

Daily Flash

Asia

Asian markets responded favorably to the US election results of a second term for President Obama. The Hang Seng, Taiwan Composite, and Singapore's STI were all up by 0.7%, although the Nikkei and the Shanghai Composite closed flat. Currencies also rose, typified by appreciations in the Indian rupee and Korean won by +0.5%, reflecting increased prospects of continued monetary easing (and dollar weakening) by the US Fed in the context of a second Obama administration. For tomorrow, the focus in Asia will be on monetary policy meetings in Malaysia and Indonesia, where we expect no change in the policy stance. In China, the National Party Congress gets underway (see below), and on Friday markets will react to the release October data on industrial production, inflation, investment, and retail sales (see Weekly Indicator below).

China's leadership transition moves ahead with start of Party Congress

The 18th National Party Congress begins tomorrow, and will last for seven days. The Congress begins the official leadership transition process, with the selection of new Politburo and Standing Committee members, culminating in March with the formal transition of the Premier and President. Press reports are circulating that 'conservatives' may be selected, which, if true, could bode ill for the pace of further economic and political reforms. However, there have yet been no official statements about the composition of the new Standing Committee members.

Consumer confidence rises in Indonesia

Consumer confidence rose in October, to 119.5 from 117.7 the previous month, on an improving jobs outlook (a reading above 100 shows that consumers are more optimistic). Though Indonesia's third quarter GDP slowed to 6.2% y/y from 6.4% y/y, today's outturn is encouraging given the large extent by which the country depends on domestic demand to fuel growth. We expect full year GDP growth of 6.2% y/y in 2012 and a slight pickup to 6.3% y/y in 2013.

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Retail Sales s.a. (MoM)	05-Nov	Sep	0.20%	0.40%	0.50%
Unemployment Rate	08-Nov	Oct	5.40%	5.50%	--
China	Date	Period	Prior	Cons.	Actual
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%	-2.70%	--
Industrial Production (YoY)	09-Nov	Oct	9.20%	9.40%	--
Industrial Production YTD YoY	09-Nov	Oct	10.00%	9.90%	--
Fixed Assets Inv Excl. Rural YTD YoY	09-Nov	Oct	20.50%	20.60%	--
Retail Sales (YoY)	09-Nov	Oct	14.20%	14.40%	--
Retail Sales YTD YoY	09-Nov	Oct	14.10%	14.10%	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Purchasing Managers Index	05-Nov	Oct	49.6	--	50.5
Indonesia	Date	Period	Prior	Cons.	Actual
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%
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	¥761.8B	--
Trade Balance - BOP Basis	08-Nov	Sep	-¥644.5B	-¥413.5B	--
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%	0.00%	--
Manufacturing Sales Value YoY%	08-Nov	Sep	1.80%	--	--
Exports YoY%	09-Nov	Sep	-4.50%	-3.00%	--
Philippines	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	06-Nov	Oct	3.60%	3.50%	3.10%
Singapore	Date	Period	Prior	Cons.	Actual
Purchasing Managers Index	05-Nov	Oct	48.7	49.5	48.3
Taiwan	Date	Period	Prior	Cons.	Actual
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: 9.4% y/y

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 expected the benchmark rate to remain unchanged

Current

3.25%

Consensus

3.00%

New

3.25%

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.	2105.7	0.0	1.8	-4.3	-16.1
	Hong Kong - Hang Seng	22099.9	0.7	2.1	19.9	12.3
	Taiwan - Weighted	7287.2	0.7	1.7	3.0	-4.4
	Japan - Nikkei 225	8972.9	0.0	0.5	6.1	2.3
	Korea - Kospi	1937.6	0.5	1.3	6.1	1.0
	India - Sensex 30	18911.9	0.5	2.2	22.4	7.7
	Australia - SPX/ASX 200	4516.5	0.7	0.0	11.3	5.7
	Singapore - Strait Times	3043.3	0.8	0.2	15.0	6.8
	Indonesia - Jakarta Comp	4350.4	0.8	0.0	13.8	15.1
	Thailand - SET	1297.9	-0.2	-0.1	26.6	35.8
	Malaysia - KLCI	1645.5	0.0	-1.6	7.5	11.4
	Philippines - Manila Comp.	5437.3	-0.7	0.7	24.4	27.3

