

Daily Flash

Asia

Asian equities rose for a second straight day, led by the Nikkei (+1.4%), after strong US retail sales data inspired confidence in the outlook for exporters. The RMB touched another record high against the USD today (6.2635), although the PBOC's daily fixing leveled off from the sharp appreciation trend since last Thursday.

RBA minutes provide little guidance on interest rate outlook

The Reserve Bank of Australia today released the minutes of its October 2 monetary policy meeting, where it unexpectedly cut interest rates by 25 bps to 3.25%. According to the minutes, the RBA judged that "it was appropriate for the stance of monetary policy to be a little more accommodative, thereby providing some additional support to demand over the period ahead." The RBA emphasized the global slowdown and expectations for softer activity in the domestic mining and non-mining sectors, suggesting that October's rate cut was precautionary amidst the uncertain outlook for global growth. The minutes provided little guidance on the outlook for interest rates. Given the RBA's forecast of growth in line with trend, we do not currently expect rate cuts in the coming months, although markets have been positioned for a least one more cut. The Australia dollar was little moved for the day, staying at around 1.026 per USD.

Indonesia and Korea announce joint infrastructure plans, following Japan

According to media reports, the Indonesian and Korean governments have announced an agreement covering eight large scale projects worth US\$50bn to further develop Indonesia's lagging infrastructure. The news follows last week's announcement between Indonesia and Japan on an infrastructure framework worth US\$43bn focused on Jakarta. The projects announced today include bridges, office buildings, and railroads.

Briefly noted:

- **The Bank of Thailand will hold its monetary policy meeting tomorrow, where we expect the rates to stay unchanged.** The governor of Thailand's central bank said today that inflation remains 'benign' and that there is no need to cut interest rates, at this time with the economy expected to grow by 5.7% this year.

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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.	2098.8	0.0	-0.8	-4.6	-13.7
	Hong Kong - Hang Seng	21207.1	0.3	1.3	15.0	14.6
	Taiwan - Weighted	7471.0	0.7	-1.9	5.6	1.5
	Japan - Nikkei 225	8701.3	1.4	-0.8	2.9	-0.5
	Korea - Kospi	1941.5	0.8	-1.9	6.3	5.8
	India - Sensex 30	18578.6	-0.7	-1.1	20.2	8.8
	Australia - SPX/ASX 200	4491.5	0.2	-0.3	10.7	6.8
	Singapore - Strait Times	3046.8	0.1	-0.6	15.1	11.0
	Indonesia - Jakarta Comp	4329.1	0.4	1.1	13.3	18.1
	Thailand - SET	1287.5	-0.2	-0.4	25.6	34.7
	Malaysia - KLCI	1653.5	-0.1	-0.6	8.0	14.6
Philippines - Manila Comp.	5399.9	0.3	0.1	23.5	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)	6.26	0.09	0.40	6.31	6.36
	Hong Kong (HKD/USD)	7.75	0.01	0.02	7.75	7.75
	Taiwan (TWD/USD)	29.3	-0.06	0.22	29.10	28.85
	Japan (JPY/USD)	78.85	-0.25	-0.75	78.78	78.51
	Korea (KRW/USD)	1107	0.29	0.33	1113	1125
	India (INR/USD)	53.0	0.08	-0.45	53.67	55.90
	Australia (USD/AUD)	1.03	0.16	0.63	0.98	1.00
	Singapore (SGD/USD)	1.22	0.01	0.74	1.22	1.22
	Indonesia (IDR/USD)	9598	0.26	0.17	9709	10091
	Thailand (THB/USD)	30.7	0.13	0.03	30.85	31.27
	Malaysia (MYR/USD)	3.05	0.22	0.66	3.07	3.10
Philippines (PHP/USD)	41.3	0.25	0.28	41.29	41.29	

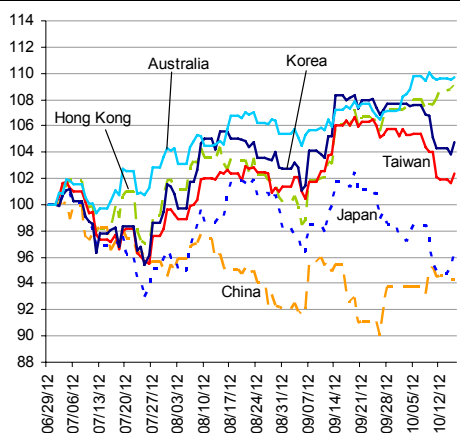
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	2.77	-0.01	-0.40	-0.63
	Hong Kong (HIBOR/1W)	0.15	0.00	-0.02	0.00
	Taiwan (TAIBOR/1W)	0.62	0.00	0.00	-0.01
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	2.78	-0.01	-0.23	-0.24
	India (MIBOR/7D)	3.09	-0.51	-0.67	-0.62
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.27	0.00	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	0.00	0.38	0.69

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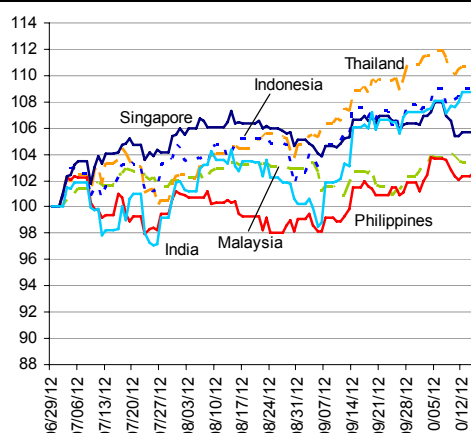
Charts

Chart 1
Stock Markets



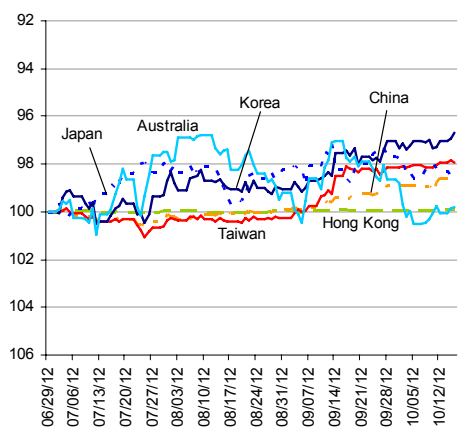
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



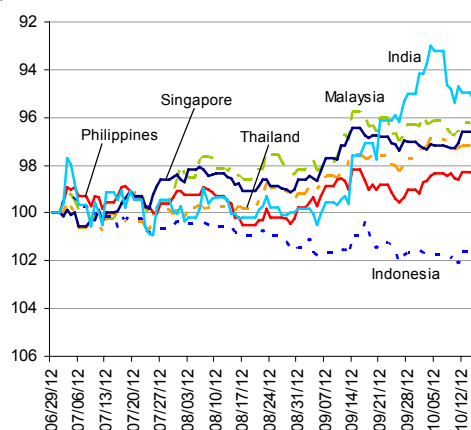
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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