unemployment rate fell to a seasonally adjusted 3.0% (consensus: 3.1%) in October from 3.1% in September. Gains in employment were driven by a healthy increase in full time positions, which are up 4.7% from last year. By category, manufacturing jobs are up 3.6% over-year even as exports and production have slowed. The outturn underscores how robust Asian labor markets have been, even in the midst of the weak global environment.

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Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Trade Balance (USD)	10-Nov	Oct	\$27.67B	\$27.30B	\$31.99B
Exports YoY%	10-Nov	Oct	9.90%	10.00%	11.60%
Imports YoY%	10-Nov	Oct	2.40%	3.40%	2.40%
New Yuan Loans	12-Nov	Oct	623.2B	590.0B	505.2B
Money Supply - M2 (YoY)	12-Nov	Oct	14.80%	14.50%	14.10%
Hong Kong	Date	Period	Prior	Cons.	Actual
GDP (YoY)	16-Nov	3Q	1.10%	1.70%	--
GDP sa (QoQ)	16-Nov	3Q	-0.10%	0.60%	--
India	Date	Period	Prior	Cons.	Actual
Exports YoY%	12-Nov	Oct	-10.80%	--	-1.60%
CPI (YoY)	12-Nov	Oct	9.73%	--	9.75%
Industrial Production YoY	12-Nov	Sep	2.70%	2.80%	-0.40%
Monthly Wholesale Prices YoY%	14-Nov	Oct	7.81%	7.90%	7.45%
Japan	Date	Period	Prior	Cons.	Actual
Tertiary Industry Index (MoM)	12-Nov	Sep	0.40%	-0.10%	0.30%
Gross Domestic Product (QoQ)	12-Nov	3Q P	0.20%	-0.90%	-0.90%
GDP Annualized	12-Nov	3Q P	0.70%	-3.40%	-3.50%
Machine Tool Orders (YoY)	12-Nov	Oct P	-2.80%	--	-6.70%
Malaysia	Date	Period	Prior	Cons.	Actual
GDP YoY%	16-Nov	3Q	5.40%	4.80%	--
Philippines	Date	Period	Prior	Cons.	Actual
Total Exports (YoY)	13-Nov	Sep	-9.00%	4.60%	22.80%
Overseas Remittances (YoY)	15-Nov	Sep	7.60%	7.00%	--
Singapore	Date	Period	Prior	Cons.	Actual
GDP (annualized) (QoQ)	11-18 NOV	3Q F	-1.50%	--	--
GDP (YoY)	11-18 NOV	3Q F	1.30%	--	--
Retail Sales (YoY)	15-Nov	Sep	3.20%	3.90%	--
Non-oil Domestic Exports (YoY)	16-Nov	Oct	-3.40%	2.40%	--
South Korea	Date	Period	Prior	Cons.	Actual
Unemployment Rate (SA)	14-Nov	Oct	3.10%	3.10%	3.00%

Calendar Events

There are no calendar events scheduled for this week.

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.	2055.4	0.4	-2.4	-6.5	-18.7
Hong Kong - Hang Seng	21442.0	1.2	-3.0	16.3	9.9	
Taiwan - Weighted	7159.8	0.3	-1.7	1.2	-4.9	
Japan - Nikkei 225	8664.7	0.0	-3.4	2.5	0.7	
Korea - Kospi	1894.0	0.2	-2.2	3.7	-0.5	
India - Sensex 30	18618.9	-0.3	-1.1	20.5	8.3	
Australia - SPX/ASX 200	4388.4	0.2	-2.8	8.2	1.9	
Singapore - Strait Times	2978.1	-1.0	-1.4	12.5	6.7	
Indonesia - Jakarta Comp	4351.3	0.4	0.0	13.8	13.5	
Thailand - SET	1282.7	-0.5	-1.3	25.1	30.3	
Malaysia - KLCI	1631.7	-0.4	-0.8	6.6	11.1	
Philippines - Manila Comp.	5451.1	-0.1	0.3	24.7	25.1	

