

Daily Flash

Asia

Asian markets rallied today in line with global trends, led by the Sensex (+0.9%) and the Shanghai Composite (+0.9%), which rebounded from its recent lows. The rebound of India's markets over the past week has been noteworthy, with the Sensex gaining +4.5% in the past three trading days alone, and the Indian rupee strengthening by around 2% over the same period. The rebound comes after a steady decline since early October, and may reflect a return of confidence in prospects for reforms and fiscal consolidation (see below on today's Q3 GDP release). Looking ahead, China's official PMI (see calendar below) and South Korea's exports for November, both due out tomorrow, will kick start a week of important data releases in the region that also includes Australia's 3Q GDP.

Japan unveils new stimulus package; industrial output rebounds

Japanese government today approved a stimulus package worth 880.3 billion yen (USD\$10.7 billion) to support growth given prospects that the economy will fall into recession in Q4. The package follows a previous stimulus package on October 26th worth 0.1% of GDP, and is earmarked for health care, agriculture and public works projects, and will be funded by the fiscal reserve fund, without incurring any new debt issuance. It is expected to add 0.2% to Japan's growth and create about 80,000 jobs over the next 12 months, according to Japan's Cabinet. Given the limited size of the stimulus, we forecast the economy will decelerate to about 1.2% growth in 2013 from about 2% this year.

Separately, there was a batch of data released today, including better-than-expected industrial production, which expanded by 1.8% m/m s.a. in October (consensus: -2% m/m s.a.) from -4.1% m/m s.a. in September, due to a 14.7% (m/m s.a.) surge in electronic parts and devices production, which may prove short lived. October inflation and unemployment data were also released - both were in line with consensus (CPI: -0.4% y/y; unemployment: 4.2%).

India's Q3 GDP growth eases to 5.3% y/y, with gradual recovery anticipated

India's real GDP growth edged lower in 3Q12 to 5.3% y/y from 5.5% in Q2 (BBVA: 5.7%, consensus: 5.3%) as a pickup in the services sector failed to offset weakness in industrial and agricultural activity. On a seasonally adjusted basis (non-annualized), we estimate Q3 GDP grew at its slowest pace since December 2009, at 1.0% q/q from 1.3% in Q2, dragged down by subdued external demand, stalled investment activity, and the impact of a subpar monsoon on agriculture. Looking ahead, we expect a gradual improvement in India's growth momentum on the back of further traction in policy reforms, easing price pressures and a growth supportive policy stance by the RBI. For details, see our [Economic Flash](#) that was released earlier today.

Korea's industrial production in October disappoints

In contrast to Japan, industrial production in Korea disappointed, falling by -0.8% y/y in October (consensus: +1.0%). The outturn proves that Korea's growth outlook remains under pressure despite recent signs of a regional rebound, especially in China. Manufacturing (-0.8% y/y) and automobile (-3.5% y/y) sectors remain under pressure, and expectations of further stimulus measures, including rate cuts by the Bank of Korea could rise in the early part of next year, especially after the conclusion of December Presidential elections.

Briefly noted:

- **HKMA reported today that offshore RMB deposits in Hong Kong increased to RMB 555 billion in October from 546 billion in September (+1.7% m/m)**, the first monthly sequential increase since July. The pickup in offshore RMB deposits partially reflected increasing investor interest in the RMB on signs that China is rebounding.
- **A number of important economic indicators will be released in the coming week, with the highlight being China's official PMI tomorrow**, which could confirm the pickup in China's growth momentum. A batch of economic data will be released in Australia including 3Q GDP (on Wednesday) and unemployment, while the RBA holds its monetary policy meeting on Tuesday. South Korea will post its exports tomorrow, the first monthly outturn for November in the region, and final 3Q GDP data on Thursday. Also, inflation data will be published in Thailand, the Philippines, Taiwan, South Korea and Indonesia.

