

Asia Flash

Asia

Ahead of the conclusion of the US Fed's monetary policy meeting and earnings reports, Asian markets closed higher today. Advances were led by the Hang Seng (+2.0%) and Shanghai (+1.5%), the latter coming despite ongoing concerns of a new liquidity squeeze. Due to our upcoming travel schedule, the next Asia Flash will be postponed to next week. In the meantime, we will be watching for Friday's release of China's official October PMI reading (consensus: 51.2), for signs of continued growth momentum after the strong Q3 GDP outturn (7.8% y/y) and robust HSBC flash PMI for October (50.9). Also in store in the coming days are Korean exports for October and Taiwan's preliminary Q3 GDP.

China eye housing supply before the Third Plenum

In a meeting of the Politburo today, President Xi Jinping was reported to have stressed plans to increase housing supply through existing construction programs of social housing and unspecified measures to encourage provision of commercial residential housing. The remarks were significant, coming just weeks ahead of the Third Plenary meeting scheduled for November 9-12, when the central government is expected to announce economic reforms to achieve rebalancing and sustain medium-term growth. Rapid housing price increases have become a pressing issue this year, putting pressure on affordability and raising concerns of asset bubbles. We estimate that nationwide housing prices rose by 8.9% y/y in September, with price increases in a number of Tier 1 cities of around 15-20% y/y.

Briefly noted:

Korea industrial output disappoints in September

After registering better-than-expected Q3 GDP growth (1.1% q/q s.a.; 3.3% y/y), growth momentum appears to have slowed in September, with a disappointing industrial production outturn of -2.1% m/m s.a. (consensus: -0.4% m/m; prior: 1.6%). Although part of the decline is due to strikes at auto factories and fewer working days due to holidays, the outturn coincides with a moderating trend in China's September activity data and is a reminder of the headwinds facing Asian growth momentum.

Japan remains a bright spot on strong September activity data

In contrast to Korea, activity indicators in Japan continued to improve in September, with retail sales rising by 3.1% y/y (consensus: 1.8% prior: 1.1%) and industrial production increasing by 5.4% y/y (consensus: 5.5% y/y; prior: -0.4%). However, the market is increasingly focusing on the design and implementation of structural reforms to boost long-term growth. On the monetary policy front, the Bank of Japan at tomorrow's monthly policy meeting is expected to keep the pace of quantitative easing unchanged, while upgrading Japan's growth and inflation outlook.

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Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Industrial Profits YTD YoY	27 Oct	Sep	12.80%	--	13.50%
Manufacturing PMI	01 Nov	Oct	51.1	51.2	--
HSBC/Markit Manufacturing PMI	01 Nov	Oct	50.2	50.6	--
Non-manufacturing PMI	03 Nov	Oct	55.4	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Retail Sales Value YoY	31 Oct	Sep	8.10%	8.10%	--
Retail Sales Volume YoY	31 Oct	Sep	7.20%	8.50%	--
Indonesia	Date	Period	Prior	Cons.	Actual
Imports YoY	01 Nov	Sep	-5.70%	-3.60%	--
Exports YoY	01 Nov	Sep	-6.30%	-6.20%	--
CPI YoY	01 Nov	Oct	8.40%	8.44%	--
Japan	Date	Period	Prior	Cons.	Actual
Retail Sales MoM	29 Oct	Sep	0.90%	0.50%	1.80%
Jobless Rate	29 Oct	Sep	4.10%	4.00%	4.00%
Industrial Production MoM	30 Oct	Sep P	-0.90%	1.80%	1.50%
Industrial Production YoY	30 Oct	Sep P	-0.40%	5.50%	5.40%
Singapore	Date	Period	Prior	Cons.	Actual
Unemployment rate SA	31 Oct	3Q P	2.10%	2.10%	--
South Korea	Date	Period	Prior	Cons.	Actual
Industrial Production SA MoM	30 Oct	Sep	1.60%	-0.40%	-2.10%
Industrial Production YoY	30 Oct	Sep	3.20%	1.90%	-3.60%
Imports YoY	01 Nov	Oct	-3.60%	1.50%	--
Exports YoY	01 Nov	Oct	-1.50%	2.30%	--
CPI YoY	01 Nov	Oct	0.80%	1.00%	--
Taiwan	Date	Period	Prior	Cons.	Actual
GDP YoY	31 Oct	3Q P	2.49%	2.57%	--
Thailand	Date	Period	Prior	Cons.	Actual
CPI YoY	01 Nov	Oct	1.42%	1.42%	--

Calendar Events

India – RBI Cash Reserve Ratio, Oct 29	Current	Cons.	New
We expect the benchmark rate to remain unchanged	4.00%	4.00%	4.00%
India – RBI Repurchase Rate, Oct 29	Current	Cons.	New
We expect the benchmark rate to remain unchanged	7.50%	7.75%	7.75%
Japan – BOJ Target Rate, Oct 31	Current	Cons.	New
We expect the benchmark rate to remain unchanged	0.10%	0.10%	--

Indicator of the Week

China: NBS manufacturing PMI for October (November 1st)

Forecast: 51.3% y/y

Consensus: 51.2% y/y

Prior: 51.1% y/y

After a pickup in Q3 GDP to 7.8%y/y from 7.5% in Q2, induced in part by mini stimulus measures, the lingering question is how sustainable the rise in growth momentum will be in the coming quarters. Indeed September activity indicators show a slight moderating trend. Against this background, the official manufacturing PMI will be closely watched as an early indicator of growth momentum in Q4. Based on the latest HSBC flash PMI for October, which rose to 50.9 from 50.2 the previous month, we expect to see a further rise in momentum. Looking further ahead, however, the strength of the recovery may be constrained by the government's efforts to slow down credit growth and curtail financial risks. On this basis, we expect a modest slowdown in GDP growth to 7.6% y/y in Q4, bringing full-year growth for 2013 to 7.7%. We expect growth of 7.6% in 2014, with downside risks.

