

# Daily Flash

## Asia

### India's October IP jumps to a 16 month high, improving growth outlook

Supporting other recent activity indicators which suggest a gradual growth recovery for India, such as positive PMI data, India's October industrial production jumped to a 16 month high of 8.2% y/y from a revised -0.7% in September (Consensus: 5.1%). Sequentially, we estimate October IP to have gained 2.7% m/m sa (-2.6% in September) while at 3.3% y/y (from 0.5% previously) on a less volatile 3 month moving average basis. The latest outturn was chiefly driven by base effects coupled with robust gains in manufacturing and electricity sectors. The consumer goods sector accelerated 13.2% y/y (-0.1% previously), on strong demand in the festive season. We expect GDP to grow by 5.6% y/y in 2012 and 6.7% y/y in 2013 amid an improving growth outlook with further traction in policy reforms, a near term peak out in the inflation cycle and a relatively benign global growth outlook. Meanwhile, in a separate release, the November CPI inflation edged higher (9.9% y/y vs 9.8% in October), suggesting inflation concerns would keep Reserve Bank of India on hold at its December 18th policy meeting. Moreover, the release of the more widely followed wholesale inflation, scheduled this Friday, will be a crucial input ahead of the rate decision.

### The Bank of China to carry RMB settlements in Taiwan

Yesterday the PBoC appointed the Taipei branch of Bank of China (BOC) to be the offshore RMB clearing bank in Taiwan, in a move widely expected by analysts due to the rich experience on offshore RMB settlement the BOC has accumulated since 2003 in Hong Kong. Back in August, the central banks from both sides of the strait signed a memorandum of understanding (MOU) on the cross-strait currency settlement mechanism. The appointment signals that the development of cross-strait ties has resumed and will move forward as scheduled, after a short period of silence due to the political transition in mainland China. Once the clearing house is set up and starts operating, probably in the space of one or two months, companies will be allowed to raise offshore RMB in Taiwan and then bring them back to the mainland for investment. Meanwhile, domestic banks in Taiwan will also be allowed to handle RMB deposit and loans and further expand their business with related financial products, giving them access to a wider range of funding sources and enhancing their profitability.

### Japan's machine orders rise in October, but outlook remains dim

Japan's machine orders, a gauge for capital spending over the coming months, climbed 2.6% m/m sa (Prior: -4.3%, Consensus: 3.0%) in October with 17.8% growth in orders from the auto industry. The weaker yen and signs of recovery in the global economy might have provided some relief for the time being; nonetheless the corporate sector remains cautious about the economic outlook—we expect Japan's economy to extend its recession into the last quarter of the year. Separately, the tertiary industry index contracted by -0.1% m/m sa (Prior: 0.3%, Consensus: -0.4%) in October, as domestic demand weakened. On the monetary front, we expect the BoJ to boost the asset purchasing program by 5-10 trillion yen at its December 20th meeting.

### Briefly noted:

- **South Korea's unemployment remained at 3.0% for a second straight month in November (consensus: 3.0%),** as labor markets remained tight despite the country's growth slowdown. We think tight labor markets are a key reason why the Bank of Korea will refrain from cutting interest rates at tomorrow's policy meeting.

