

# Daily Flash

## Asia

*Asian equities ended the week on a positive note following some upbeat US data, with the Hang Seng and the Nikkei leading the gains (+1.4% and +1.2% respectively). The rally in the Hang Seng is especially notable as the index has risen over 20% since its low in September (MSCI Asia: +5.2%), and now stands at a 15-month high. Today was a rather light day on Asian data outturns after a busy day yesterday. Next week, investors in Asia will keep an eye on important high frequency data coming out from China as well as multiple monetary policy meetings (see below).*

### Hong Kong September retail sales adds to evidence that Asia is bottoming out

Yesterday it was reported that Hong Kong's September retail sales were better-than-expected, growing by 8.5% (consensus: 5.8%) on a year-on-year basis, above its outturn the previous month (3.2% y/y). Retail sales were boosted by the front-loading of consumption activity before the early National holiday in October: sales of holiday related food items as well as sales of jewelry and watches were notably stronger. The outturn appears to be a positive, however given the timing of the holiday it may be partly due to seasonality, therefore we will be closely watching next month's outturn for further evidence that an actual rebound is occurring. Looking ahead, we expect to see further firming in retail sales during the course of the remainder of this year as Asian economies are showing signs of stabilization even in the midst of a challenging global environment.

### Coming up: a week heavy on China data and monetary policy meetings

China will release a batch of high frequency indicators on November 9, including CPI, industrial production and retail sales, which will be closely watched by the markets for signs of further stabilization in China's growth momentum. In addition, policy meetings are scheduled for next week in Australia (on Tuesday), Malaysia, Indonesia (both on Thursday) and South Korea (on Friday). We expect all four to remain on hold given emerging signs of a bottoming out in the region's growth momentum. Australia and Korea have been among the more active with policy cuts in the region this year- Korea has cut interest rates by 50bps since July while Australia has cut by 100bps since May. Malaysia and Indonesia, for their part, have been less active with monetary policy this year (Malaysia hasn't had an interest rate cut since February 2009, while Indonesia has only cut once this year, back in February) as growth momentum in two of the major ASEAN economies has generally remained more robust.

### Briefly noted:

- **Yesterday, the Hong Kong Monetary Authority (HKMA) stepped into the market three times**, buying almost USD 1 billion to defend the HKD's peg with the USD. The HKMA has now intervened in the market nine times since October 20, buying a total of USD 3.8 billion to prevent the HKD/USD exchange rate from breaching the lower end of its trading band (7.75/USD). Similarly, today the CNY daily spot rate hit the strong side limit (+1%) of the trading band for the sixth day in the past seven trading days (though the PBoC did set the daily fixing rate slightly weaker for the second straight day, at 6.3045/USD). Both pieces of data hint that capital flows are starting to come back to Asia following the Fed's QE3 announcement.

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## Calendar Indicators

<b>China</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Manufacturing PMI	01-Nov	Oct	49.8	50.2	50.2
HSBC Manufacturing PMI	01-Nov	Oct	47.9	49.1	49.5
<b>Hong Kong</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Retail Sales - Value (YoY)	01-Nov	Sep	4.50%	7.60%	9.40%
<b>India</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Cash Reserve Ratio	30-Oct	30-Oct	4.50%	4.25%	4.25%
<b>Indonesia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
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%
<b>Japan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
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%
<b>Singapore</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Unemployment Rate (sa)	31-Oct	3Q P	2.00%	2.00%	1.90%
<b>South Korea</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
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
<b>Taiwan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
GDP - Constant Prices (YoY)	31-Oct	3Q P	-0.18%	1.50%	1.02%
<b>Thailand</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
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%

## Indicator of the Week

### China: Industrial output for October (November 9)

Forecast: 9.6% y/y

Consensus: n/a

Prior: 9.2% y/y

Recent indicators, including the October PMI released on November 1, show broad signs that China's growth momentum is stabilizing. In particular, manufacturing PMI has increased for two consecutive months, reaching 50.2% in October. The upcoming batch of monthly indicators will be closely watched for further evidence of stabilization. The data includes inflation, industrial production, retail sales, investment, and trade (to be released between November 9-15). We expect industrial production to strengthen further from the previous month. Given benign inflation (1.9% in September) and risks to external demand, however, we still expect further cuts in the RRR and the policy rate in the coming months, along with stepped up infrastructure spending.

