

Asia Flash

Asia

Asian market declined today after stronger-than-expected GDP data in the US, which could mean earlier QE tapering. Losses were led by Thailand (-1.4%), Philippines (-1.3%), followed by markets in China (-1.1%) and Japan (-1.0%). The declines came despite better-than-expected export data in China, ahead of further data releases tomorrow (see below) and the important Third Plenary Meeting that also begins tomorrow. Regarding that meeting, expectations are running high that the resulting blueprint for reforms (most likely to be released on Tuesday) will be substantial, although it remains to be seen just how extensive and detailed the contents will be. Optimists are looking for reforms in the areas of urbanization policies, center/regional fiscal relations, and land distribution, as well as financial liberalization.

China posts better-than-expected exports, ahead of more data tomorrow

Exports rose by 5.6% y/y (consensus: 1.7%; BBVA: 1.5%) in October, after declining by a disappointing -0.3% y/y in September. By destinations, exports to the EU and the US led the rebound, rising by 12.7% y/y and 8.1% y/y, and exports to ASEAN rose by 10.7% y/y, but well below the +30% readings seen earlier this year. Meanwhile, imports growth rose to 7.6% y/y from 7.4% in September on stabilizing domestic demand. As a result, the trade surplus widened to 31.1 billion USD, the largest monthly surplus of the year, which may increase appreciation pressure on the RMB. The strong export outturn comes against improving export trends around the region, including for Korea. We await additional monthly indicators to be released tomorrow, including industrial production (consensus: 10.0% y/y), retail sales (consensus: 13.4% y/y), investment (consensus: 20.2% ytd), and inflation (consensus: 3.3% y/y). We expect full-year growth of 7.7% in 2013.

The Reserve Bank of Australia lowers growth outlook for 2014

In its Quarterly Statement of Monetary Policy released today, the RBA lowered its growth outlook for 2014 to 2.0-3.0% from 2.5-3.5% previously, while keeping its 2013 growth projection unchanged at 2.25%. The surprising downward revision was attributed to a weaker investment outlook, mainly in the mining sector, lower fiscal spending, and the impact of the strong currency on domestic production. The downgrade could be viewed as increasing the chances of further rate cuts in 2014. In the meantime, however, the RBA is assessing the impact of its 225bp cumulative rate cuts since November 2011 which have recently showed signs of stimulating domestic demand. In recent policy meetings the RBA has expressed increasing concern about the strength of the AUD, which is currently at 94.5 against the USD, a level it expects to persist into 2014.

Stephen Schwartz
Chief Economist for Asia
stephen.schwartz@bbva.com.hk
+852 2582 3218

George Xu
Economist
george.xu@bbva.com.hk
+852 2582 3121

With contributions from the BBVA Research Asia Team

Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Retail Sales MoM	04 Nov	Sep	0.50%	0.40%	0.80%
Unemployment Rate	07 Nov	Oct	5.70%	5.70%	5.70%
China	Date	Period	Prior	Cons.	Actual
HSBC/Markit Services PMI	05 Nov	Oct	52.4	--	52.6
Exports YoY	08 Nov	Oct	-0.30%	1.70%	5.60%
Imports YoY	08 Nov	Oct	7.40%	7.40%	7.60%
Trade Balance	08 Nov	Oct	\$15.21B	\$24.80B	\$31.10B
Industrial Production YoY	09 Nov	Oct	10.20%	10.00%	--
Retail Sales YoY	09 Nov	Oct	13.30%	13.40%	--
Fixed Assets Ex Rural YTD YoY	09 Nov	Oct	20.20%	20.20%	--
CPI YoY	09 Nov	Oct	3.10%	3.30%	--
PPI YoY	09 Nov	Oct	-1.30%	-1.40%	--
Aggregate Financing RMB	10-15 Nov	Oct	1404.9B	1115.0B	--
New Yuan Loans	10-15 Nov	Oct	787.0B	580.0B	--
Money Supply M2 YoY	10-15 Nov	Oct	14.20%	14.20%	--
Indonesia	Date	Period	Prior	Cons.	Actual
GDP QoQ	06 Nov	3Q	2.61%	3.01%	2.96%
GDP YoY	06 Nov	3Q	5.83%	5.60%	5.62%
Malaysia	Date	Period	Prior	Cons.	Actual
Exports YoY	08 Nov	Sep	13.00%	5.00%	5.60%
Philippines	Date	Period	Prior	Cons.	Actual
CPI YoY	05 Nov	Oct	2.70%	3.20%	2.90%
Singapore	Date	Period	Prior	Cons.	Actual
GDP SAAR QoQ	10-17 Nov	3Q F	-1.00%	-0.40%	--
GDP YoY	10-17 Nov	3Q F	5.10%	5.10%	--
Taiwan	Date	Period	Prior	Cons.	Actual
CPI YoY	05 Nov	Oct	0.84%	1.05%	0.64%
Exports YoY	07 Nov	Oct	-7.00%	-1.00%	-1.50%

