

Daily Flash

Asia

The release of China's GDP and high frequency data today reinforced investors' perceptions of a bottoming out in growth momentum. Markets in Asia have reacted positively to the release, with the Nikkei and the Shanghai Composite rising strongly (+2.0% and +1.2% respectively). The Chinese RMB continues to post record highs against the dollar, reaching 6.246 per USD before closing at 6.254.

China's GDP slows as expected; September indicators above expectations

China's Q3 GDP growth continued to slow, to 7.4% y/y from 7.6% y/y in Q2, exactly in line with our and market expectations. Meanwhile, monthly activity indicators for September and officially reported quarterly GDP growth (which picked up to 2.2% in Q3 from 2.0% in Q2, seasonally adjusted), also released today, were better than expected, raising confidence that the slowdown in growth momentum has probably bottomed out. While it is too early to say whether this trend will be sustained, all the more so given uncertain external conditions, the stabilization in growth trends may partly reflect the positive effects of policy easing put in place earlier this year. Given room for further stimulus (inflation remains low at just 1.9% y/y in September) and risks to the growth outlook, we expect further easing in the months ahead, including another interest rate cut and two more RRR cuts, especially after the leadership selection process is completed in November. On this basis, we expect full-year GDP growth in 2012 and 2013 of 7.6% and 7.9%, respectively, slightly below our previous projections (7.8% and 8.3%, respectively).

Moody's report finds Korea's banks resilient to high household debt level

Moody's released a report today which stated Korea's banks remain resilient to the country's high household debt level (Korea's banks hold around half of the country's household debt). According to Moody's, the report found that the banks' mortgage portfolios are resilient due to low loan-to-value ratios, along with banks' focus on lending to households with above-average income and credit quality. However, the report also warned about potential 'structural challenges' in the future, mainly due to Korea's aging population as well as the high proportion of short-dated, non-amortizing mortgages that could be subject to refinancing issues during times of stress.

Briefly noted:

- **Hong Kong's unemployment rate for July-September edged up to 3.3% (consensus: 3.3%) from the previous 3.2% over June-August.** Hong Kong's labor market has remained tight despite heightened external uncertainty, supporting consumption and helping to stabilize the 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%	7.40%
Real GDP YTD (YoY)	18-Oct	3Q	7.80%	7.70%	7.70%
Real GDP (QoQ)	18-Oct	3Q	1.80%	2.00%	2.20%
Industrial Production (YoY)	18-Oct	Sep	8.90%	9.00%	9.20%
Industrial Production YTD YoY	18-Oct	Sep	10.10%	10.00%	10.00%
Fixed Assets Inv Excl. Rural YTD YoY	18-Oct	Sep	20.20%	20.20%	20.50%
Retail Sales (YoY)	18-Oct	Sep	13.20%	13.20%	14.20%
Retail Sales YTD YoY	18-Oct	Sep	14.10%	14.00%	14.10%
Hong Kong	Date	Period	Prior	Cons.	Actual
Unemployment Rate SA	18-Oct	Sep	3.20%	3.30%	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%	--	--

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.	2131.7	1.2	1.4	-3.1	-10.6
	Hong Kong - Hang Seng	21518.7	0.5	2.5	16.7	19.0
	Taiwan - Weighted	7465.4	0.0	0.2	5.6	1.4
	Japan - Nikkei 225	8982.9	2.0	5.1	6.2	2.8
	Korea - Kospi	1959.1	0.2	1.3	7.3	6.5
	India - Sensex 30	18802.4	1.0	0.0	21.7	12.3
	Australia - SPX/ASX 200	4559.4	0.7	1.7	12.4	8.9
	Singapore - Strait Times	3060.4	0.5	0.9	15.6	12.3
	Indonesia - Jakarta Comp	4357.0	0.4	1.7	14.0	20.3
Thailand - SET	1311.2	0.8	1.3	27.9	37.6	
Malaysia - KLCI	1665.4	0.3	0.6	8.8	15.7	
Philippines - Manila Comp.	5435.9	0.0	1.5	24.3	30.8	