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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	-0.10	6.30	6.35
	Hong Kong (HKD/USD)	7.75	0.00	0.00	7.75	7.75
	Taiwan (TWD/USD)	29.2	0.30	0.17	29.02	28.76
	Japan (JPY/USD)	80.33	0.02	-0.70	80.25	79.99
	Korea (KRW/USD)	1085	0.48	0.48	1090	1101
	India (INR/USD)	54.2	0.50	-0.65	55.02	57.27
	Australia (USD/AUD)	1.05	0.20	0.77	0.96	0.98
	Singapore (SGD/USD)	1.22	0.09	-0.11	1.22	1.22
	Indonesia (IDR/USD)	9629	-0.03	-0.05	9717	10089
	Thailand (THB/USD)	30.7	0.26	0.10	30.82	31.24
	Malaysia (MYR/USD)	3.05	0.49	-0.05	3.07	3.11
	Philippines (PHP/USD)	41.0	0.53	0.41	40.97	40.98

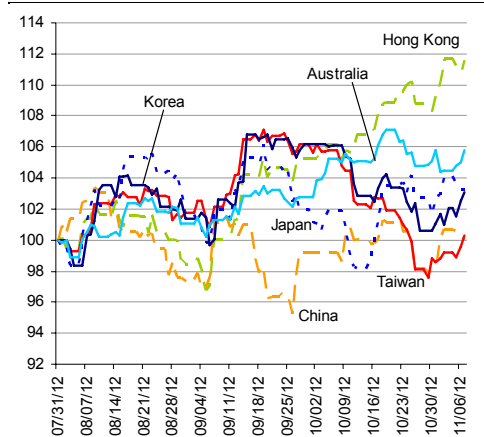
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.13	-0.07	-0.30	-0.17
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	-0.04
	Taiwan (TAIBOR/1W)	0.60	0.00	0.00	-0.02
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	2.78	0.00	0.00	-0.23
	India (MIBOR/7D)	3.32	0.08	-0.09	0.32
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.29	0.00	-0.01	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	-0.13	0.31	0.00

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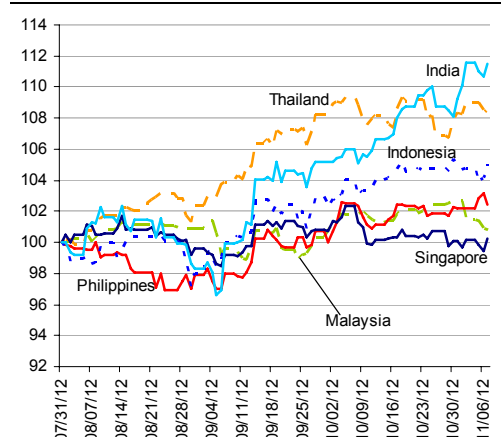
Charts

Chart 1
Stock Markets



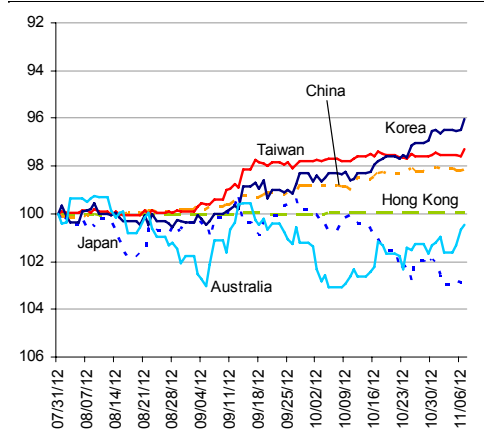
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



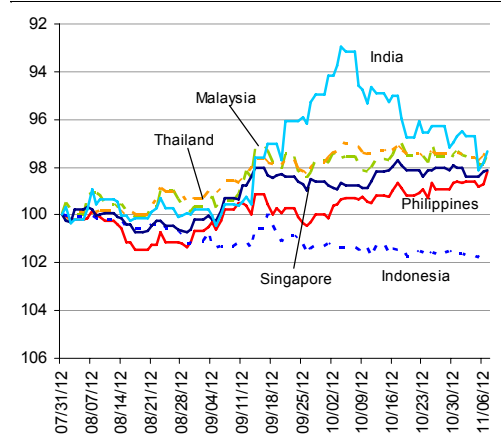
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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