Calendar Events

Australia – RBA Cash Rate Target, Nov 05	Current	Cons.	New
We expect the benchmark rate to remain unchanged	2.50%	2.50%	2.50%
Malaysia – BNM Overnight Policy Rate, Nov 07	Current	Cons.	New
We expect the benchmark rate to remain unchanged	3.00%	3.00%	3.00%

Indicator of the Week

Japan: preliminary Q3 GDP growth (November 14th)

Forecast: 2.4% q/q saar

Consensus: 1.6% q/q saar

Prior: 3.8% q/q saar

Japan's economy probably slowed in Q3 after the rapid pace in the first half of the year at around 4.0% saar for two consecutive quarters. While domestic demand appears to have remained strong, including an encouraging pickup in investment spending from Q2, external appears to have weakened temporarily, especially from within Asia and other emerging economies. Note, however, that Japan's preliminary GDP readings are often revised significantly due to updates to investment figures. We expect full-year growth in 2013 of 1.9%, boosted by aggressive fiscal and monetary stimulus under the first two "arrows" of Abenomics. We expect growth to slow in 2014, to 1.5%, with the outlook for the medium term heavily dependent on the success of the government in implementing structural reforms to raise potential growth, as envisaged in the "third arrow".

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.	2106.1	-1.1	-2.0	-7.2	1.7
Hong Kong – Hang Seng	22744.4	-0.6	-2.2	0.4	5.5	
Taiwan – TAIEX	8229.6	-0.7	-1.9	6.9	13.6	
Japan – Nikkei 225	14086.8	-1.0	-1.7	35.5	59.4	
Korea – Kospi	1984.9	-1.0	-2.7	-0.6	3.7	
India – Sensex 30 *	20666.2	-0.8	-2.4	6.4	9.7	
Australia – SPX/ASX 200	5400.7	-0.4	-0.2	16.2	20.4	
Singapore – Strait Times	3177.3	-0.8	-0.7	0.3	5.5	
Indonesia – Jakarta Comp	4476.7	-0.2	-0.8	3.7	3.4	
Thailand – SET	1405.0	-1.4	-1.7	0.9	8.6	
Malaysia – KLCI	1804.5	-0.1	-0.1	6.8	10.0	
Philippines – Manila Comp.	6355.2	-1.3	-3.5	9.3	16.7	

Last update: today, 18:30 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)	6.09	0.01	0.14	6.14	6.16
Hong Kong (HKD/USD)	7.75	0.00	0.00	7.75	7.75	
Taiwan (TWD/USD)	29.5	-0.14	-0.09	29.36	29.09	
Japan (JPY/USD)	98.22	-0.13	0.46	98.16	97.92	
Korea (KRW/USD)	1065	-0.32	-0.39	1070	1082	
India (INR/USD)	62.7	-0.46	-1.55	64.37	68.26	
Australia (USD/AUD)	0.95	-0.04	0.14	1.06	1.08	
Singapore (SGD/USD)	1.24	0.23	0.06	1.24	1.24	
Indonesia (IDR/USD)	11413	-0.18	-0.68	11688	12338	
Thailand (THB/USD)	31.4	-0.16	-0.64	31.60	32.09	
Malaysia (MYR/USD)	3.18	0.10	-0.27	3.19	3.24	
Philippines (PHP/USD)	43.2	0.05	0.04	43.06	42.96	

Last update: today, 18:30 Hong Kong time.

