

Daily Flash

Asia

China's October PMI offers more signs of a modest upturn in growth

China's official PMI for October came out in line with expectations at 50.2%, rising back to above the 50 expansion threshold for the first time since July, and providing further comfort that growth is now picking up after bottoming out in Q3 (for further details, see our *China Flash*). The increase was modest, but broad-based, showing a pickup in production and new orders, which may indicate that the inventory destocking cycle is winding down. The PMI outturn suggests that the pickup in September activity indicators is in line with our expectation of a modest increase in GDP growth momentum in Q4 (to around 7.6% y/y), which would bring full-year growth to 7.6% in 2012 and 7.9% in 2013. The outturn sent the Shanghai index higher (+1.7%). Given weak external conditions, low inflation, and downside risks to the outlook, we expect further policy easing after the leadership transition is settled later this month.

Korea exports in October beat expectations; inflation remains steady

Korea's October exports, the first monthly outturn for the region, rose by a better-than-expected 1.2% y/y (consensus: -0.7% y/y) on strong demand from ASEAN (17.3% y/y) and China (3.5% y/y). Korea also announced that October inflation rose to 2.1% y/y (consensus: 2.1%) from 2.0% the previous month, remaining near the bottom of policymakers' 2.0%-4.0% target range. While stable inflation provides room for more interest rate cuts if needed, given signs that the economy may have bottomed out, we expect the Bank of Korea to stay on hold for now (after 50bps total in rate cuts since July). Should the global economy stay weak, however, further easing along with fiscal stimulus could be forthcoming after the Presidential elections scheduled for December.

Indonesia's exports decline less than expected; inflation quickens

Indonesia's September exports declined by -9.4% y/y (consensus: -14.1% y/y), primarily due to still-weak oil and gas shipments. In data also released today, October inflation quickened in line with expectations, to 4.6% y/y from 4.3% y/y in September, as prices rose due to a weakening currency which is raising the price of imports. Indonesia's economy will likely face headwinds from sluggish exports in the coming months, but given its heavy reliance on domestic demand, which remains strong, its growth momentum should remain reasonably robust (BBVA GDP forecasts for 2012 and 2013: 6.2% and 6.3%, respectively).

Hong Kong named world's top financial center - World Economic Forum

Yesterday, Hong Kong was named the world's top financial center for the second year running by the World Economic Forum (WEF), thanks to the strength of its business environment, infrastructure and a favorable tax regime. The report did, however, state that Hong Kong's bond market could be further developed in line with its competitors London and New York, and further opening of the financial sector is needed. Hong Kong serves as a major regional market for global investors seeking access to pan-Asia, a distinction underscored by the WEF.

Briefly noted:

- **India's October HSBC manufacturing PMI reflected a small increase in factory activity**, up to 52.9 from 52.8 in September, driven mainly by firm new orders. Exports grew modestly for second straight month while the input and output price indexes slipped to their lowest levels in more than two years.
- **Thailand's inflation eased slightly in October** to 3.3% y/y (consensus: 3.4% y/y) from 3.4% y/y, coming in below analysts' expectations. The decline was partly due to an extension of fuel subsidies in early October which eased pressure on energy and transportation prices.

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Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Manufacturing PMI	01-Nov	Oct	49.8	50.2	50.2
HSBC Manufacturing PMI	01-Nov	Oct	47.9	49.1	49.5
Hong Kong	Date	Period	Prior	Cons.	Actual
Retail Sales - Value (YoY)	01-Nov	Sep	4.50%	7.60%	9.40%
India	Date	Period	Prior	Cons.	Actual
Cash Reserve Ratio	30-Oct	30-Oct	4.50%	4.25%	4.25%
Indonesia	Date	Period	Prior	Cons.	Actual
Inflation (YoY)	01-Nov	Oct	4.31%	4.59%	4.61%
Inflation NSA (MoM)	01-Nov	Oct	0.01%	0.13%	0.16%
Core Inflation (YoY)	01-Nov	Oct	4.12%	4.38%	4.59%
Exports (YoY)	01-Nov	Sep	-24.30%	-14.10%	-9.40%
Japan	Date	Period	Prior	Cons.	Actual
Jobless Rate	30-Oct	Sep	4.20%	4.20%	4.20%
Industrial Production (MoM)	30-Oct	Sep P	-1.60%	-3.10%	-4.10%
Industrial Production YOY%	30-Oct	Sep P	-4.60%	-7.10%	-8.10%
Singapore	Date	Period	Prior	Cons.	Actual
Unemployment Rate (sa)	31-Oct	3Q P	2.00%	2.00%	1.90%
South Korea	Date	Period	Prior	Cons.	Actual
Industrial Production (MoM)	31-Oct	Sep	-0.70%	1.50%	0.80%
Industrial Production (YoY)	31-Oct	Sep	0.30%	1.00%	0.70%
Consumer Price Index (MoM)	01-Nov	Oct	0.70%	-0.10%	-0.10%
Consumer Price Index (YoY)	01-Nov	Oct	2.00%	2.10%	2.10%
Ext Trade - Export (YoY)	01-Nov	Oct	-1.80%	-0.70%	1.20%
Ext Trade - Imports (YoY)	01-Nov	Oct	-6.10%	0.70%	1.50%
HSBC Manufacturing PMI	01-Nov	Oct	45.7	-	47.4
Taiwan	Date	Period	Prior	Cons.	Actual
GDP - Constant Prices (YoY)	31-Oct	3Q P	-0.18%	1.50%	1.02%
Thailand	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	01-Nov	Oct	3.38%	3.40%	3.32%
Core CPI (YoY)	01-Nov	Oct	1.89%	2.00%	1.83%