## Calendar Events

### India - India REPO Cutoff Yield, October 30

We expected a 25bps cut in the benchmark rate

**Current**

8.00%

**Consensus**

8.00%

**New**

8.00%

### Japan - Bank of Japan Target Rate, October 30

We expected unconventional easing, no rate change

**Current**

0.10%

**Consensus**

0.10%

**New**

0.10%

## Upcoming Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Retail Sales s.a. (MoM)	05-Nov	Sep	0.20%	0.40%	--
Unemployment Rate	08-Nov	Oct	5.40%	5.50%	--
China	Date	Period	Prior	Cons.	Actual
Non-manufacturing PMI	03-Nov	Oct	53.7	--	--
HSBC Services PMI	05-Nov	Oct	54.3	--	--
Consumer Price Index (YoY)	09-Nov	Oct	1.90%	1.90%	--
Producer Price Index (YoY)	09-Nov	Oct	-3.60%	-2.70%	--
Industrial Production (YoY)	09-Nov	Oct	9.20%	--	--
Industrial Production YTD YoY	09-Nov	Oct	10.00%	--	--
Fixed Assets Inv Excl. Rural YTD YoY	09-Nov	Oct	20.50%	--	--
Retail Sales (YoY)	09-Nov	Oct	14.20%	14.30%	--
Retail Sales YTD YoY	09-Nov	Oct	14.10%	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Purchasing Managers Index	05-07 NOV	Oct	49.6	--	--
Indonesia	Date	Period	Prior	Cons.	Actual
GDP Constant Price (YoY)	05-Nov	3Q	6.37%	6.14%	--
GDP Constant Price (QoQ)	05-Nov	3Q	2.80%	3.25%	--
Japan	Date	Period	Prior	Cons.	Actual
Machine Orders (MoM)	08-Nov	Sep	-3.30%	-2.10%	--
Machine Orders YOY%	08-Nov	Sep	-6.10%	-4.90%	--
Current Account Total	08-Nov	Sep	¥454.7B	¥761.3B	--
Trade Balance - BOP Basis	08-Nov	Sep	-¥644.5B	-¥416.9B	--
Japan Money Stock M2 YoY	09-Nov	Oct	2.40%	2.40%	--
Malaysia	Date	Period	Prior	Cons.	Actual
Industrial Production YoY	08-Nov	Sep	-0.70%	-0.10%	--
Manufacturing Sales Value YoY%	08-Nov	Sep	1.80%	--	--
Exports YoY%	09-Nov	Sep	-4.50%	-3.10%	--
Philippines	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	06-Nov	Oct	3.60%	3.60%	--
Singapore	Date	Period	Prior	Cons.	Actual
Purchasing Managers Index	05-Nov	Oct	48.7	49.5	--
Taiwan	Date	Period	Prior	Cons.	Actual
CPI YoY%	05-Nov	Oct	2.96%	2.50%	--
Total Exports (YoY)	08-Nov	Oct	10.40%	1.90%	--

## Upcoming Calendar Events

<b>Australia - RBA Cash Target, November 6</b> We expect the benchmark rate to remain unchanged	<b>Current</b> 3.25%	<b>Consensus</b> 3.00%	<b>New</b> --
<b>Malaysia - Overnight Rate, November 8</b> We expect the benchmark rate to remain unchanged	<b>Current</b> 3.00%	<b>Consensus</b> 3.00%	<b>New</b> --
<b>Indonesia - BI Reference Rate, November 8</b> We expect the benchmark rate to remain unchanged	<b>Current</b> 5.75%	<b>Consensus</b> 5.75%	<b>New</b> --
<b>South Korea - 7-Day Repo Rate, November 9</b> We expect the benchmark rate to remain unchanged	<b>Current</b> 2.75%	<b>Consensus</b> 2.75%	<b>New</b> --