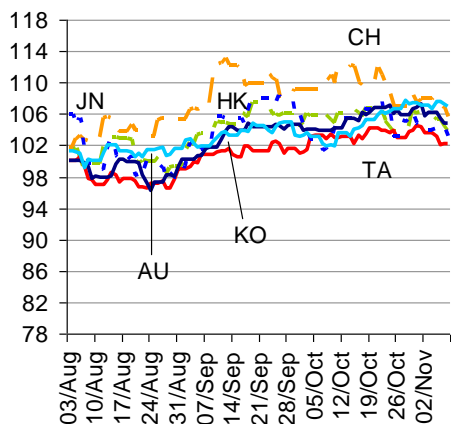
INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.94	0.06	-0.67	-0.46
Hong Kong (HIBOR/1W)	0.14	0.00	-0.01	0.00	
Taiwan (TAIBOR/1W)	0.51	0.00	0.00	0.00	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.56	0.00	0.00	0.00	
India (MIBOR/7D)	3.95	0.05	-1.36	-0.44	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	6.10	0.00	0.00	0.01	
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	

Last update: today, 18:30 Hong Kong time

Charts

Chart 1

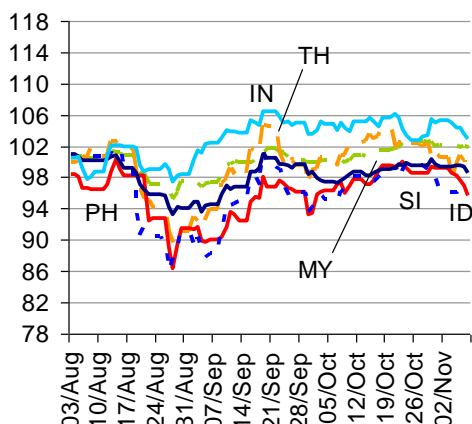
Stock Markets



Source: BBVA Research and Bloomberg

Chart 2

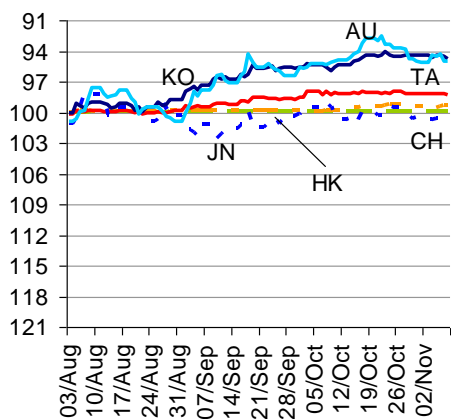
Stock Markets



Source: BBVA Research and Bloomberg

Chart 3

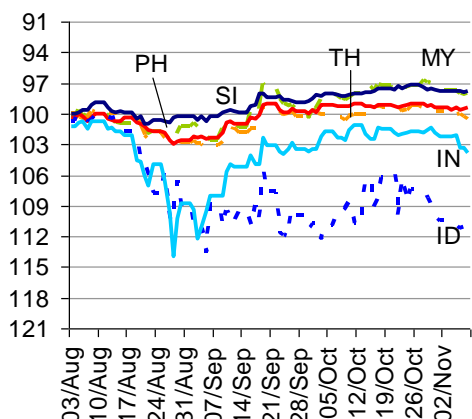
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4

Foreign Exchange Markets



Source: BBVA Research and Bloomberg


Stephen Schwartz
Chief Economist for Asia
stephen.schwartz@bbva.com.hk

Fielding Chen
Senior Economist
fielding.chen@bbva.com.hk

Le Xia
Senior Economist
xia.le@bbva.com.hk

Sumedh Deorukhkar
Senior Economist (India, Mumbai)
sumedh.deorukhkar@bbva.com

George Xu
Economist
george.xu@bbva.com.hk

BBVA | RESEARCH  | 10/F., Two IFC, 8 Finance Street, Central, Hong Kong | Tel.: +852 2582 3111 | www.bbva.com.hk

Before you print this message please consider if it is really necessary.

This email and its attachments are subject to the confidentiality terms established in the corresponding regulations and are intended for the sole use of the person or persons indicated in the header. They are for internal use only and cannot be distributed, copied, conveyed or furnished to third parties without prior written consent from BBVA. If this message has been received erroneously, it is forbidden to read, use or copy any of the contents and you are asked to inform BBVA immediately by forwarding the email to the sender and eliminating it thereafter.

BBVA will continue to provide our readers up-to-date reports by emails, but you can also register directly on our website where you can find a full list of our latest reports & presentations <http://serviciodeestudios.bbva.com/KETD/ketd/ing/index.jsp>

If you wish to be excluded from this mailing list, please write to us on research.emergingmarkets@bbva.com.hk and we shall immediately take you off the list.