

# Daily Flash

## Asia

*Most Asian markets were down today and emerging Asian currencies weakened following Friday's downturn in the US. The Jakarta Composite (-1.0%) and the Kospi (-0.6%) were among the biggest declining equity markets, while the Indian rupee weakened significantly (-1.1%) to 54.41 against the US dollar. Nevertheless, prospects in the region are improving, following recent positive data prints on manufacturing production and exports in China and elsewhere in the region, and ahead of China's 18<sup>th</sup> National Party Congress set to begin on Thursday, which will set the forthcoming leadership transition in motion. There are also a series of central bank meetings this week, starting with the RBA tomorrow, followed by Malaysia and Indonesia on November 8, and by Korea on November 9. We expect all central banks to remain on hold.*

### Indonesia sustains strong Q3 GDP growth, in line with estimates

In Indonesia, strong investment and private consumption led to 6.2% y/y GDP growth in the third quarter (consensus: 6.2% y/y). While growth slowed from the 6.4% outturn in Q2, domestic demand helped to offset a slowdown in exports (-2.8% y/y) as global commodity demand softened. Along with several other Southeast Asian economies, strong domestic demand has enabled Indonesia to weather the external slowdown – this was the eighth consecutive quarter Indonesia has had GDP growth of above 6.0%. We expect growth to remain robust for the foreseeable future in Indonesia on continued resilience in domestic demand (BBVA GDP forecasts: 6.2% and 6.3% y/y in 2012 and 2013, respectively).

### Asia-Europe two day summit is underway; trade ties on the agenda

Leaders of 49 countries in Asia and Europe are gathering for a two-day summit that began today in Laos. A stalled trade agenda between countries in both regions will be among the items discussed, as concerns in Asian economies grow over a potential rise of European protectionism amidst the EU's economic slowdown. This is the ninth Asia-Europe summit, an event which was established in 1996; the most recent meeting was held in Brussels in October 2010.

### Australia's retail sales rise, reducing chances of a rate cut

Australia's retail sales rose by 0.5% m/m sa, better than the market's expectation of 0.4% m/m sa. Recent Australia activity indicators in September such as building approvals and credit growth are also pointing to a resilient economy. The RBA is holding its monthly policy meeting tomorrow: in light of these recent positive outturns, we expect the RBA to keep its policy rate unchanged at 3.25% at the meeting (consensus: 25bps cut).

### Briefly noted:

- **Taiwan's inflation slowed** to 2.36% y/y in October from 2.96% y/y in September, broadly in line with expectations. Easing food prices were partially behind the decline. The outturn, however, is unlikely to trigger an interest rates cut during Taiwan's central bank meeting in December, when we expect rates to stay unchanged.

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## Calendar Indicators

<b>Australia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Retail Sales s.a. (MoM)	05-Nov	Sep	0.20%	0.40%	0.50%
Unemployment Rate	08-Nov	Oct	5.40%	5.50%	--
<b>China</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Non-manufacturing PMI	03-Nov	Oct	53.7	--	55.5
HSBC Services PMI	05-Nov	Oct	54.3	--	53.5
Consumer Price Index (YoY)	09-Nov	Oct	1.90%	1.90%	--
Producer Price Index (YoY)	09-Nov	Oct	-3.60%	-2.80%	--
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%	--	--
<b>Hong Kong</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Purchasing Managers Index	05-Nov	Oct	49.6	--	50.5
<b>Indonesia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
GDP Constant Price (YoY)	05-Nov	3Q	6.37%	6.17%	6.17%
GDP Constant Price (QoQ)	05-Nov	3Q	2.80%	3.26%	3.21%
<b>Japan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
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	¥761.8B	--
Trade Balance - BOP Basis	08-Nov	Sep	-¥644.5B	-¥413.5B	--
Japan Money Stock M2 YoY	09-Nov	Oct	2.40%	2.40%	--
<b>Malaysia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Industrial Production YoY	08-Nov	Sep	-0.70%	0.00%	--
Manufacturing Sales Value YoY%	08-Nov	Sep	1.80%	--	--
Exports YoY%	09-Nov	Sep	-4.50%	-3.00%	--
<b>Philippines</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Consumer Price Index (YoY)	06-Nov	Oct	3.60%	3.50%	--
<b>Singapore</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Purchasing Managers Index	05-Nov	Oct	48.7	49.5	--
<b>Taiwan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
CPI YoY%	05-Nov	Oct	2.96%	2.39%	2.36%
Total Exports (YoY)	08-Nov	Oct	10.40%	1.90%	--