## 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.	2117.0	0.6	2.5	-3.7	-15.5
	Hong Kong - Hang Seng	22111.3	1.3	2.6	19.9	12.0
	Taiwan - Weighted	7210.5	0.4	1.1	2.0	-5.1
	Japan - Nikkei 225	9051.2	1.2	1.3	7.0	4.8
	Korea - Kospi	1918.7	1.1	1.4	5.1	1.1
	India - Sensex 30	18755.5	1.0	0.7	21.4	7.4
	Australia - SPX/ASX 200	4460.1	0.1	-0.3	9.9	6.6
	Singapore - Strait Times	3040.8	0.5	-0.5	14.9	7.3
	Indonesia - Jakarta Comp	4338.9	0.1	0.0	13.5	15.3
	Thailand - SET	1306.6	0.7	1.9	27.4	35.3
	Malaysia - KLCI	1656.1	-1.2	-0.9	8.2	12.6
	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	-0.03	0.13	6.30	6.36
	Hong Kong (HKD/USD)	7.75	0.00	0.00	7.75	7.74
	Taiwan (TWD/USD)	29.2	0.02	0.07	29.14	28.88
	Japan (JPY/USD)	80.28	-0.20	-0.78	80.20	79.93
	Korea (KRW/USD)	1091	0.15	0.57	1097	1108
	India (INR/USD)	53.7	-0.04	-0.28	54.56	56.85
	Australia (USD/AUD)	1.04	-0.22	0.05	0.97	0.99
	Singapore (SGD/USD)	1.22	-0.20	-0.16	1.22	1.22
	Indonesia (IDR/USD)	9631	-0.09	-0.14	9733	10100
	Thailand (THB/USD)	30.7	-0.03	-0.03	30.87	31.29
	Malaysia (MYR/USD)	3.05	-0.06	-0.02	3.07	3.10
	Philippines (PHP/USD)	41.2	0.07	0.31	41.10	41.11

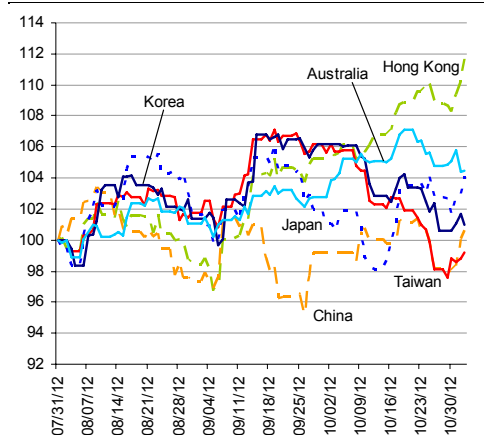
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.43	0.00	-0.10	0.13
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	-0.07
	Taiwan (TAIBOR/1W)	0.60	0.00	0.00	-0.02
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	2.78	0.00	0.00	-0.24
	India (MIBOR/7D)	3.44	0.00	-2.56	0.44
	Singapore (SIBOR/1W)	0.25	0.00	0.00	-0.03
	Indonesia (JIBOR/1W)	4.29	-0.01	0.00	0.05
	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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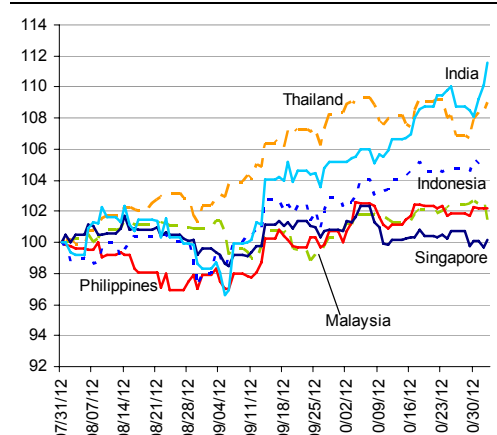
# Charts

Chart 1  
Stock Markets



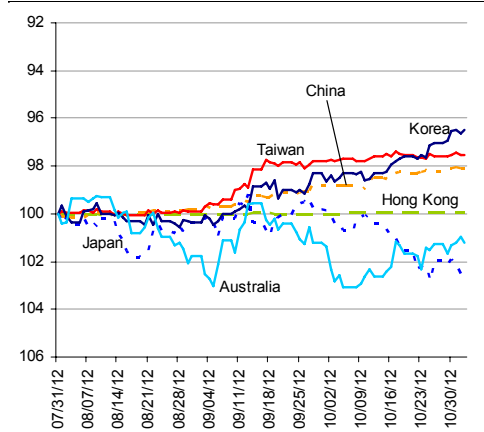
Source: BBVA Research and Bloomberg

Chart 2  
Stock Markets



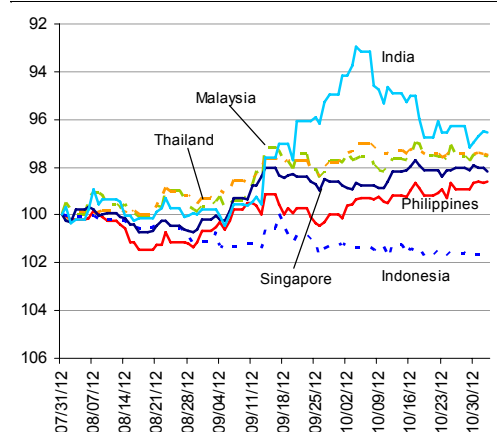
Source: BBVA Research and Bloomberg

Chart 3  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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