

Daily Flash

Asia

The announcement of the Greek bailout deal lifted sentiment in Asian markets, led by the Sensex (+1.6%) and the Kospi (+0.9%). Currency markets also responded favorably (INR up 0.4% to 55.5/USD). China, however, was an outlier in equity markets (the Shanghai Composite fell by -1.3%), despite strong industrial profits announced today (see below), on expectations that previously restricted shares in listed companies will be allowed to be traded next month. Meanwhile, the spotlight tomorrow will be on the release of 3Q GDP in the Philippines (consensus: 5.4% y/y) and the Bank of Thailand's policy meeting (consensus: 2.75%).

China industrial profits surge in October

Industrial profits rose by 20.5% y/y in October from 7.7% y/y the previous month, and industrial sales increased 11.1% y/y from 10.2% y/y according to data released by the National Bureau of Statistics. The outturn is the result of favorable base effects, low input prices and, most importantly, a pickup in economic activity. The data provide further evidence that the economic slowdown has bottomed out, and we expect GDP growth to accelerate to between 7.5%-8.0% in Q4 (from 7.4% y/y in Q3). The RMB strengthened again today, reaching 6.22/USD, and hit the strong end of the daily trading band; the RMB has now increased by 2.6% since its low point in July, and is up by 1.2% against the USD for the year.

Moody's affirms "stable" outlook for India's rating

Citing strong economic expansion and healthy savings and investment rates that exceed other emerging economies, Moody's affirmed its "stable" outlook on India's Baa3 sovereign rating, one notch above speculative grade. However, Moody's warned that India's high twin deficits, poor infrastructure and elevated inflation are constraints to its rating. The announcement may provide some respite to investors and policymakers alike over concerns of a possible ratings downgrade for India.

Korea cuts forward position ceiling to curb KRW appreciation

Korea's finance ministry has cut the forward position limit for foreign banks from 200% to 150% of capital, and from 40% to 30% for domestic banks, effective December 1. The ministry said it expects capital flows to increase and that it is acting "proactively" to ward off possible volatility, noting it will "continue to work out measures to prevent the domestic market from being swayed by external conditions." The won was little changed after the announcement, partly because the move was flagged last week, which had prompted the won to depreciate from a nadir of 1080/USD to 1085/USD.

Thailand's manufacturing output surges on low base

Thailand's manufacturing production in October rose by 36.1% y/y from a -15.9% decline the previous month (consensus: +29.5%), the first rise in IP in 5 months, due to base effects after factories were hit by floods in the country in October 2011. Despite the pickup in industrial production, we anticipate a 25bps interest rate cut in tomorrow's Bank of Thailand monetary policy meeting on sluggish exports and the relatively mild inflation outlook.

Briefly noted:

- **Hong Kong's October exports declined by -2.8% y/y from 15.2% y/y in September, well below market expectations (consensus: 6.2% y/y).** In the meantime, imports rose by a lower-than-expected 3.3% y/y (consensus: 9.5% y/y), down from 14.9% y/y in the previous month. The declines in the trade data reflect base effects and seasonal factors (due to a national holiday that fell in October this year). Separately, today the Hong Kong Monetary Authority (HKMA) said that Hong Kong will begin implementation of the Basel III framework on January 1, 2013, abiding by the timetable suggested by the Basel Committee.

