

Daily Flash

Asia

Despite some positive economic indicators for China (see below), Chinese equity markets edged downwards today (Shanghai Composite: -0.3%), as did most markets in Asia, on continuing global growth concerns. Meanwhile, the RMB continues to trade near historic highs against the USD, with the authorities again today setting the daily fixing at a more appreciated level, perhaps to fend off criticisms from the US during the election period (it was reported on Friday that the US Treasury has delayed its semi-annual currency report on China).

China's exports and credit growth suggest stabilizing growth momentum

Overall credit growth in China for September (released last Friday) and export growth (released on Saturday) were stronger than expected, suggesting that while the economy continues to slow, growth is far from stalling. Meanwhile, September CPI inflation today came in line with expectations at 1.9% y/y (BBVA: 1.8%; consensus: 1.9%) down from 2.0% y/y in August on moderating vegetable prices. With inflation staying low, and with growth momentum not yet convincingly turning the corner, we expect additional policy easing, especially after the leadership transition decision in November. Meanwhile, we await Thursday's release of Q3 GDP and September industrial production, investment, and retail sales for further reading on growth momentum.

India's September WPI inflation inches higher on fuel price hikes

India's wholesale price inflation inched higher in September to 7.8% y/y (consensus: 7.7%) from 7.6% in August, driven mainly by a 12% hike in diesel prices. Excluding fuel, however, WPI inflation slowed to 7.0% y/y in September from 7.4% previously, while core inflation (excluding both fuel and food) held steady at 5.6% y/y. Even as inflation pressures persist, significant weakness in India's growth momentum, coupled with complementary fiscal and pro-investment reforms by the government, leave room for the RBI to cut the repo rate by 25 bps at its October 30th policy meeting. Together with the expected move on October 30, we continue to expect total rate cuts of 50 bps in the last quarter of 2012 to address growth concerns.

Briefly noted:

- **Singapore's retail sales were a better-than-expected 3.2% y/y** (consensus: 2.0% y/y) in August as motor vehicles and apparel led the increase. According to preliminary estimates, Singapore's economy contracted in the third quarter by -1.1% saar, however policymakers surprised observers by leaving monetary policy unchanged at their semi-annual meeting last Friday due to heightened inflation expectations, that are being brought on in part by resilient domestic demand.

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Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Money Supply - M2 (YoY)	13-Oct	Sep	13.50%	13.70%	14.80%
Trade Balance (USD)	13-Oct	Sep	\$26.66B	\$20.54B	\$27.67B
Exports YoY%	13-Oct	Sep	2.70%	5.50%	9.90%
Imports YoY%	13-Oct	Sep	-2.60%	2.40%	2.40%
Actual FDI (YoY)	14-18 OCT	Sep	-1.40%	-3.50%	--
Consumer Price Index (YoY)	15-Oct	Sep	2.00%	1.90%	1.90%
Producer Price Index (YoY)	15-Oct	Sep	-3.50%	-3.50%	-3.60%
China September Property Price	18-Oct	Sep	--	--	--
Real GDP (YoY)	18-Oct	3Q	7.60%	7.40%	--
Real GDP YTD (YoY)	18-Oct	3Q	7.80%	7.70%	--
Real GDP (QoQ)	18-Oct	3Q	1.80%	2.00%	--
Industrial Production (YoY)	18-Oct	Sep	8.90%	9.00%	--
Industrial Production YTD YoY	18-Oct	Sep	10.10%	10.00%	--
Fixed Assets Inv Excl. Rural YTD YoY	18-Oct	Sep	20.20%	20.20%	--
Retail Sales (YoY)	18-Oct	Sep	13.20%	13.20%	--
Retail Sales YTD YoY	18-Oct	Sep	14.10%	14.00%	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Unemployment Rate SA	18-Oct	Sep	3.20%	3.30%	--
India	Date	Period	Prior	Cons.	Actual
Monthly Wholesale Prices YoY%	15-Oct	Sep	7.55%	7.70%	7.81%
Japan	Date	Period	Prior	Cons.	Actual
All Industry Activity Index (MoM)	19-Oct	Aug	-0.60%	0.10%	--
Malaysia	Date	Period	Prior	Cons.	Actual
CPI YoY	17-Oct	Sep	1.40%	1.40%	--
Philippines	Date	Period	Prior	Cons.	Actual
Overseas Remittances (YoY)	15-Oct	Aug	5.40%	5.00%	7.60%
Singapore	Date	Period	Prior	Cons.	Actual
Retail Sales (YoY)	15-Oct	Aug	-2.90%	2.00%	3.20%
Non-oil Domestic Exports (YoY)	17-Oct	Sep	-10.60%	1.20%	--
Taiwan	Date	Period	Prior	Cons.	Actual
Export Orders (YoY)	19-Oct	Sep	-1.50%	1.87%	--
Thailand	Date	Period	Prior	Cons.	Actual
Customs Exports (YoY)	19-26 OCT	Sep	-6.95%	--	--

Indicator of the Week

China: GDP (Q3, October 18th)

Forecast: 7.4% y/y

Consensus: 7.4% y/y

Prior: 7.6% y/y

Growth momentum has continued to slow, as seen in recent monthly activity indicators including industrial production and PMI. As a result, expectations of Q3 GDP growth have weakened, and we expect a further moderation from Q2, driven by weak external demand and softening domestic consumption. While the authorities have stepped up policy support through increased spending on infrastructure and social housing, the scale so far has been less than expected, possibly due to caution ahead of the forthcoming leadership transition scheduled in November. We expect policies to turn even more growth supportive in the months ahead – including further cuts in the RRR and interest rates – which should lead to a pickup in growth in Q4 and 2013. In addition to GDP, a number of important monthly indicators will also be released next week, including industrial production, investment, retail sales, and credit aggregates. We expect these indicators to remain broadly stable from the August levels.

