

Daily Flash

Asia

The week ended with Asian equity indices broadly higher following yesterday's positive China Flash PMI outturn (Hang Seng +0.8%, Shanghai +0.6%). Though investors have picked up on signs of positive momentum in the region, the focus still largely remains on external events - including whether Greece will receive its latest bailout, and (as will be the case for the next several weeks) with regards to the US fiscal cliff. Despite these headwinds, we think regional growth momentum is broadly bottoming out, and we expect a gradual rebound in growth in the early part of next year.

Singapore's October inflation declines on lower housing, transportation costs

Sharply lower housing and transportation costs resulted in Singapore's October inflation coming in below expectations (4.0% y/y, consensus: 4.5% y/y) after registering 4.7% y/y in September. The Singapore dollar largely ignored the news, ending the day broadly flat (+0.03%) at 1.225/USD. Today Singapore's authorities also reaffirmed that inflation is expected to average around 4.5% in 2012 and between 3.5%-4.5% in 2013 (BBVA: 4.4% y/y and 3.4% y/y, respectively). We believe inflation will grind lower for Singapore in the coming months largely due to high base effects as well as due to Singapore's ongoing tight monetary policy - at its semi-annual policy meeting in October the Monetary Authority of Singapore recently decided to keep its appreciation trend in the Singapore dollar despite a slowing economy, in order to help stifle inflation.

Taiwan posts solid IP data in October; final GDP outturn broadly in line with initial estimate

Taiwan's IP increased by 4.6% in October, from 3.0% in September, higher than market expectations (consensus: 2.6%). The improved production was mainly driven by the manufacturing sector, implying increasing demand for Taiwan's electronics. The trend is likely to continue - at least in the near future - given the improved performance on a sequential basis in Taiwan's export orders (a forward-looking indicator). Retail sales also accelerated to 2.0% from 0.4% in September, indicating improving consumer sentiment. Finally, the "final" reading of Q3 GDP came out at 0.98% y/y, slightly below its preliminary estimate (1.02%) released at the end of October. Taken together, the data released today suggests that growth momentum of Taiwan's economy is stabilizing.

The Week Ahead: third quarter GDP for India will be in focus

India's third quarter GDP, due out on Friday, will be the highlight next week (see Weekly Indicator below for further details). Also coming up, Singapore (on Monday), Japan, and South Korea (both on Friday) will announce their October industrial production outturns, shedding further light on current conditions in three of the more open economies in the region. We will also have third quarter GDP from the Philippines on Wednesday, which is widely expected to remain above 5.0% y/y, continuing the country's recent strong growth momentum (2nd quarter growth was 5.9% y/y). Finally, Hong Kong will release its October exports data on Tuesday, and will be looking to add on to recent positive momentum after it posted better-than-expected GDP for the third quarter.

Briefly noted:

Malaysia's CPI remained at 1.3% in October (consensus: 1.3% y/y), the same level as September, leaving it at its lowest rate in over two years. Malaysia's growth momentum, like much of Southeast Asia, has remained relatively strong during the global downturn, and the low inflation outturn in October should allow Malaysia's policymakers to leave interest rates at an accommodative level (currently 3.0%).

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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	--	50.4
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%	3.80%
Japan	Date	Period	Prior	Cons.	Actual
All Industry Activity Index (MoM)	20-Nov	Sep	0.10%	-0.50%	-0.30%
Merchnds Trade Balance Total	21-Nov	Oct	-¥558.6B	-¥360.0B	-¥549.0B
Merchnds Trade Exports YoY	21-Nov	Oct	-10.30%	-4.80%	-6.50%
Malaysia	Date	Period	Prior	Cons.	Actual
CPI YoY	23-Nov	Oct	1.30%	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%	-0.20%
CPI (YoY)	23-Nov	Oct	4.70%	4.50%	4.00%
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%	4.30%
Industrial Production (YoY)	23-Nov	Oct	3.00%	2.60%	4.56%
GDP - Constant Prices (YoY)	23-Nov	3Q F	1.02%	1.00%	0.98%
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%

