

Daily Flash

Asia

Asian stock markets were mixed today, with a rebound in the Shanghai Composite grabbing investors' attention. The index bounced back from below the psychologically important level of 2,000 points (for the second time in three days), closing +1.0% up at 2,030. Elsewhere in Asia, Japan's slowdown remains in focus after it posted a large monthly trade deficit (see below), partially due to ongoing tensions with China, its biggest trade partner. The focus tomorrow will move to the release of China's Flash PMI for signs that growth in the world's second largest economy has bottomed out, while Hong Kong will announce October inflation data.

Large trade deficit in October adds to recession fears for Japan

Japan posted a trade deficit of 549bn yen (USD \$6.7bn) in October (consensus: -360bn yen), adding to concerns that Japan's economy may be entering a recession (Japan's third quarter GDP showed a contraction of -3.5% saar). For October, Japan's total exports declined by -6.5% y/y (consensus: -4.9% y/y), its fifth straight monthly decline, as shipments to China (Japan's biggest export market) slumped by -11.6% y/y, and exports to Europe declined for a 13th straight month, by -20.1% y/y. Imports, meanwhile, decreased by less than exports (-1.6% y/y for the month), resulting in the large monthly deficit. The yen finished the day lower (by -0.6%) against the USD, at 82.17/USD, as speculation grows that the Bank of Japan will ease further in December in order to support the economy.

Briefly noted:

- **In Korea, department store sales declined by -0.4% y/y, the fifth straight monthly decline.** Korea's domestic demand has stagnated as weak exports have spilled over, causing consumers to hold back on purchases. Separately, Finance Minister Bahk Jae Wan warned the government will be closely watching the won, which has appreciated by 5.9% versus the US dollar since the end of July, and 'may act to curb volatility' if necessary - ostensibly to protect exporters, who remain under pressure given the weak global environment.

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Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Actual FDI (YoY)	20-Nov	Oct	-6.80%	1.00%	-0.20%
China October Property Prices	18-Nov	Oct	--	--	--
HSBC Flash Manufacturing PMI	22-Nov	Nov	49.5	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Unemployment Rate SA	19-Nov	Oct	3.30%	3.30%	3.40%
CPI - Composite Index (YoY)	22-Nov	Oct	3.80%	3.60%	--
Japan	Date	Period	Prior	Cons.	Actual
All Industry Activity Index (MoM)	20-Nov	Sep	0.10%	-0.60%	--
Merchnds Trade Balance Total	21-Nov	Oct	-¥558.6B	-¥360.0B	-¥549.0B
Merchnds Trade Exports YoY	21-Nov	Oct	-10.30%	-4.80%	-6.50%
Malaysia	Date	Period	Prior	Cons.	Actual
CPI YoY	23-Nov	Oct	1.30%	1.30%	--
Philippines	Date	Period	Prior	Cons.	Actual
Balance of Payments	19-Nov	Oct	\$751M	--	\$604M
Singapore	Date	Period	Prior	Cons.	Actual
CPI (MOM) - NSA	23-Nov	Oct	0.60%	0.20%	--
CPI (YoY)	23-Nov	Oct	4.70%	4.50%	--
Taiwan	Date	Period	Prior	Cons.	Actual
Export Orders (YoY)	20-Nov	Oct	1.91%	0.20%	3.16%
Unemployment Rate - sa	22-Nov	Oct	4.30%	4.30%	--
Industrial Production (YoY)	23-Nov	Oct	3.00%	3.21%	--
GDP - Constant Prices (YoY)	23-Nov	3Q F	1.02%	1.00%	--
Thailand	Date	Period	Prior	Cons.	Actual
Gross Domestic Product SA (QoQ)	19-Nov	3Q	3.30%	-0.30%	1.20%
Gross Domestic Product (YoY)	19-Nov	3Q	4.20%	3.00%	3.00%
Customs Exports (YoY)	23-28 NOV	Oct	0.20%	--	--

Indicator of the Week

India: Q3 2012 GDP Growth (November 30th)

Forecast: 5.7% y/y

Consensus: n/a

Prior: 5.5% y/y

Recent macro developments paint a mixed picture for India's economy given the revival in policy reforms, weak factory activity, high and sticky retail inflation, and unexpected easing in WPI inflation. Furthermore, a widening trade deficit and fiscal woes, amid slippages in non-tax revenues, have dragged on the rupee. Against this backdrop, the outturn for Q3 GDP growth will be a key input for the Reserve Bank of India in timing its rate-cut cycle. While RBI's cautious stance over inflation suggests reasonable likelihood of further policy easing in 1Q13, a negative surprise in Q3 GDP growth would add to the case for a December policy action. That said, inflation prints in the run up to policy date will also warrant close attention. We expect a shallow recovery for India, starting Q3, with overall GDP growth slowing to 5.6% for full year 2012, down from 7.5% in 2011.

