

Daily Flash

Asia

Asian markets trended lower today (Nikkei: -1.2%; Hang Seng: -0.7%), ostensibly on lingering worries over the US fiscal cliff. A -0.9% decline in the Shanghai Composite was notable, especially on the heels of yesterday's close below the psychologically important 2000 level for the first time since January 2009. The index is now down by -9.5% year-to-date, possibly reflecting concerns about market transparency and accounting standards, despite a recent pickup in economic activity. The focus now will turn to India, which reports 3Q GDP on Friday; Japan will report October CPI data and preliminary IP on the same day.

China not a currency manipulator, says US Treasury report

In its semiannual report to Congress on international economic and exchange rate policies, the US Treasury Department once again refrained from labeling China as a currency manipulator. Nevertheless, the report called the currency "significantly undervalued" (in contrast to a softer tone by the IMF, which recently described the exchange rate as only "moderately" undervalued), and urged policymakers to allow the currency to appreciate and to move to a more market-based exchange rate regime. The PBoC today set the daily RMB fixing 0.5% more depreciated, but market forces continued to push the RMB toward the strong side of the daily +/-1% trading band, closing at 6.224 per USD, slightly lower than yesterday's close of 6.222/USD. While we expect little further appreciation for the rest of the year due to the weak external environment, we expect modest appreciation to continue during the course of 2013.

Philippines 3Q GDP data shows strong growth momentum

Third quarter GDP for the Philippines came in well above expectations at 7.1% y/y (consensus: 5.4% y/y), up from 5.9% y/y in the second quarter, as government spending and investment boosted growth. Sequentially, growth accelerated to 1.3% q/q sa from 0.2% q/q sa. Momentum is expected to remain strong in the Philippines after a total of 100bps in interest rate cuts since the start of 2012 (the most recent 25bps cut in October brought the policy rate down to its current 3.5%) and expectations for the continuation of proactive government spending in support of the economy. The outturn is yet another sign of the outperformance of ASEAN economies, on strong domestic demand and intra-regional trade.

Thailand holds rates steady, as expected

The Bank of Thailand (BOT) kept interest rates steady at 2.75% today, after a 25bps cut last month. The BOT explained that, while inflation remains in check, downside risks to growth have subsided, as reflected in "better-than-expected economic data especially from the US and China." Furthermore, the BOT forecast a continued recovery in exports in the first half of 2013, "on the back of anticipated improvement in the global economy." The BOT also reaffirmed that it would take further action if the economic outlook were to worsen. Recent economic indicators, including exports and domestic demand, have been improving for Thailand, as it steadily recovers from last year's floods.

Briefly noted:

- **Vietnam will ask the IMF, the World Bank and the Asian Development Bank for advice on its bad-debt problems**, the Wall Street Journal reported today. This will be part of a broader plan to reform the financial system that includes the establishment of an asset-management company to hold bad-debt, which had been announced earlier this year.

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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%	7.10%
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	--	\$5820.1M
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 expected a 25 bps cut in the benchmark rate

Current
2.75%

Consensus
2.75%

New
2.75%

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.	1973.5	-0.9	-2.8	-10.3	-17.2
	Hong Kong - Hang Seng	21709.0	-0.6	0.9	17.8	20.4
	Taiwan - Weighted	7434.9	0.1	4.9	5.1	7.8
	Japan - Nikkei 225	9308.4	-1.2	1.8	10.1	12.3
	Korea - Kospi	1912.8	-0.6	1.5	4.8	5.4
	India - Sensex 30	18842.1	1.6	2.8	21.9	16.5
	Australia - SPX/ASX 200	4447.3	-0.2	1.8	9.6	9.6
	Singapore - Strait Times	3007.8	-0.1	1.6	13.7	11.6
	Indonesia - Jakarta Comp	4283.7	-1.2	-0.8	12.1	17.5
	Thailand - SET	1301.3	0.3	2.0	26.9	32.2
	Malaysia - KLCI	1602.8	0.3	-1.2	4.7	12.0
	Philippines - Manila Comp.	5633.7	0.8	1.8	28.9	33.3