Indicator of the Week

India: Q3 2012 GDP Growth (November 30th)

Forecast: 5.7% y/y

Consensus: 5.3%

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 the next policy meeting will also warrant close attention. We expect a shallow recovery for India, starting in 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%

Upcoming Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Industrial Profits YTD YoY	27-Nov	Oct	-1.80%	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Exports YoY%	27-Nov	Oct	15.20%	--	--
Imports YoY%	27-Nov	Oct	14.90%	--	--
Retail Sales - Value (YoY)	29-Nov	Oct	9.40%	--	--
India	Date	Period	Prior	Cons.	Actual
Qtrly GDP YoY%	30-Nov	3Q	5.50%	--	--
Japan	Date	Period	Prior	Cons.	Actual
Jobless Rate	30-Nov	Oct	4.20%	4.20%	--
Natl CPI YoY	30-Nov	Oct	-0.30%	-0.40%	--
Natl CPI Ex-Fresh Food YoY	30-Nov	Oct	-0.10%	-0.10%	--
Tokyo CPI YoY	30-Nov	Nov	-0.80%	-0.60%	--
Industrial Production (MoM)	30-Nov	Oct P	-4.10%	-2.00%	--
Industrial Production YOY%	30-Nov	Oct P	-8.10%	-8.00%	--
Malaysia	Date	Period	Prior	Cons.	Actual
Unemployment Rate	30-Nov	3Q	3.00%	--	--
Philippines	Date	Period	Prior	Cons.	Actual
GDP sa QoQ	28-Nov	3Q	0.20%	0.60%	--
GDP YoY	28-Nov	3Q	5.90%	5.40%	--
Singapore	Date	Period	Prior	Cons.	Actual
Industrial Production MoM SA	26-Nov	Oct	-1.80%	6.10%	--
Industrial Production YoY	26-Nov	Oct	-2.50%	-0.10%	--
South Korea	Date	Period	Prior	Cons.	Actual
Current Account in US\$ Million	28-Nov	Oct	\$6066.2M	--	--
Industrial Production (MoM)	30-Nov	Oct	0.80%	1.10%	--
Industrial Production (YoY)	30-Nov	Oct	0.70%	1.00%	--
Thailand	Date	Period	Prior	Cons.	Actual
Customs Exports YoY	26-Nov	Oct	0.20%	20.00%	--
Mfg. Production Index ISIC NSA (YoY)	28-Nov	Oct	-13.68	29.00	--
Vietnam	Date	Period	Prior	Cons.	Actual
CPI (YoY)	24-Nov	Nov	7.00%	--	--
Exports YTD (YoY)	24-30 NOV	Nov	18.40%	--	--

Upcoming Calendar Events

Thailand - Benchmark Interest Rate, November 28

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.	2027.4	0.6	0.6	-7.8	-15.4
Hong Kong - Hang Seng	21914.0	0.8	3.6	18.9	22.7	
Taiwan - Weighted	7326.0	3.1	2.7	3.6	7.6	
Japan - Nikkei 225	9366.8	1.6	6.1	10.8	12.7	
Korea - Kospi	1911.3	0.6	2.7	4.7	7.2	
India - Sensex 30	18448.7	-0.4	0.8	19.4	17.5	
Australia - SPX/ASX 200	4413.0	0.0	1.8	8.8	8.9	
Singapore - Strait Times	2989.3	0.1	1.5	13.0	11.7	
Indonesia - Jakarta Comp	4348.8	0.3	-0.1	13.8	17.9	
Thailand - SET	1280.7	0.1	0.0	24.9	31.1	
Malaysia - KLCI	1614.3	-0.3	-0.9	5.5	12.6	
Philippines - Manila Comp.	5552.3	0.7	2.1	27.0	30.0	