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## Calendar Indicators

<b>China</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Consumer Price Index (YoY)	09-Dec	Nov	1.70%	2.10%	2.00%
Producer Price Index (YoY)	09-Dec	Nov	-2.80%	-2.00%	-2.20%
Industrial Production (YoY)	09-Dec	Nov	9.60%	9.80%	10.10%
Industrial Production YTD YoY	09-Dec	Nov	10.00%	10.00%	10.00%
Fixed Assets Inv Excl. Rural YTD YoY	09-Dec	Nov	20.70%	20.90%	20.70%
Retail Sales (YoY)	09-Dec	Nov	14.50%	14.60%	14.90%
Trade Balance (USD)	10-Dec	Nov	\$31.99B	\$26.85B	\$19.63B
Exports YoY%	10-Dec	Nov	11.60%	9.00%	2.90%
Imports YoY%	10-Dec	Nov	2.40%	2.00%	0.00%
New Yuan Loans	11-Dec	Nov	505.2B	550.0B	552.9B
Money Supply - M2 (YoY)	11-Dec	Nov	14.10%	14.10%	13.90%
HSBC Flash Manufacturing PMI	14-Dec	Dec	50.5	--	--
<b>Hong Kong</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Industrial Production (YoY)	13-Dec	3Q	-2.90%	--	--
<b>India</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Exports YoY%	11-Dec	Nov	-1.60%	--	-4.20%
Industrial Production YoY	12-Dec	Oct	-0.40%	5.10%	8.20%
CPI (YoY)	12-Dec	Nov	9.75%	--	9.90%
Monthly Wholesale Prices YoY%	14-Dec	Nov	7.45%	7.62%	--
<b>Japan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Gross Domestic Product (QoQ)	10-Dec	3Q F	-0.90%	-0.80%	-0.90%
GDP Annualized	10-Dec	3Q F	-3.50%	-3.30%	-3.50%
Current Account Total	10-Dec	Oct	¥503.6B	¥230.9B	¥376.9B
Trade Balance - BOP Basis	10-Dec	Oct	¥471.3B	¥450.0B	¥450.3B
Machine Orders (MoM)	12-Dec	Oct	-4.30%	3.00%	2.60%
Machine Orders YOY%	12-Dec	Oct	-7.80%	-5.00%	1.20%
Tertiary Industry Index (MoM)	12-Dec	Oct	0.30%	-0.40%	-0.10%
Tankan Lge Manufacturers Index	14-Dec	4Q	-3	--	--
Tankan Large All Indust Capex	14-Dec	4Q	6.40%	--	--
<b>Malaysia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Industrial Production YoY	11-Dec	Oct	4.90%	2.60%	5.80%
<b>Philippines</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Total Exports (YoY)	11-Dec	Oct	22.80%	10.50%	6.10%
Overseas Remittances (YoY)	13-Dec	Oct	5.90%	--	--
<b>Singapore</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Unemployment Rate (sa)	14-Dec	3Q F	1.90%	--	--
Retail Sales (YoY)	14-Dec	Oct	2.50%	--	--
<b>South Korea</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Unemployment Rate (SA)	12-Dec	Nov	3.00%	3.10%	3.00%

## Calendar Events

### **Indonesia - BI Reference Rate, December 11**

We expected the benchmark rate to remain unchanged

<b>Current</b>	<b>Consensus</b>	<b>New</b>
5.75%	5.75%	5.75%

### **South Korea - 7-Day Repo Rate, December 13**

We expect the benchmark rate to remain unchanged

<b>Current</b>	<b>Consensus</b>	<b>New</b>
2.75%	2.75%	--

### **Philippines - Overnight Borrowing Rate, December 13**

We expect the benchmark rate to remain unchanged

<b>Current</b>	<b>Consensus</b>	<b>New</b>
3.50%	3.50%	--

## 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.	2082.7	0.4	2.5	-5.3	-9.1
Hong Kong - Hang Seng	22503.4	0.8	1.0	22.1	21.1	
Taiwan - Weighted	7690.2	1.0	0.5	8.7	10.7	
Japan - Nikkei 225	9581.5	0.6	1.2	13.3	10.7	
Korea - Kospi	1975.4	0.6	1.5	8.2	4.0	
India - Sensex 30	19369.7	-0.1	-0.1	25.3	22.0	
Australia - SPX/ASX 200	4583.8	0.2	1.4	13.0	7.8	
Singapore - Strait Times	3141.6	0.7	2.1	18.7	16.3	
Indonesia - Jakarta Comp	4337.5	0.5	1.2	13.5	14.4	
Thailand - SET	1352.8	0.9	1.5	31.9	30.8	
Malaysia - KLCI	1649.8	0.5	2.2	7.8	12.4	
Philippines - Manila Comp.	5819.8	-0.2	2.3	33.1	36.1	