Calendar Events

Thailand - Benchmark Interest Rate, October 17

We expect the benchmark rate to remain unchanged

Current

3.00%

Consensus

3.00%

New

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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.	2098.7	-0.3	1.2	-4.6	-13.7
	Hong Kong - Hang Seng	21148.3	0.1	1.6	14.7	14.3
	Taiwan - Weighted	7418.9	-0.2	-3.5	4.9	0.8
	Japan - Nikkei 225	8577.9	0.5	-3.2	1.4	-1.9
	Korea - Kospi	1925.6	-0.4	-2.8	5.5	4.9
	India - Sensex 30	18709.3	0.2	0.0	21.1	9.5
	Australia - SPX/ASX 200	4483.4	-0.1	0.0	10.5	6.6
	Singapore - Strait Times	3043.1	0.0	-1.1	15.0	10.9
	Indonesia - Jakarta Comp	4313.5	0.0	1.1	12.9	17.7
	Thailand - SET	1290.8	-0.5	-1.1	25.9	35.1
	Malaysia - KLCI	1654.4	0.1	-0.3	8.1	14.7
	Philippines - Manila Comp.	5383.2	0.3	-0.9	23.1	29.6

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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)	6.27	-0.05	0.29	6.31	6.35
	Hong Kong (HKD/USD)	7.75	0.00	0.02	7.75	7.75
	Taiwan (TWD/USD)	29.2	0.08	0.27	29.12	28.88
	Japan (JPY/USD)	78.70	-0.33	-0.47	78.63	78.35
	Korea (KRW/USD)	1110	0.08	0.14	1115	1127
	India (INR/USD)	53.0	-0.29	-0.61	53.68	55.93
	Australia (USD/AUD)	1.02	0.01	0.43	0.98	1.00
	Singapore (SGD/USD)	1.22	0.06	0.68	1.22	1.22
	Indonesia (IDR/USD)	9623	-0.39	-0.20	9743	10124
	Thailand (THB/USD)	30.7	-0.07	-0.20	30.85	31.27
	Malaysia (MYR/USD)	3.06	-0.02	0.25	3.07	3.11
	Philippines (PHP/USD)	41.4	-0.04	0.12	41.44	41.48

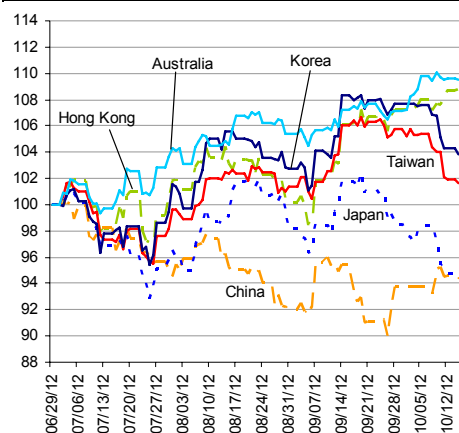
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	2.78	-0.38	-0.39	-0.62
	Hong Kong (HIBOR/1W)	0.15	0.00	-0.02	0.00
	Taiwan (TAIBOR/1W)	0.62	0.00	0.00	-0.01
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	2.78	-0.01	-0.23	-0.24
	India (MIBOR/7D)	3.60	0.13	-0.90	-0.11
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.27	0.01	0.03	0.04
	Thailand (BIBOR/1W)	3.02	0.00	0.00	0.00
	Malaysia (KLIBOR/1W)	2.90	0.00	0.00	0.00
	Philippines (PHIBOR/1W)	1.88	-0.19	-0.13	0.69

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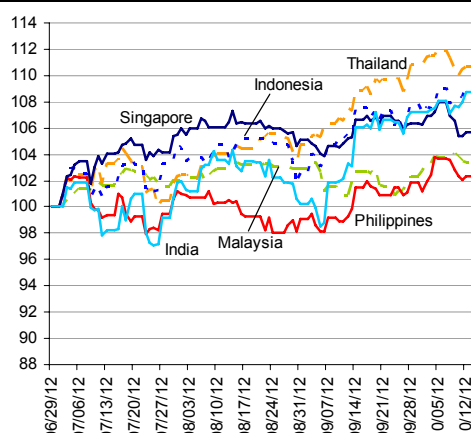
Charts

Chart 1
Stock Markets



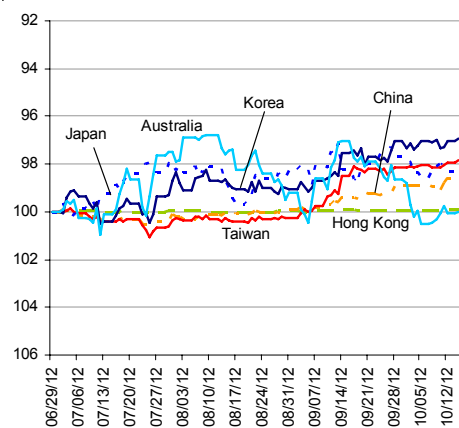
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



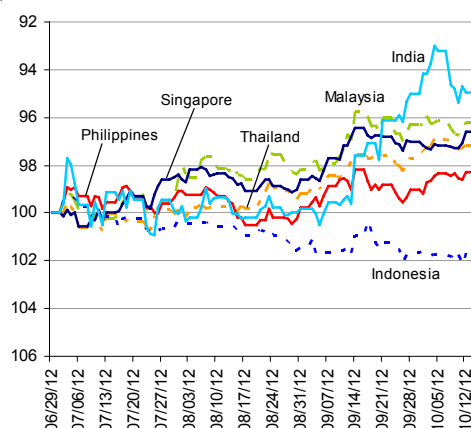
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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