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	-0.03	0.10	6.29	6.33
	Hong Kong (HKD/USD)	7.75	0.00	0.01	7.75	7.75
	Taiwan (TWD/USD)	29.1	-0.15	0.04	28.99	28.71
	Japan (JPY/USD)	81.84	0.38	0.83	81.76	81.47
	Korea (KRW/USD)	1086	-0.22	-0.28	1092	1103
	India (INR/USD)	55.5	0.49	-0.65	56.29	58.56
	Australia (USD/AUD)	1.05	0.13	0.88	0.96	0.98
	Singapore (SGD/USD)	1.22	0.02	0.16	1.22	1.22
	Indonesia (IDR/USD)	9644	-0.05	0.10	9717	10064
	Thailand (THB/USD)	30.7	-0.10	-0.07	30.87	31.29
	Malaysia (MYR/USD)	3.05	-0.28	0.29	3.07	3.11
	Philippines (PHP/USD)	40.9	-0.10	0.62	40.82	40.80

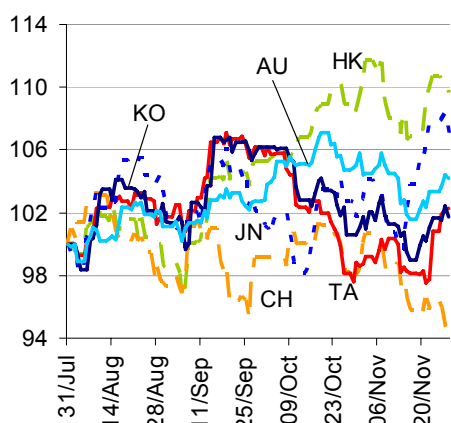
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.35	0.47	0.51	-0.18
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.58	0.00	0.00	-0.02
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	2.78	0.00	0.00	0.00
	India (MIBOR/7D)	3.02	0.15	-0.37	-2.98
	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)	-0.94	-1.00	-2.38	-2.81

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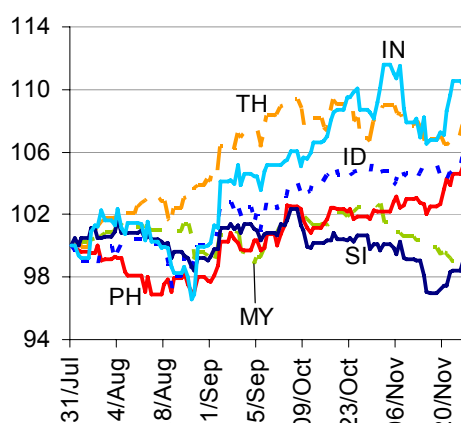
Charts

Chart 1
Stock Markets



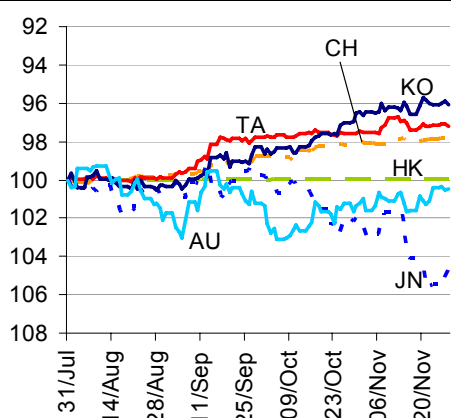
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



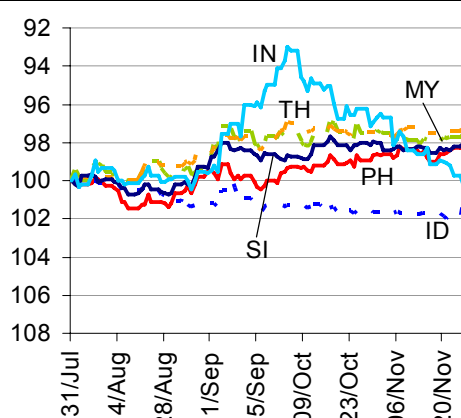
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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