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.	2160.5	1.5	-1.0	-4.8	4.8
Hong Kong – Hang Seng	23304.0	2.0	1.3	2.9	8.8	
Taiwan – TAIEX	8465.1	0.5	0.9	9.9	17.9	
Japan – Nikkei 225	14502.4	1.2	0.5	39.5	64.0	
Korea – Kospi	2059.6	0.4	1.2	3.1	8.4	
India – Sensex 30 *	21034.0	0.5	1.3	8.3	14.1	
Australia – SPX/ASX 200	5430.9	0.3	1.4	16.8	21.1	
Singapore – Strait Times	3230.4	0.7	0.8	2.0	6.3	
Indonesia – Jakarta Comp	4574.9	0.3	0.6	6.0	4.8	
Thailand – SET	1431.1	-1.7	-1.8	2.8	10.6	
Malaysia – KLCI	1817.4	0.1	0.2	7.6	8.5	
Philippines – Manila Comp.	6597.2	0.8	-0.1	13.5	21.6	

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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)	6.09	-0.07	-0.14	6.13	6.16
Hong Kong (HKD/USD)	7.75	0.01	0.00	7.75	7.75	
Taiwan (TWD/USD)	29.4	0.02	-0.11	29.28	29.01	
Japan (JPY/USD)	98.25	-0.06	-0.89	98.19	97.94	
Korea (KRW/USD)	1060	0.03	-0.39	1066	1078	
India (INR/USD)	61.2	0.12	0.56	62.73	66.39	
Australia (USD/AUD)	0.95	0.32	-1.18	1.06	1.08	
Singapore (SGD/USD)	1.24	0.32	0.15	1.24	1.24	
Indonesia (IDR/USD)	11175	-0.64	-2.44	11395	12025	
Thailand (THB/USD)	31.1	0.03	0.45	31.21	31.65	
Malaysia (MYR/USD)	3.15	-0.06	0.65	3.16	3.21	
Philippines (PHP/USD)	43.1	0.12	0.02	42.82	42.81	

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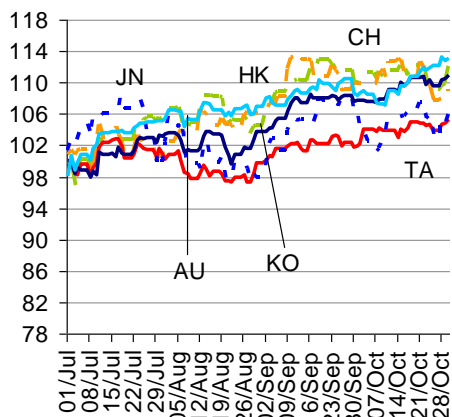
INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	5.70	0.78	0.90	1.50
Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.00	
Taiwan (TAIBOR/1W)	0.51	0.00	0.00	0.00	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.56	0.00	0.00	0.00	
India (MIBOR/7D)	6.15	1.15	2.10	1.90	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	6.10	0.00	0.00	0.04	
Thailand (BIBOR/1W)	2.77	0.00	0.00	0.00	
Malaysia (KLIBOR/1W)	2.90	0.00	0.00	0.00	
Philippines (PHIBOR/1W)	1.25	0.00	-0.31	0.31	

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Charts

Chart 1

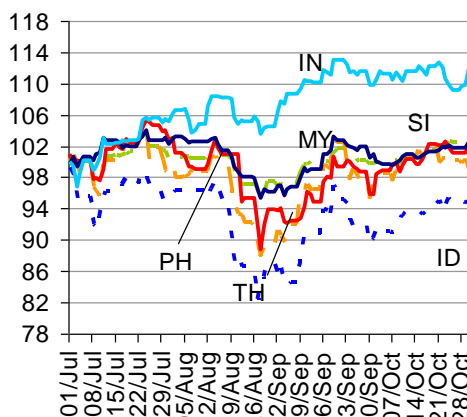
Stock Markets



Source: BBVA Research and Bloomberg

Chart 2

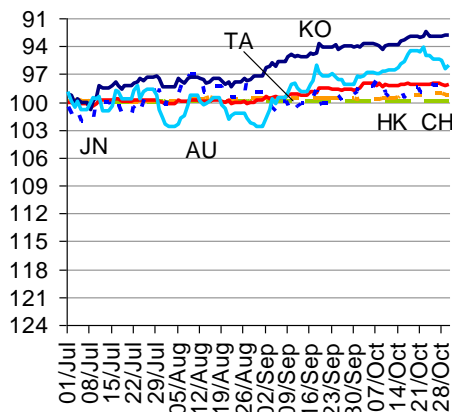
Stock Markets



Source: BBVA Research and Bloomberg

Chart 3

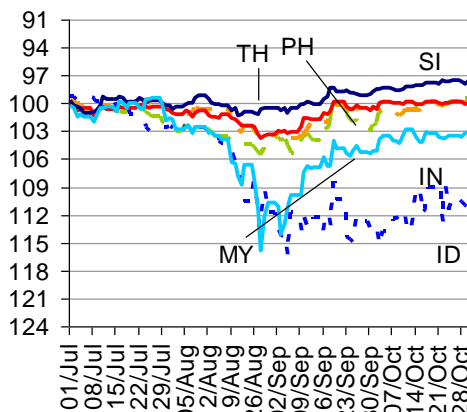
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4

Foreign Exchange Markets



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