

Daily Flash

Asia

BoJ refrains from further easing - for now

The Bank of Japan held its monthly monetary policy meeting today, where as expected it kept its policy rate unchanged at 0-0.1% and left the size of its asset purchase program at 91 trillion yen (after having expanded its asset purchasing program for two consecutive months in September and October). The BoJ stated that the economy remains "relatively weak for the time being," and therefore it will "pursue aggressive monetary easing...by conducting its virtually zero interest rate policy as well as steadily increasing the amount outstanding of the Asset Purchase Program." We would expect the BoJ to ease its monetary policy further in the coming months, possibly as early as December.

On a separate front, current BoJ Governor Shirakawa called the 3% inflation target for Japan being mentioned by the challenger for Prime Minister - Shinzo Abe - "unrealistic" (the BoJ currently has a 1% inflation goal). Governor Shirakawa also warned of the consequences of using the central bank to finance fiscal debts (Mr. Abe also seeks to pass legislation allowing for unlimited monetary easing by the BoJ). Looking ahead, the expected battle over the central bank's independence will likely increase uncertainties regarding Japan, implying further downside risks to growth. The yen appreciated slightly today, finishing up by 0.2% against the dollar (at 81.26/USD).

China: FDI inflows data improves, outward FDI continues to gain steam

The Ministry of Commerce reported that foreign direct investment in China fell in October for the 11th time in 12 months, by -0.2% y/y, to \$8.31 billion. The contraction was mainly driven by sluggish European investment, though investment from the US strengthened. October's outturn was a slight improvement from September, when FDI decreased by -6.8% y/y, showing that momentum has improved somewhat. That said, the negative over-year result shows that corporate tensions regarding spending remain high due to the uncertain global environment. In contrast to the decline in inward FDI, China's outward FDI continues to grow rapidly, with non-financial outward FDI growing by 25.8% y/y for the first ten months of 2012. Taken together, the October data suggest that external headwinds are still weighing on foreign spending vis a vis China, while China's "go-out" strategy continues to gain force.

RBA's statement hints that it is open to lowering the policy rate

Today the Reserve Bank of Australia (RBA) released its monetary policy statement from its November meeting, when (in line with our view, but not the consensus) it decided to keep the policy rate unchanged at 3.25%. However, the RBA stated that "members considered that further easing may be appropriate in the period ahead." Board members are concerned with three areas: the impact of a slowdown in mining investment over the next two years, the risks of softer labor markets, and a non-mining sector that remains subdued. That said, recent economic indicators (particularly in China and the US) are pointing to some improvement in the global economy. In light of this, for now we are maintaining our baseline forecast of no rate cut in December, despite today's report.

Taiwan export orders improve

In Taiwan, October export orders surprised to the upside, increasing by 3.2% y/y (BBVA and consensus: 0.2%) from 1.9% y/y in September. The better-than-expected outturn is partially driven by solid demand from the US and more surprisingly, a jump in orders from Europe. Orders from ASEAN countries remain resilient as well. The coming holiday season will likely provide a boost to Taiwan's export industry, but whether the recent trend is sustainable remains unclear given the uncertainties over the European debt crisis and concerns regarding the "fiscal cliff" in the US.