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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)	6.25	-0.10	-0.42	6.29	6.32
Hong Kong (HKD/USD)	7.75	0.00	0.00	7.75	7.75	
Taiwan (TWD/USD)	29.1	0.10	0.08	28.89	28.62	
Japan (JPY/USD)	82.82	-0.36	-0.42	82.75	82.46	
Korea (KRW/USD)	1075	0.16	0.61	1078	1090	
India (INR/USD)	54.2	0.18	0.70	55.00	57.36	
Australia (USD/AUD)	1.05	0.17	0.86	0.95	0.97	
Singapore (SGD/USD)	1.22	0.00	-0.16	1.22	1.22	
Indonesia (IDR/USD)	9670	0.26	-0.27	9746	10083	
Thailand (THB/USD)	30.6	-0.03	0.20	30.79	31.19	
Malaysia (MYR/USD)	3.05	0.16	-0.38	3.07	3.11	
Philippines (PHP/USD)	41.0	-0.17	-0.35	40.94	40.95	

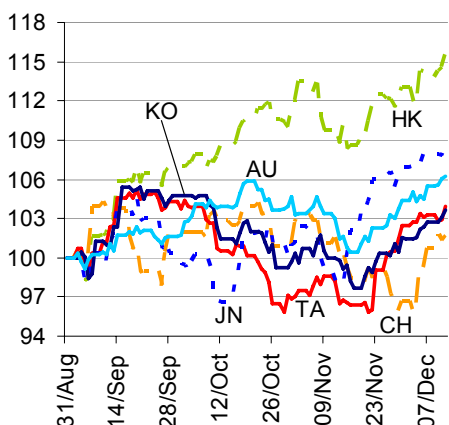
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.02	0.01	-0.06	-0.05
Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.00	
Taiwan (TAIBOR/1W)	0.58	0.02	0.00	-0.01	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.79	0.01	0.01	0.01	
India (MIBOR/7D)	3.21	-0.20	0.39	-0.27	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	4.29	0.01	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)	-0.31	0.38	-1.00	-1.81	

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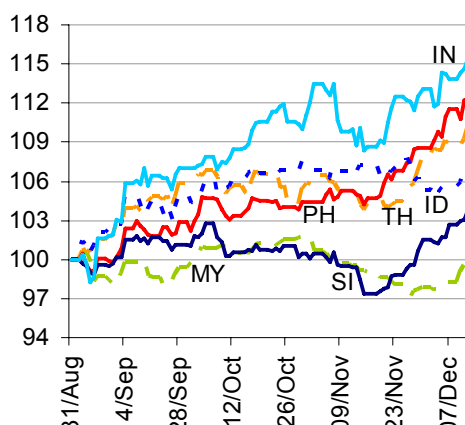
# Charts

Chart 1  
Stock Markets



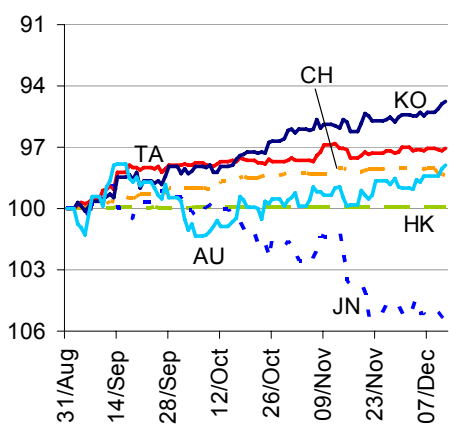
Source: BBVA Research and Bloomberg

Chart 2  
Stock Markets



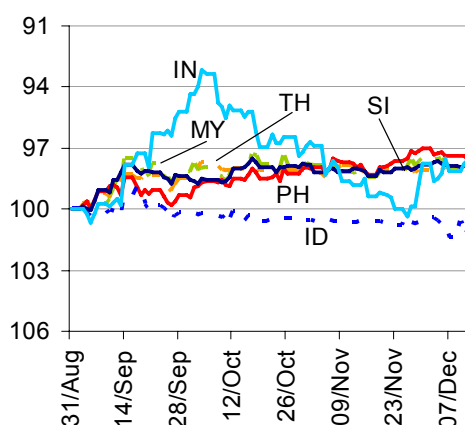
Source: BBVA Research and Bloomberg

Chart 3  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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