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	-0.10	0.12	6.28	6.33
Hong Kong (HKD/USD)	7.75	0.01	0.03	7.75	7.75	
Taiwan (TWD/USD)	29.1	0.03	0.24	28.95	28.67	
Japan (JPY/USD)	82.24	0.29	-1.12	82.16	81.86	
Korea (KRW/USD)	1086	-0.04	0.56	1091	1101	
India (INR/USD)	55.5	-0.51	-0.58	56.35	58.63	
Australia (USD/AUD)	1.04	0.09	0.58	0.97	0.99	
Singapore (SGD/USD)	1.22	0.02	0.20	1.22	1.22	
Indonesia (IDR/USD)	9649	-0.05	-0.21	9717	10069	
Thailand (THB/USD)	30.7	-0.03	0.10	30.88	31.29	
Malaysia (MYR/USD)	3.06	0.02	0.32	3.07	3.11	
Philippines (PHP/USD)	41.1	0.09	0.69	41.03	41.01	

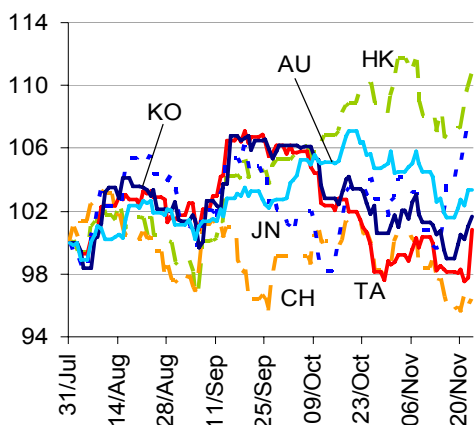
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	2.84	-0.38	-0.08	-0.06
Hong Kong (HIBOR/1W)	0.13	0.00	0.00	-0.02	
Taiwan (TAIBOR/1W)	0.59	0.00	0.00	-0.03	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.78	0.00	0.00	0.00	
India (MIBOR/7D)	2.83	-0.40	-0.07	-0.07	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	4.28	0.00	0.00	0.00	
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)	1.50	0.31	-0.88	1.00	

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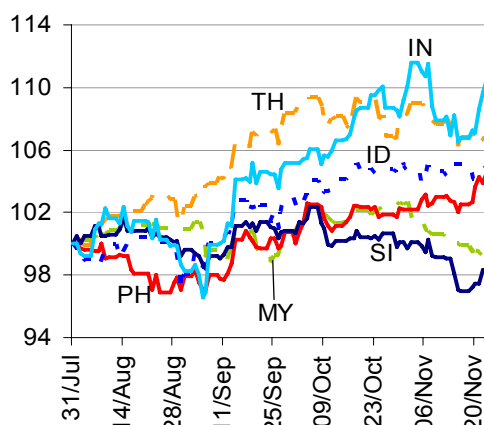
Charts

Chart 1
Stock Markets



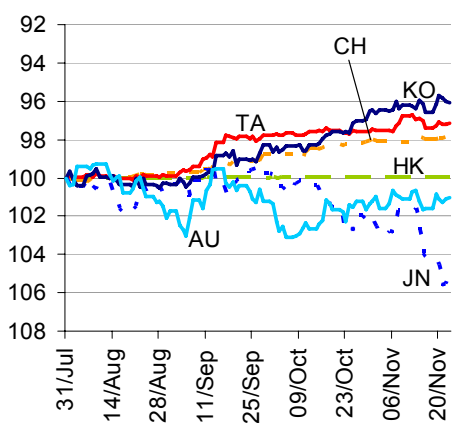
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



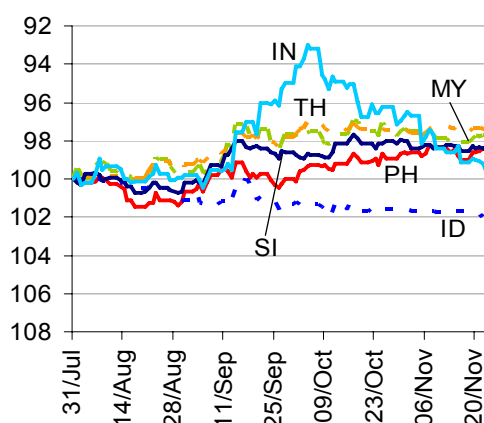
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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