

Daily Flash

Asia

China's equity markets continue to be an outlier, with the Shanghai index falling by -0.5%, in contrast to strong gains elsewhere in the region (Kospi: +1.2%; Nikkei: +1.0%) on optimism of a deal to resolve the US fiscal cliff. As a point of reference, over the past week, Shanghai has fallen by -2.6% while Taiwan's index has risen by 5.6%. On investor radar screens for tomorrow will be the release of India's 3Q GDP (see Weekly Indicator below) for signs of a possible recovery in growth momentum. Also tomorrow, Japan and South Korea will post October industrial production, and Japan will also publish October inflation, just three weeks before the general election, amid calls for unlimited monetary easing to fight deflation by the current front-runner for Prime Minister, Mr. Shinzo Abe.

Japan retail sales fall, more weakness ahead?

Japan's retail sales fell by more than expected in October, by -1.2% y/y (prior: 0.4%, consensus: -0.8%), the biggest decline in 11 months. Sales of motor vehicles fell by -3.5% y/y after a subsidy program for the purchase of fuel-efficient vehicles ended in late September, while sales of machinery and equipment dropped by -5.8% y/y as purchases of flat-panel televisions fell. We expect Japan's economy will remain under pressure in the coming months, though a recent weakening trend in the yen may help exporters.

Briefly noted:

- **S&P has affirmed China's AA- sovereign credit rating with a stable outlook**, basing its decision on China's strong growth outlook and healthy fiscal position. S&P's decision comes after recent activity indicators showing signs of a pickup.
- **Hong Kong's retail sales slowed to 4.0% y/y in October (consensus: 6.7% y/y), down from 9.5% y/y in September.** The weaker-than-expected outturn was mainly due to a lackluster performance during the Chinese national holidays in October, which is traditionally a key shopping season for mainland tourists.

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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%	4.00%
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%	-1.20%
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.	1963.5	-0.5	-2.6	-10.7	-18.6
	Hong Kong - Hang Seng	21922.9	1.0	0.8	18.9	20.1
	Taiwan - Weighted	7503.6	0.9	5.6	6.1	7.4
	Japan - Nikkei 225	9400.9	1.0	1.9	11.2	10.9
	Korea - Kospi	1934.9	1.2	1.9	6.0	4.2
	India - Sensex 30	19114.6	1.4	3.5	23.7	18.2
	Australia - SPX/ASX 200	4477.7	0.7	1.5	10.4	9.2
	Singapore - Strait Times	3045.9	1.1	2.0	15.1	13.3
	Indonesia - Jakarta Comp	4319.1	0.3	-0.4	13.0	17.1
	Thailand - SET	1307.9	0.6	2.2	27.6	32.4
	Malaysia - KLCI	1607.3	0.0	-0.7	5.0	11.3
	Philippines - Manila Comp.	5640.5	0.1	2.3	29.0	33.9

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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)	6.22	0.01	0.09	6.28	6.33
	Hong Kong (HKD/USD)	7.75	0.00	0.01	7.75	7.75
	Taiwan (TWD/USD)	29.1	0.09	0.09	28.95	28.66
	Japan (JPY/USD)	82.13	-0.06	0.43	82.05	81.77
	Korea (KRW/USD)	1084	0.21	0.15	1088	1100
	India (INR/USD)	54.9	1.05	0.61	55.72	58.01
	Australia (USD/AUD)	1.05	-0.11	0.72	0.96	0.98
	Singapore (SGD/USD)	1.22	0.14	0.35	1.22	1.22
	Indonesia (IDR/USD)	9634	0.10	0.10	9696	10040
	Thailand (THB/USD)	30.7	0.07	-0.03	30.87	31.27
	Malaysia (MYR/USD)	3.05	0.26	0.52	3.06	3.10
	Philippines (PHP/USD)	40.8	0.14	0.64	40.72	40.71

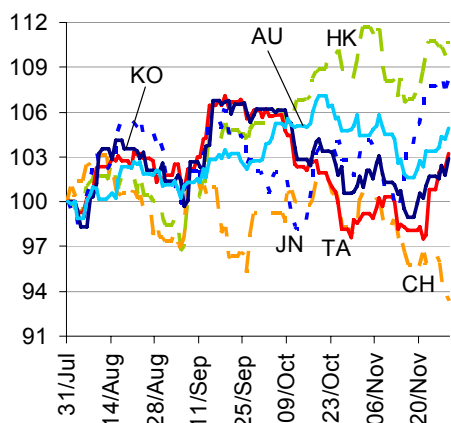
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.34	-0.01	0.50	-1.76
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.58	0.00	-0.01	-0.02
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	2.78	0.00	0.00	0.00
	India (MIBOR/7D)	3.34	0.33	0.11	-0.97
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.29	0.00	0.01	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)	0.19	1.13	-1.00	-1.19

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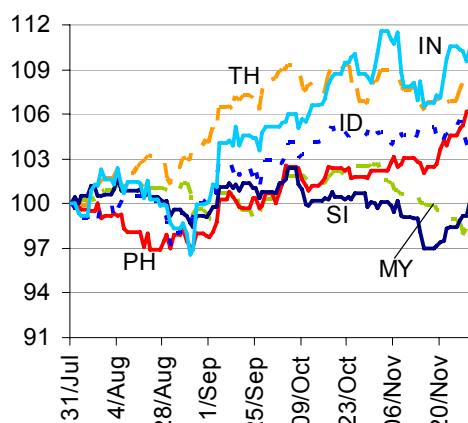
Charts

Chart 1
Stock Markets



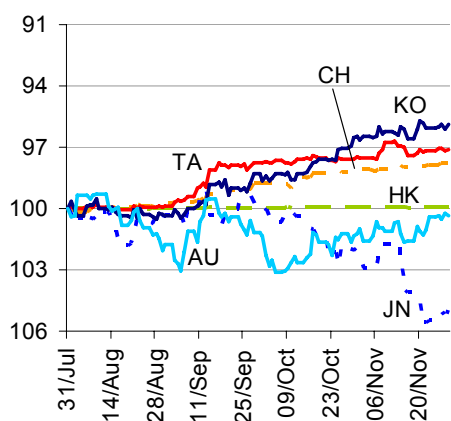
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



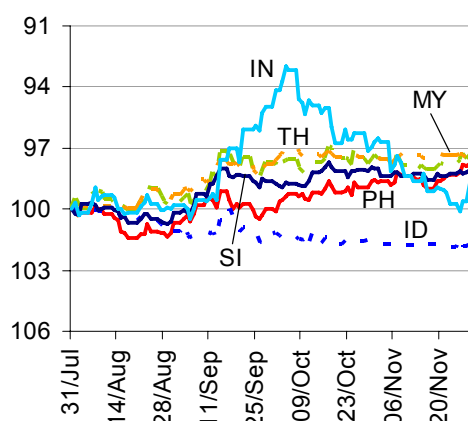
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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