## 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

### Australia - RBA Cash Target, November 6

We expect the benchmark rate to remain unchanged

Current

3.25%

Consensus

3.00%

New

--

### Malaysia - Overnight Rate, November 8

We expect the benchmark rate to remain unchanged

Current

3.00%

Consensus

3.00%

New

--

### Indonesia - BI Reference Rate, November 8

We expect the benchmark rate to remain unchanged

Current

5.75%

Consensus

5.75%

New

--

### South Korea - 7-Day Repo Rate, November 9

We expect the benchmark rate to remain unchanged

Current

2.75%

Consensus

2.75%

New

--

## 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.	2114.0	-0.1	2.7	-3.9	-16.4
	Hong Kong - Hang Seng	22006.4	-0.5	2.3	19.4	10.9
	Taiwan - Weighted	7185.4	-0.3	1.3	1.6	-5.5
	Japan - Nikkei 225	9007.4	-0.5	0.9	6.5	2.3
	Korea - Kospi	1908.2	-0.5	0.9	4.5	-1.0
	India - Sensex 30	18731.1	-0.1	0.5	21.2	6.7
	Australia - SPX/ASX 200	4474.1	0.3	-0.1	10.3	4.5
	Singapore - Strait Times	3031.7	-0.3	0.1	14.6	6.4
	Indonesia - Jakarta Comp	4302.9	-0.8	-0.7	12.6	13.7
	Thailand - SET	1306.2	0.0	2.1	27.4	36.4
	Malaysia - KLCI	1654.0	-0.1	-1.1	8.1	11.9
	Philippines - Manila Comp.	5457.8	0.6	1.1	24.8	25.9

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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	-0.06	-0.03	6.31	6.36
	Hong Kong (HKD/USD)	7.75	0.00	0.00	7.75	7.75
	Taiwan (TWD/USD)	29.2	-0.02	0.06	29.16	28.91
	Japan (JPY/USD)	80.25	0.22	-0.56	80.17	79.90
	Korea (KRW/USD)	1091	-0.03	0.44	1097	1109
	India (INR/USD)	54.4	-1.17	-0.69	55.31	57.59
	Australia (USD/AUD)	1.04	0.15	0.19	0.97	0.99
	Singapore (SGD/USD)	1.23	-0.04	-0.31	1.23	1.22
	Indonesia (IDR/USD)	9633	-0.02	-0.24	9741	10113
	Thailand (THB/USD)	30.8	-0.19	-0.32	30.97	31.38
	Malaysia (MYR/USD)	3.06	-0.33	-0.09	3.08	3.12
	Philippines (PHP/USD)	41.3	-0.19	0.11	41.23	41.23

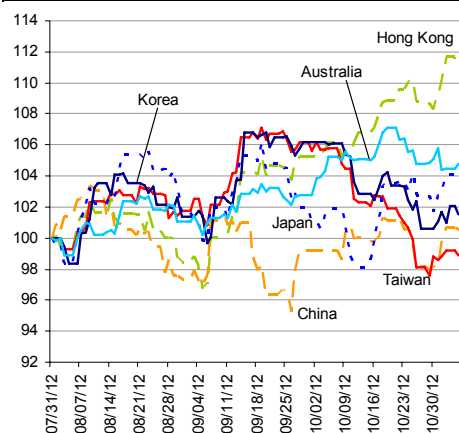
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.37	-0.06	0.22	0.07
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	-0.04
	Taiwan (TAIBOR/1W)	0.60	0.00	0.00	-0.02
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	2.78	0.00	0.00	-0.24
	India (MIBOR/7D)	3.32	-0.12	-0.99	0.32
	Singapore (SIBOR/1W)	0.25	0.00	0.00	-0.06
	Indonesia (JIBOR/1W)	4.29	0.00	0.00	0.04
	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)	1.94	0.31	0.56	0.00

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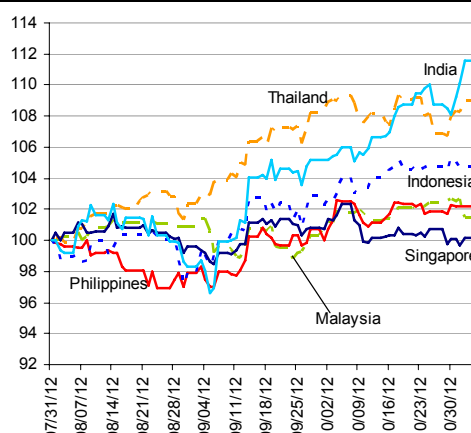
# Charts

Chart 1  
Stock Markets



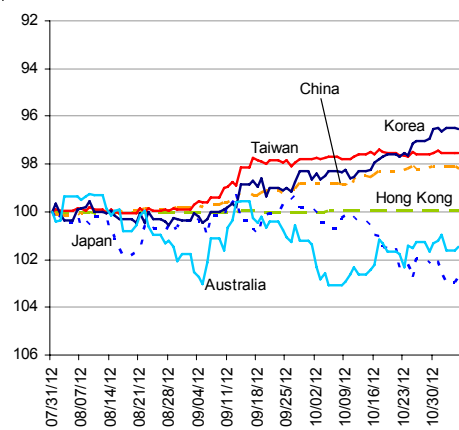
Source: BBVA Research and Bloomberg

Chart 2  
Stock Markets



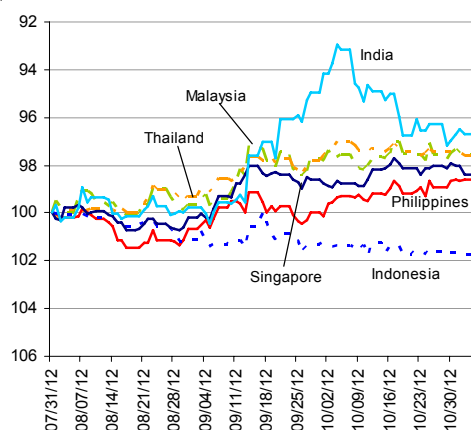
Source: BBVA Research and Bloomberg

Chart 3  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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