

# Daily Flash

## Asia

*Risk assets in Asia were boosted today on positive spillovers from Moody's decision in its current review to maintain Spain's investment grade sovereign rating. Most of the region's equity markets showed gains (Nikkei: +1.2%; Hang Seng: +1.0%). Currencies also rose, with the AUD up by 0.6% to 1.03 per USD. Meanwhile, the Chinese RMB's surprising strengthening trend continued, closing at a new record high of 6.254 per USD. The PBoC has been guiding the currency higher by setting its daily fixings progressively stronger, as it did again today. Some market participants have speculated that the reason has to do with efforts to blunt US criticism of China's currency policy during the US election season – and, indeed, “China bashing” came up in Tuesday's Presidential debate, with the currency a key topic. China data will be the focus of markets tomorrow, with the release of 3Q GDP, industrial production, property prices, investment and retail sales (see Weekly Indicator below).*

### Thailand surprises with a rate cut

The Bank of Thailand (BOT) surprised markets today with a 25bps cut to 2.75%, the second cut this year. Echoing themes of the Bank of Korea and Reserve Bank of Australia, both of whom have cut rates in the past month, the BOT mentioned weaker demand from China along with rising risks from the “fiscal cliff” in the US and challenges in the EU in resolving the euro crisis. The BOT noted in its statement that, “with upside risk to inflation contained, the majority of MPC members deemed that monetary policy easing was warranted to shore up domestic demand in the period ahead and ward off the potential negative impact from the global economy.” Additionally, investment is moderating as flood-related expenditures are tapering off. With growth expected to register about 5.0% y/y this year and inflation expected to be about 3.3% y/y, with a similar outlook for 2013, we do not expect further rate cuts in Thailand for the time being, although the chances for a cut in the last meeting this year, at the end of November, are rising.

### Singapore exports fall again in September

Despite recent signs of stabilizing exports in China, Taiwan, and Korea, Singapore's non-oil domestic exports (NODX) for September came in today well below expectations, declining by -3.4% y/y (consensus: +1.2% y/y), the second straight month of contraction following a -10.7% y/y outturn in August. Weak demand for electronics was the primary cause for today's disappointing outturn. Despite ongoing weakness in Singapore's economy (advanced third quarter growth estimates show Singapore contracted by a seasonally adjusted annualized rate of -1.1%), the Monetary Authority of Singapore kept monetary policy on hold at its semi-annual meeting on October 12 in view of tight labor markets and the impact any easing would have had on inflation. Going ahead, we expect further headwinds for Singapore given its high reliance on exports and the current sluggish momentum in the global economy.

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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	19-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%	-3.40%
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 expected the benchmark rate to remain unchanged

**Current**

3.00%

**Consensus**

3.00%

**New**

2.75%

## 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.	2105.6	0.3	-0.7	-4.3	-13.7
	Hong Kong - Hang Seng	21416.6	1.0	2.4	16.2	13.5
	Taiwan - Weighted	7464.4	-0.1	-1.7	5.5	0.0
	Japan - Nikkei 225	8806.6	1.2	2.4	4.2	-0.8
	Korea - Kospi	1955.2	0.7	0.4	7.1	4.8
	India - Sensex 30	18585.4	0.0	-0.2	20.3	9.2
	Australia - SPX/ASX 200	4528.2	0.8	0.8	11.6	5.9
	Singapore - Strait Times	3045.7	0.0	0.4	15.1	9.6
	Indonesia - Jakarta Comp	4337.5	0.2	1.3	13.5	16.3
	Thailand - SET	1299.5	0.9	0.8	26.7	33.7
	Malaysia - KLCI	1660.7	0.4	0.1	8.5	13.3
	Philippines - Manila Comp.	5438.4	0.7	1.3	24.4	29.0