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Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Industrial Profits YTD YoY	27-Nov	Oct	-1.80%	--	0.50%
Hong Kong	Date	Period	Prior	Cons.	Actual
Exports YoY%	27-Nov	Oct	15.20%	6.20%	-2.80%
Imports YoY%	27-Nov	Oct	14.90%	9.50%	3.30%
Retail Sales - Value (YoY)	29-Nov	Oct	9.40%	6.70%	--
India	Date	Period	Prior	Cons.	Actual
Qtrly GDP YoY%	30-Nov	3Q	5.50%	5.20%	--
Japan	Date	Period	Prior	Cons.	Actual
Retail Trade YoY	29-Nov	Oct	0.40%	-0.80%	--
Jobless Rate	30-Nov	Oct	4.20%	4.20%	--
Natl CPI YoY	30-Nov	Oct	-0.30%	-0.40%	--
Natl CPI Ex-Fresh Food YoY	30-Nov	Oct	-0.10%	-0.10%	--
Tokyo CPI Ex-Fresh Food YoY	30-Nov	Nov	-0.40%	-0.40%	--
Industrial Production (MoM)	30-Nov	Oct P	-4.10%	-2.00%	--
Industrial Production YOY%	30-Nov	Oct P	-8.10%	-8.00%	--
Malaysia	Date	Period	Prior	Cons.	Actual
Unemployment Rate	30-Nov	3Q	3.00%	--	--
Philippines	Date	Period	Prior	Cons.	Actual
GDP (YoY)	28-Nov	3Q	5.90%	5.40%	--
Singapore	Date	Period	Prior	Cons.	Actual
Industrial Production MoM SA	26-Nov	Oct	-1.80%	5.40%	3.30%
Industrial Production YoY	26-Nov	Oct	-2.50%	-0.70%	-2.10%
South Korea	Date	Period	Prior	Cons.	Actual
Current Account in US\$ Million	28-Nov	Oct	\$6066.2M	--	--
Industrial Production (MoM)	30-Nov	Oct	0.80%	1.00%	--
Industrial Production (YoY)	30-Nov	Oct	0.70%	1.00%	--
Thailand	Date	Period	Prior	Cons.	Actual
Customs Exports (YoY)	26-Nov	Oct	0.20%	20.00%	15.57%
Mfg. Production Index ISIC NSA (YoY)	27-Nov	Oct	-13.68%	29.50%	36.12%
Vietnam	Date	Period	Prior	Cons.	Actual
CPI (YoY)	24-Nov	Nov	7.00%	--	7.08%
Exports YTD (YoY)	27-Nov	Nov	18.40%	--	18.40%

Indicator of the Week

India: Q3 2012 GDP Growth (November 30th)

Forecast: 5.7% y/y

Consensus: 5.2%

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 the next policy meeting will also warrant close attention. We expect a shallow recovery for India, starting in Q3, with overall GDP growth slowing to 5.6% for full year 2012, down from 7.5% in 2011.

Calendar Events

Thailand - Benchmark Interest Rate, November 28

We expect a 25 bps cut in the benchmark rate

Current

2.75%

Consensus

2.75%

New

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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.	1991.2	-1.3	-0.9	-9.5	-16.3
	Hong Kong - Hang Seng	21844.0	-0.1	2.9	18.5	23.5
	Taiwan - Weighted	7430.2	0.3	4.0	5.1	9.5
	Japan - Nikkei 225	9423.3	0.4	3.0	11.4	15.5
	Korea - Kospi	1925.2	0.9	1.9	5.4	8.4
	India - Sensex 30	18816.1	1.5	2.7	21.7	19.9
	Australia - SPX/ASX 200	4456.8	0.7	1.6	9.9	11.9
	Singapore - Strait Times	3014.2	0.3	1.9	13.9	14.0
	Indonesia - Jakarta Comp	4337.5	-0.9	0.6	13.5	19.3
	Thailand - SET	1296.3	0.4	1.6	26.4	34.0
	Malaysia - KLCI	1598.2	-0.6	-1.6	4.4	11.6
	Philippines - Manila Comp.	5586.5	0.1	1.6	27.8	31.1