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Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Actual FDI (YoY)	20-Nov	Oct	-6.80%	1.00%	-0.20%
China October Property Prices	18-Nov	Oct	--	--	--
HSBC Flash Manufacturing PMI	22-Nov	Nov	49.5	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Unemployment Rate SA	19-Nov	Oct	3.30%	3.30%	3.40%
CPI - Composite Index (YoY)	22-Nov	Oct	3.80%	3.60%	--
Japan	Date	Period	Prior	Cons.	Actual
All Industry Activity Index (MoM)	20-Nov	Sep	0.10%	-0.60%	--
Merchnds Trade Balance Total	21-Nov	Oct	¥558.6B	¥365.0B	--
Merchnds Trade Exports YoY	21-Nov	Oct	-10.3	-4.8	--
Malaysia	Date	Period	Prior	Cons.	Actual
CPI YoY	23-Nov	Oct	1.30%	1.30%	--
Philippines	Date	Period	Prior	Cons.	Actual
Balance of Payments	19-Nov	Oct	\$751M	--	\$604M
Singapore	Date	Period	Prior	Cons.	Actual
CPI (MOM) - NSA	23-Nov	Oct	0.60%	0.20%	--
CPI (YoY)	23-Nov	Oct	4.70%	4.50%	--
Taiwan	Date	Period	Prior	Cons.	Actual
Export Orders (YoY)	20-Nov	Oct	1.91%	0.20%	3.16%
Unemployment Rate - sa	22-Nov	Oct	4.30%	4.30%	--
Industrial Production (YoY)	23-Nov	Oct	3.00%	3.21%	--
GDP - Constant Prices (YoY)	23-Nov	3Q F	1.02%	1.00%	--
Thailand	Date	Period	Prior	Cons.	Actual
Gross Domestic Product SA (QoQ)	19-Nov	3Q	3.30%	-0.30%	1.20%
Gross Domestic Product (YoY)	19-Nov	3Q	4.20%	3.00%	3.00%
Customs Exports (YoY)	23-28 NOV	Oct	0.20%	--	--

Indicator of the Week

India: Q3 2012 GDP Growth (November 30th)

Forecast: 5.7% y/y

Consensus: n/a

Prior: 5.5% y/y

Recent macro developments paint a mixed picture for India's economy given the revival in policy reforms, weak factory activity, high and sticky retail inflation, and unexpected easing in WPI inflation. Furthermore, a widening trade deficit and fiscal woes, amid slippages in non-tax revenues, have dragged on the rupee. Against this backdrop, the outturn for Q3 GDP growth will be a key input for the Reserve Bank of India in timing its rate-cut cycle. While RBI's cautious stance over inflation suggests reasonable likelihood of further policy easing in 1Q13, a negative surprise in Q3 GDP growth would add to the case for a December policy action. That said, inflation prints in the run up to policy date will also warrant close attention. We expect a shallow recovery for India, starting Q3, with overall GDP growth slowing to 5.6% for full year 2012, down from 7.5% in 2011.

Calendar Events

Japan - BOJ Target Rate, November 20

We expected the policy stance to remain unchanged

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.	2008.9	-0.4	-1.9	-8.7	-16.9
Hong Kong - Hang Seng	21228.3	-0.2	0.2	15.2	14.8	
Taiwan - Weighted	7145.8	0.2	0.1	1.0	-1.2	
Japan - Nikkei 225	9142.6	-0.1	5.6	8.1	9.2	
Korea - Kospi	1890.2	0.6	0.0	35	2.8	
India - Sensex 30	18263.0	-0.4	-2.3	18.2	11.6	
Australia - SPX/ASX 200	4385.7	0.6	0.1	8.1	5.0	
Singapore - Strait Times	2958.2	0.2	-1.6	11.8	8.3	
Indonesia - Jakarta Comp	4312.4	0.0	-0.5	12.8	14.9	
Thailand - SET	1277.6	-0.5	-0.9	24.6	29.8	
Malaysia - KLCI	1624.2	0.1	-1.0	6.1	11.7	
Philippines - Manila Comp.	5500.6	0.9	0.8	25.8	27.8	

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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)	6.23	0.03	-0.09	6.29	6.33
Hong Kong (HKD/USD)	7.75	0.00	-0.02	7.75	7.75	
Taiwan (TWD/USD)	29.1	0.18	-0.17	28.92	28.63	
Japan (JPY/USD)	81.24	0.21	-2.29	81.16	80.86	
Korea (KRW/USD)	1082	0.44	0.71	1088	1099	
India (INR/USD)	55.1	0.00	-0.35	55.93	57.95	
Australia (USD/AUD)	1.04	-0.15	-0.37	0.97	0.99	
Singapore (SGD/USD)	1.22	-0.08	-0.14	1.22	1.23	
Indonesia (IDR/USD)	9640	-0.08	-0.06	9698	10045	
Thailand (THB/USD)	30.7	0.00	0.00	30.86	31.28	
Malaysia (MYR/USD)	3.06	0.10	0.34	3.08	3.11	
Philippines (PHP/USD)	41.2	0.01	-0.01	41.15	41.17	