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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	0.15	0.71	6.31	6.35
	Hong Kong (HKD/USD)	7.75	-0.01	0.01	7.75	7.75
	Taiwan (TWD/USD)	29.2	0.18	0.42	29.07	28.81
	Japan (JPY/USD)	78.71	0.23	-0.67	78.63	78.37
	Korea (KRW/USD)	1106	0.15	0.83	1111	1123
	India (INR/USD)	52.9	-0.11	0.21	53.66	55.91
	Australia (USD/AUD)	1.03	0.41	0.81	0.98	1.00
	Singapore (SGD/USD)	1.22	0.21	1.10	1.22	1.22
	Indonesia (IDR/USD)	9606	-0.08	-0.12	9716	10097
	Thailand (THB/USD)	30.6	0.10	0.29	30.78	31.16
	Malaysia (MYR/USD)	3.04	0.53	1.27	3.05	3.09
	Philippines (PHP/USD)	41.2	0.34	0.84	41.10	41.07

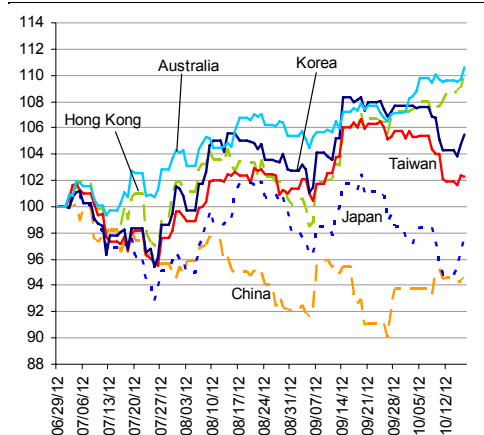
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	2.86	0.09	-0.30	-0.38
	Hong Kong (HIBOR/1W)	0.15	0.00	-0.02	0.00
	Taiwan (TAIBOR/1W)	0.62	0.00	0.00	-0.01
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	2.78	-0.01	-0.23	-0.24
	India (MIBOR/7D)	2.87	-0.22	-0.29	-0.37
	Singapore (SIBOR/1W)	0.25	0.00	-0.06	0.00
	Indonesia (JIBOR/1W)	4.28	0.00	0.02	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)	1.38	-0.50	-0.69	1.13

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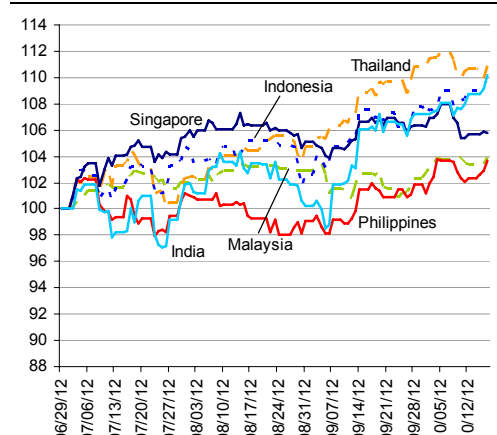
# Charts

Chart 1  
Stock Markets



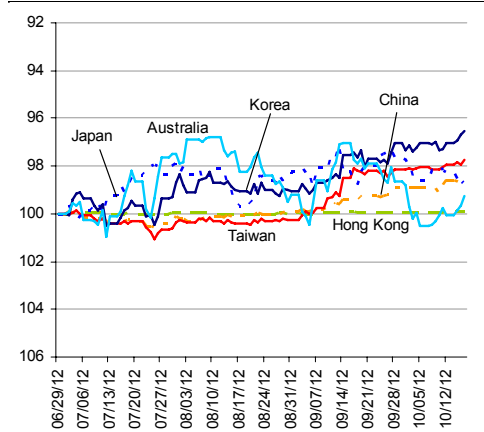
Source: BBVA Research and Bloomberg

Chart 2  
Stock Markets



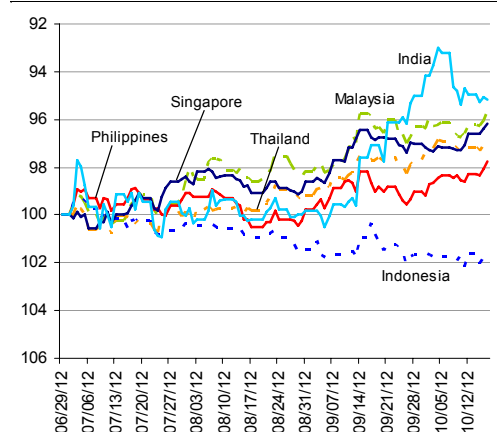
Source: BBVA Research and Bloomberg

Chart 3  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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