Calendar Events

Japan - BOJ Target Rate, November 20

We expected the policy stance to remain unchanged

Current

0.10%

Consensus

0.10%

New

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.	2030.3	1.1	-1.2	-7.7	-15.9
	Hong Kong - Hang Seng	21524.4	1.4	0.4	16.8	18.1
	Taiwan - Weighted	7088.5	-0.8	-1.0	0.2	0.7
	Japan - Nikkei 225	9222.5	0.9	6.4	9.1	10.5
	Korea - Kospi	1884.0	-0.3	-0.5	3.2	3.5
	India - Sensex 30	18452.2	0.7	-1.2	19.4	15.7
	Australia - SPX/ASX 200	4369.5	-0.4	-0.4	7.7	5.0
	Singapore - Strait Times	2964.5	0.2	-0.5	12.0	9.9
	Indonesia - Jakarta Comp	4317.3	0.1	0.0	13.0	17.3
	Thailand - SET	1274.5	-0.2	-0.4	24.3	32.1
	Malaysia - KLCI	1623.0	-0.1	-0.9	6.0	13.2
	Philippines - Manila Comp.	5534.2	0.6	1.5	26.6	28.7

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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)	6.23	0.04	-0.08	6.29	6.33
	Hong Kong (HKD/USD)	7.75	-0.01	0.00	7.75	7.75
	Taiwan (TWD/USD)	29.2	-0.14	-0.33	28.98	28.71
	Japan (JPY/USD)	82.25	-0.69	-2.43	82.17	81.86
	Korea (KRW/USD)	1083	-0.10	0.16	1087	1098
	India (INR/USD)	55.1	0.00	-0.40	55.95	58.21
	Australia (USD/AUD)	1.04	-0.11	0.02	0.97	0.99
	Singapore (SGD/USD)	1.23	-0.02	-0.16	1.23	1.23
	Indonesia (IDR/USD)	9654	-0.15	-0.25	9730	10082
	Thailand (THB/USD)	30.7	-0.07	-0.03	30.87	31.28
	Malaysia (MYR/USD)	3.06	-0.04	0.04	3.08	3.12
	Philippines (PHP/USD)	41.1	0.09	-0.01	41.10	41.12

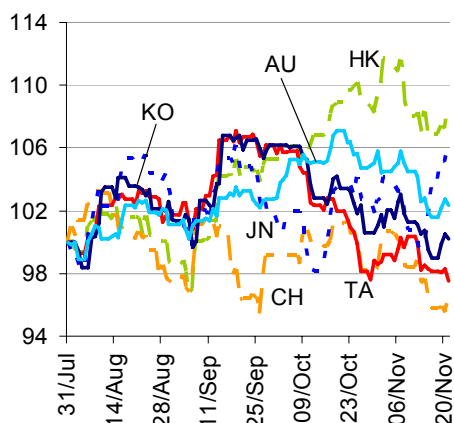
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.20	-0.15	0.28	0.51
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	-0.02
	Taiwan (TAIBOR/1W)	0.59	0.00	0.00	-0.03
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	2.78	0.00	0.00	0.00
	India (MIBOR/7D)	3.39	0.05	0.04	-0.21
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.29	0.00	0.00	0.01
	Thailand (BIBOR/1W)	2.78	0.00	0.00	0.00
	Malaysia (KLIBOR/1W)	2.90	0.00	0.00	0.00
	Philippines (PHIBOR/1W)	1.44	-0.50	-0.50	0.69

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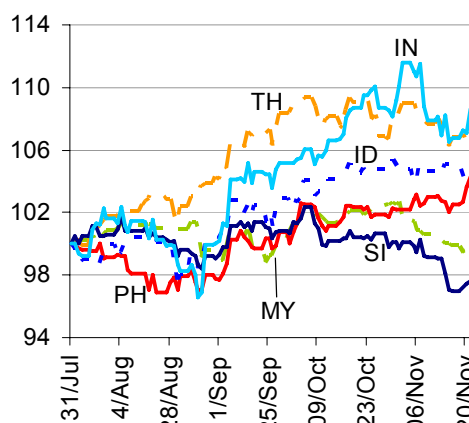
Charts

Chart 1
Stock Markets



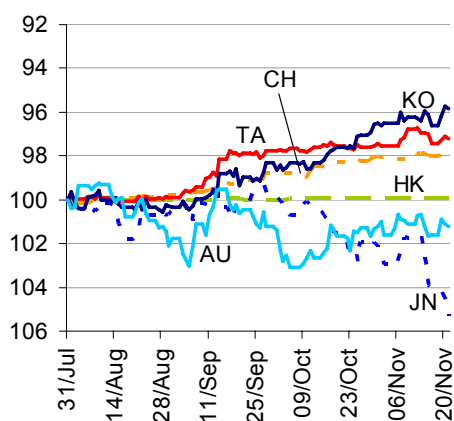
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



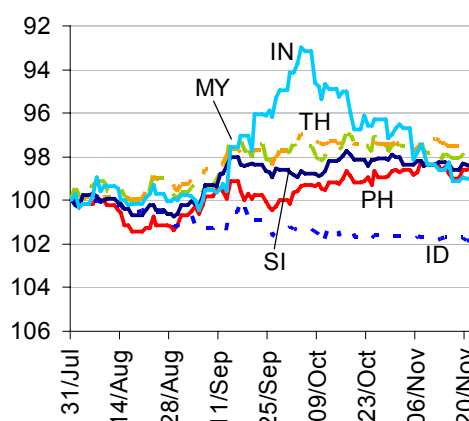
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



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