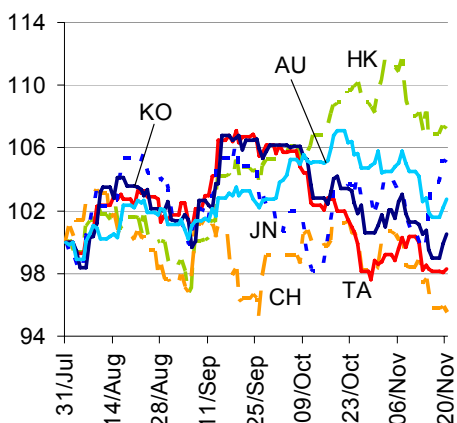
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.35	0.09	0.00	0.66
Hong Kong (HIBOR/1W)	0.13	0.00	0.00	-0.02	
Taiwan (TAIBOR/1W)	0.59	0.00	0.00	-0.03	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.78	0.00	0.00	0.00	
India (MIBOR/7D)	3.34	0.09	0.09	-0.26	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	4.28	0.00	0.00	0.01	
Thailand (BIBOR/1W)	2.78	0.00	0.00	0.00	
Malaysia (KLIBOR/1W)	2.90	0.00	0.00	0.00	
Philippines (PHIBOR/1W)	1.94	-0.50	0.44	1.19	

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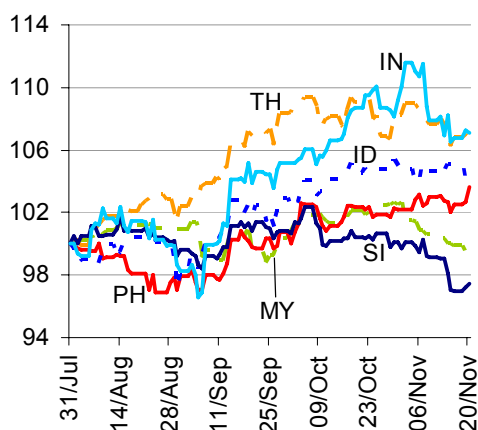
Charts

Chart 1
Stock Markets



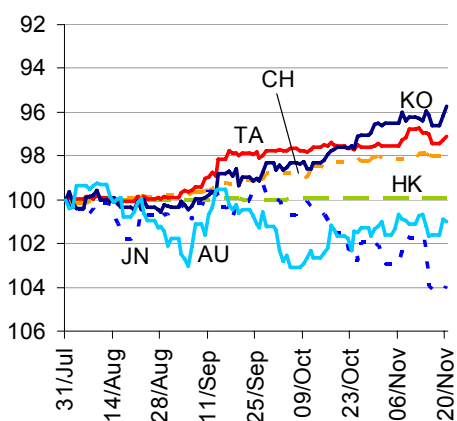
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



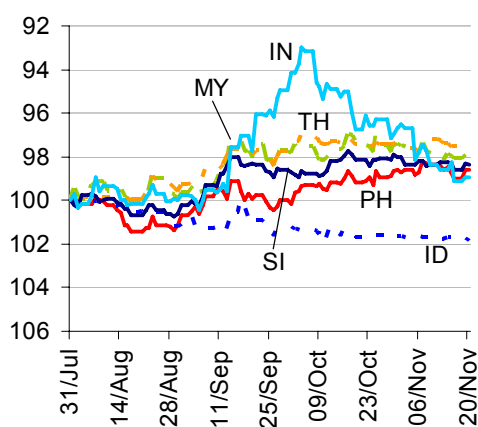
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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