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%	5.30%
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%	4.20%
Natl CPI YoY	30-Nov	Oct	-0.30%	-0.40%	-0.40%
Natl CPI Ex-Fresh Food YoY	30-Nov	Oct	-0.10%	-0.10%	0.00%
Tokyo CPI Ex-Fresh Food YoY	30-Nov	Nov	-0.40%	-0.40%	-0.50%
Industrial Production (MoM)	30-Nov	Oct P	-4.10%	-2.00%	1.80%
Industrial Production YOY%	30-Nov	Oct P	-8.10%	-8.00%	-4.30%
Malaysia	Date	Period	Prior	Cons.	Actual
Unemployment Rate	30-Nov	3Q	3.00%	--	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%	0.60%
Industrial Production (YoY)	30-Nov	Oct	0.70%	1.00%	-0.80%
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

China: PMI for November (December 1st)

Forecast: 50.9

Consensus: 50.8

Prior: 50.2

Economic indicators in China have been turning up since September, suggesting that the growth slowdown bottomed out in Q3. The official PMI reading for November will be watched for further signs of the strength and durability of the pickup. After falling to a low of 49.2 in August, PMI and has been rising for two consecutive months. We expect a further increase for November, especially after the private sector HSBC/Markit flash PMI for November (released last week) showed a strong rise to its highest level in 13 months, on strong production and new orders. The pickup is evidence that recent government stimulus measures are working to counter external headwinds, although exports have also showed some improvement in recent months. On this basis, we expect Q4 GDP to 7.5-8.0% from 7.4% y/y in Q3, which would bring full-year GDP growth to at least 7.6% in 2012.

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%

Upcoming Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Retail Sales s.a. (MoM)	03-Dec	Oct	0.50%	0.40%	--
Current Account Balance	04-Dec	3Q	-11801M	-14550M	--
Australia Net Exports of GDP	04-Dec	3Q	0.3	0	--
Gross Domestic Product (QoQ)	05-Dec	3Q	0.60%	0.60%	--
Gross Domestic Product (YoY)	05-Dec	3Q	3.70%	3.10%	--
Unemployment Rate	06-Dec	Nov	5.40%	5.50%	--
Trade Balance	07-Dec	Oct	-1456M	-2200M	--
China	Date	Period	Prior	Cons.	Actual
Manufacturing PMI	01-Dec	Nov	50.2	50.8	--
Non-manufacturing PMI	03-Dec	Nov	55.5	--	--
HSBC Manufacturing PMI	03-Dec	Nov	49.5	50.4	--
HSBC Services PMI	05-Dec	Nov	53.5	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Purchasing Managers Index	05-Dec	Nov	50.5	--	--
Indonesia	Date	Period	Prior	Cons.	Actual
Inflation (YoY)	03-Dec	Nov	4.61%	4.59%	--
Inflation NSA (MoM)	03-Dec	Nov	0.16%	0.30%	--
Core Inflation (YoY)	03-Dec	Nov	4.59%	4.60%	--
Exports (YoY)	03-Dec	Oct	-9.40%	-4.30%	--
Malaysia	Date	Period	Prior	Cons.	Actual
Exports YoY%	07-Dec	Oct	2.60%	-1.70%	--
Philippines	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	05-Dec	Nov	3.10%	3.00%	--
Singapore	Date	Period	Prior	Cons.	Actual
Purchasing Managers Index	04-Dec	Nov	48.3	49	--
South Korea	Date	Period	Prior	Cons.	Actual
Ext Trade - Export (YoY)	01-Dec	Nov	1.20%	1.60%	--
Consumer Price Index (MoM)	03-Dec	Nov	-0.10%	0.00%	--
Consumer Price Index (YoY)	03-Dec	Nov	2.10%	2.00%	--
GDP (QoQ)	06-Dec	3Q F	0.20%	--	--
GDP (YoY)	06-Dec	3Q F	1.60%	--	--
Taiwan	Date	Period	Prior	Cons.	Actual
CPI YoY%	05-Dec	Nov	2.36%	2.00%	--
Total Exports (YoY)	07-Dec	Nov	-1.90%	7.60%	--
Thailand	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	03-Dec	Nov	3.32%	3.20%	--
Core CPI (YoY)	03-Dec	Nov	1.83%	1.90%	--