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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	0.05	0.41	6.31	6.36
	Hong Kong (HKD/USD)	7.75	0.01	0.02	7.75	7.75
	Taiwan (TWD/USD)	29.2	-0.10	0.23	29.12	28.87
	Japan (JPY/USD)	79.20	-0.34	-1.09	79.13	78.85
	Korea (KRW/USD)	1104	0.11	0.90	1107	1120
	India (INR/USD)	53.0	-0.19	-0.56	53.72	55.99
	Australia (USD/AUD)	1.04	0.19	1.35	0.97	0.99
	Singapore (SGD/USD)	1.22	-0.07	0.88	1.22	1.22
	Indonesia (IDR/USD)	9599	0.07	0.36	9716	10096
Thailand (THB/USD)	30.6	-0.07	0.26	30.77	31.16	
Malaysia (MYR/USD)	3.04	-0.06	1.03	3.05	3.09	
Philippines (PHP/USD)	41.3	-0.22	0.67	41.19	41.20	

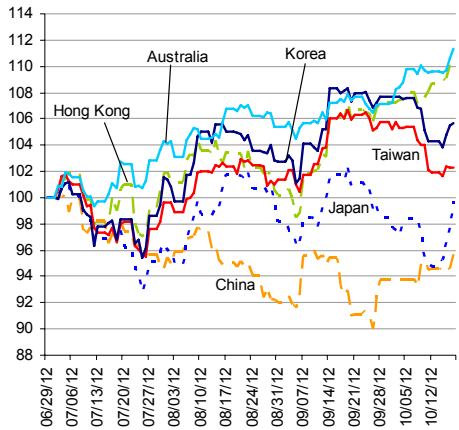
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	2.68	-0.18	-0.48	-0.42
	Hong Kong (HIBOR/1W)	0.15	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.62	0.00	0.00	-0.01
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	2.78	-0.01	-0.23	-0.24
	India (MIBOR/7D)	2.87	0.00	-0.32	-0.35
	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)	2.78	-0.24	-0.24	-0.24
Malaysia (KLIBOR/1W)	2.90	0.00	0.00	0.00	
Philippines (PHIBOR/1W)	0.81	-0.56	-1.25	0.50	

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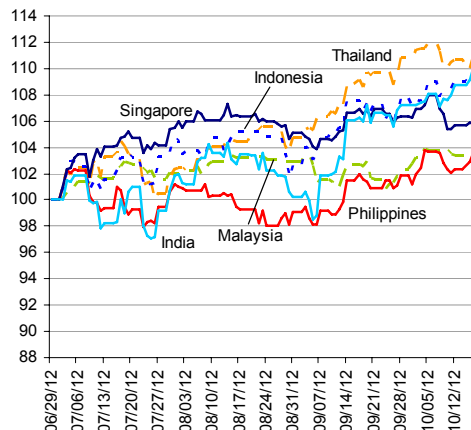
Charts

Chart 1
Stock Markets



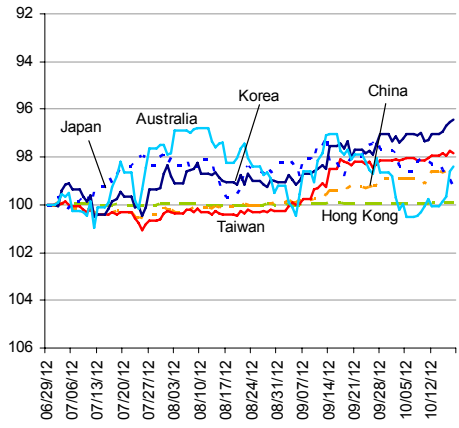
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



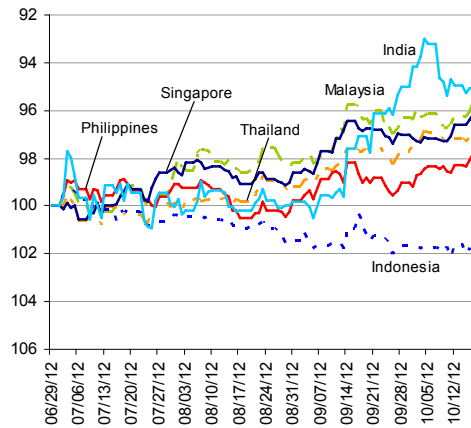
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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