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)	6.23	0.03	0.30	6.28	6.32
Hong Kong (HKD/USD)	7.75	0.00	-0.01	7.75	7.75	
Taiwan (TWD/USD)	29.1	0.01	0.37	28.83	28.56	
Japan (JPY/USD)	79.94	-0.70	0.08	79.86	79.58	
Korea (KRW/USD)	1085	0.45	0.04	1089	1100	
India (INR/USD)	54.9	-0.22	-0.49	55.84	58.12	
Australia (USD/AUD)	1.04	0.12	0.38	0.96	0.98	
Singapore (SGD/USD)	1.22	0.05	0.02	1.22	1.22	
Indonesia (IDR/USD)	9630	0.04	-0.01	9683	10030	
Thailand (THB/USD)	30.7	0.00	0.07	30.85	31.27	
Malaysia (MYR/USD)	3.06	0.26	-0.46	3.08	3.12	
Philippines (PHP/USD)	41.1	0.09	-0.32	41.08	41.07	

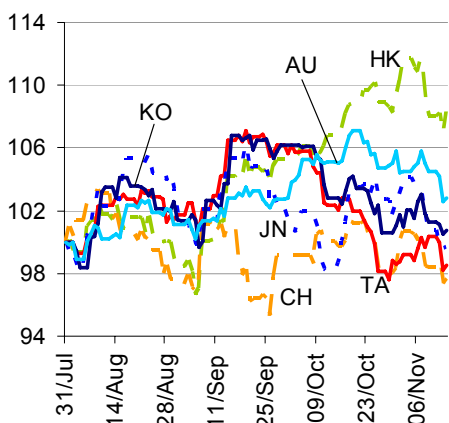
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.36	0.22	0.26	0.20
Hong Kong (HIBOR/1W)	0.13	0.00	0.00	-0.02	
Taiwan (TAIBOR/1W)	0.59	0.00	0.00	-0.03	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.78	0.00	0.00	0.00	
India (MIBOR/7D)	3.35	0.10	0.03	-0.12	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	4.28	0.00	0.00	0.02	
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	0.44	0.00	-0.13	

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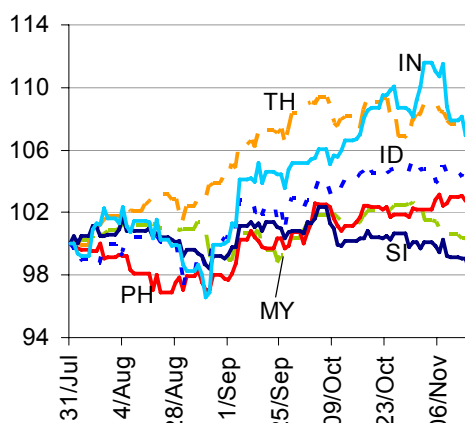
Charts

Chart 1
Stock Markets



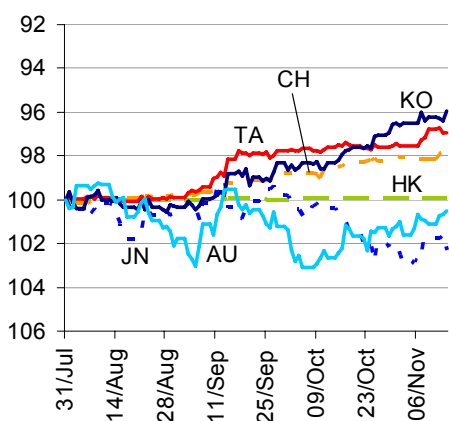
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



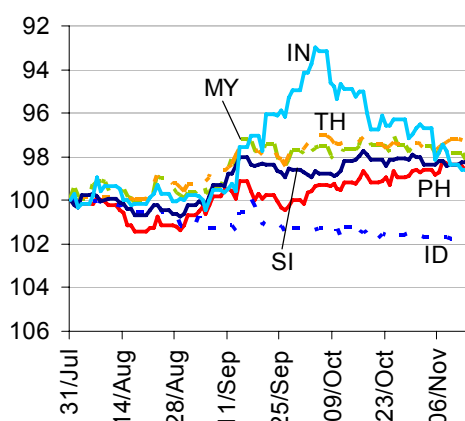
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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