Calendar Events

India - India REPO Cutoff Yield, October 30

We expected a 25bps cut in the benchmark rate

Current	Consensus	New
8.00%	8.00%	8.00%

Japan - Bank of Japan Target Rate, October 30

We expected unconventional easing, no rate change

Current	Consensus	New
0.10%	0.10%	0.10%

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.	2104.4	1.7	0.1	-4.3	-14.8
	Hong Kong - Hang Seng	21821.9	0.8	0.1	18.4	12.7
	Taiwan - Weighted	7179.6	0.2	-1.1	1.5	-5.8
	Japan - Nikkei 225	8946.9	0.2	-1.2	5.8	1.3
	Korea - Kospi	1898.4	-0.7	-1.4	4.0	-0.6
	India - Sensex 30	18565.8	0.3	-1.0	20.1	6.2
	Australia - SPX/ASX 200	4457.7	-1.3	-1.2	9.9	5.3
	Singapore - Strait Times	3028.2	-0.3	-0.5	14.4	8.6
	Indonesia - Jakarta Comp	4335.4	-0.3	0.0	13.4	17.6
	Thailand - SET	1298.5	0.0	0.1	26.6	35.7
	Malaysia - KLCI	1675.7	0.2	0.2	9.5	13.6
Philippines - Manila Comp.	5424.5	0.0	-0.1	24.1	25.2	

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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)	6.24	-0.04	0.04	6.30	6.35
	Hong Kong (HKD/USD)	7.75	0.00	0.00	7.75	7.74
	Taiwan (TWD/USD)	29.2	-0.11	-0.04	29.14	28.88
	Japan (JPY/USD)	79.97	-0.25	0.41	79.89	79.61
	Korea (KRW/USD)	1092	-0.16	0.52	1097	1109
	India (INR/USD)	53.8	0.10	-0.35	54.58	56.82
	Australia (USD/AUD)	1.04	-0.02	0.26	0.97	0.99
	Singapore (SGD/USD)	1.22	-0.05	0.07	1.22	1.22
	Indonesia (IDR/USD)	9622	0.02	-0.05	9720	10087
	Thailand (THB/USD)	30.7	-0.07	-0.13	30.86	31.29
	Malaysia (MYR/USD)	3.05	-0.14	-0.44	3.07	3.11
Philippines (PHP/USD)	41.2	-0.10	-0.02	41.19	41.20	

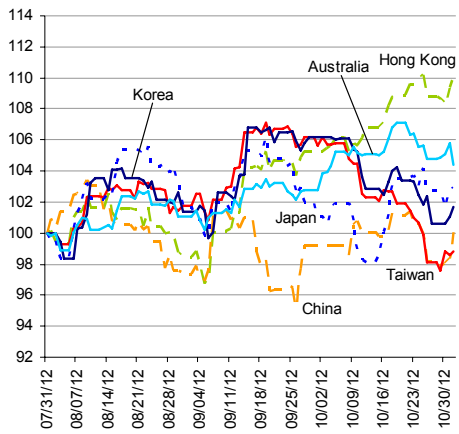
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.43	0.28	-0.10	0.13
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	-0.07
	Taiwan (TAIBOR/1W)	0.60	0.00	0.00	-0.02
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	2.78	0.00	0.00	-0.24
	India (MIBOR/7D)	3.44	0.03	-0.17	0.44
	Singapore (SIBOR/1W)	0.25	0.00	0.00	-0.06
	Indonesia (JIBOR/1W)	4.30	0.00	0.01	0.06
	Thailand (BIBOR/1W)	2.78	0.00	0.00	-0.24
	Malaysia (KLIBOR/1W)	2.90	0.00	0.00	0.00
	Philippines (PHIBOR/1W)	1.63	-0.06	0.63	0.19

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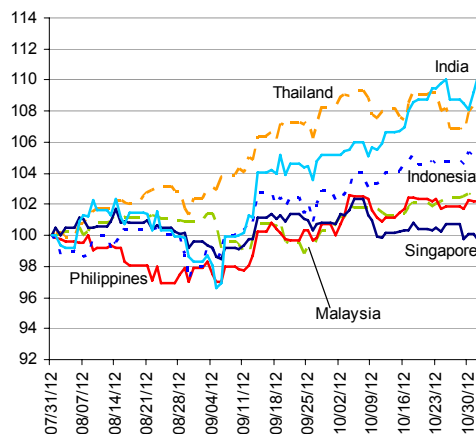
Charts

Chart 1
Stock Markets



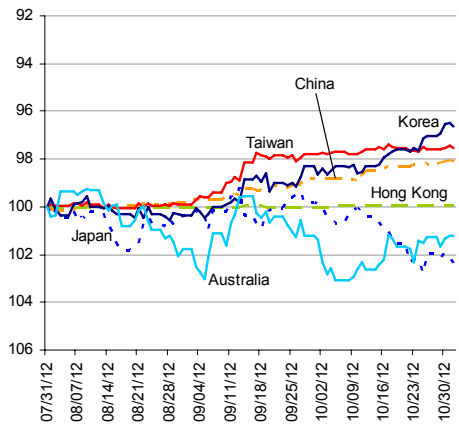
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



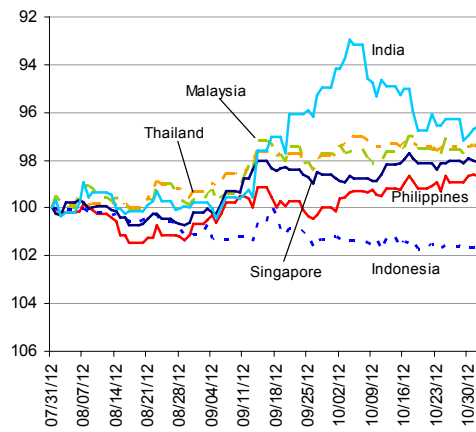
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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