Last update: today, 17:00 Hong Kong time

FOREIGN EXCHANGE MARKETS	CURRENCY	Spot	% change over a day	% change over a week	Forward 3-month	Forward 12-month
	China (CNY/USD)	6.22	0.05	0.17	6.28	6.33
	Hong Kong (HKD/USD)	7.75	0.00	0.00	7.75	7.75
	Taiwan (TWD/USD)	29.1	0.02	0.05	28.89	28.58
	Japan (JPY/USD)	82.24	-0.19	-0.68	82.16	81.87
	Korea (KRW/USD)	1084	0.13	-0.17	1089	1101
	India (INR/USD)	55.6	0.19	-0.94	56.49	58.76
	Australia (USD/AUD)	1.05	0.18	0.91	0.96	0.98
	Singapore (SGD/USD)	1.22	-0.02	0.25	1.22	1.22
	Indonesia (IDR/USD)	9639	-0.40	0.01	9706	10053
	Thailand (THB/USD)	30.7	0.00	0.00	30.85	31.26
	Malaysia (MYR/USD)	3.04	0.32	0.54	3.06	3.10
	Philippines (PHP/USD)	40.8	0.40	0.81	40.80	40.79

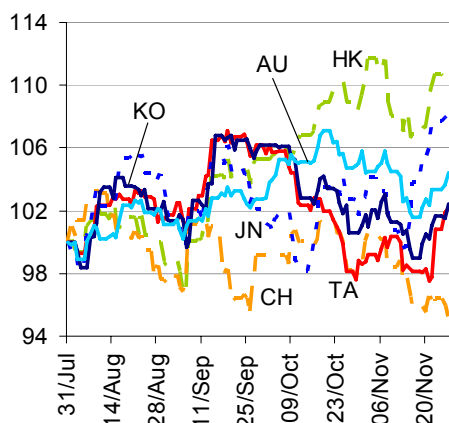
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	2.88	0.04	-0.34	-0.65
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.58	0.00	0.00	-0.02
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	2.78	0.00	0.00	0.00
	India (MIBOR/7D)	2.87	-0.02	-0.47	-3.13
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.29	0.00	0.00	0.00
	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)	0.06	-1.00	-1.88	-1.81

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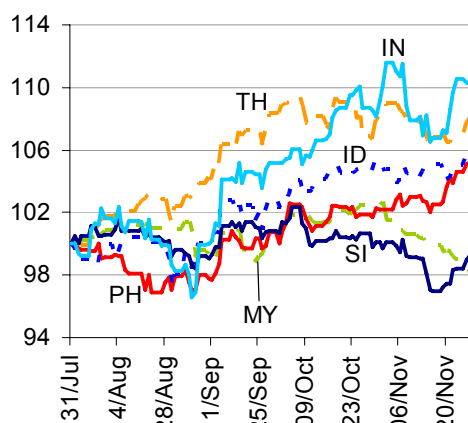
Charts

Chart 1
Stock Markets



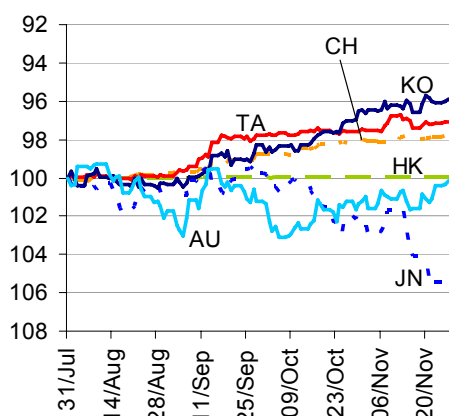
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



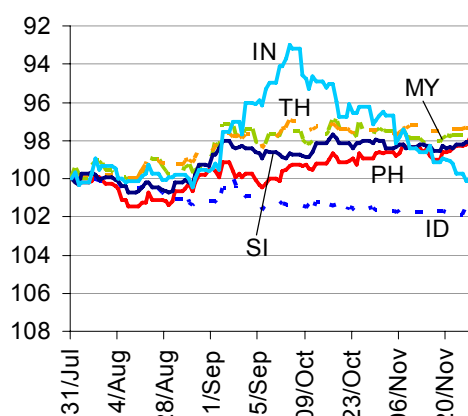
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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