Upcoming Calendar Events

Australia - RBA Cash Target, December 4

We expect the benchmark rate to remain unchanged

Current	Consensus	New
3.25%	3.00%	--

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.	1980.1	0.8	-2.3	-10.0	-15.1
Hong Kong - Hang Seng	22030.4	0.5	0.5	19.5	22.5	
Taiwan - Weighted	7580.2	1.0	3.5	7.2	9.8	
Japan - Nikkei 225	9446.0	0.5	0.8	11.7	12.0	
Korea - Kospi	1932.9	-0.1	1.1	5.9	4.6	
India - Sensex 30	19324.8	0.8	4.4	25.0	19.9	
Australia - SPX/ASX 200	4506.0	0.6	2.1	11.1	9.4	
Singapore - Strait Times	3070.0	0.8	2.7	16.0	13.6	
Indonesia - Jakarta Comp	4276.1	-1.0	-1.7	11.9	15.1	
Thailand - SET	1325.8	1.2	3.4	29.3	33.2	
Malaysia - KLCI	1610.8	0.2	-0.2	5.2	9.4	
Philippines - Manila Comp.	5640.5	0.1	2.3	29.0	33.9	

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)	6.23	-0.05	0.03	6.28	6.32
Hong Kong (HKD/USD)	7.75	0.00	0.00	7.75	7.75	
Taiwan (TWD/USD)	29.1	0.21	0.27	28.88	28.59	
Japan (JPY/USD)	82.68	-0.68	-0.34	82.60	82.32	
Korea (KRW/USD)	1083	0.12	0.30	1087	1099	
India (INR/USD)	54.4	0.71	1.97	55.25	57.55	
Australia (USD/AUD)	1.04	-0.17	-0.42	0.97	0.99	
Singapore (SGD/USD)	1.22	-0.07	0.11	1.22	1.22	
Indonesia (IDR/USD)	9618	0.17	0.32	9661	9973	
Thailand (THB/USD)	30.7	0.10	0.10	30.82	31.24	
Malaysia (MYR/USD)	3.04	0.19	0.69	3.06	3.09	
Philippines (PHP/USD)	40.8	0.07	0.63	40.72	40.70	

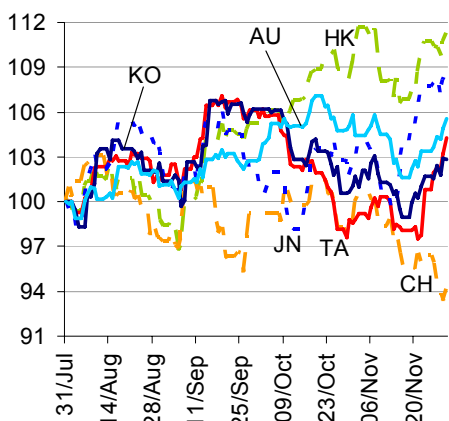
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.40	0.06	0.56	0.25
Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.00	
Taiwan (TAIBOR/1W)	0.58	0.00	-0.01	-0.02	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.78	0.00	0.00	0.00	
India (MIBOR/7D)	3.39	0.05	0.56	-0.02	
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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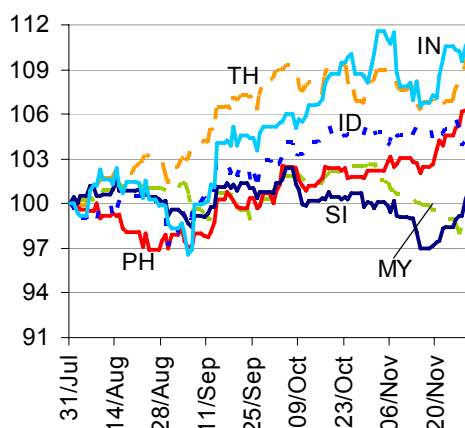
Charts

Chart 1
Stock Markets



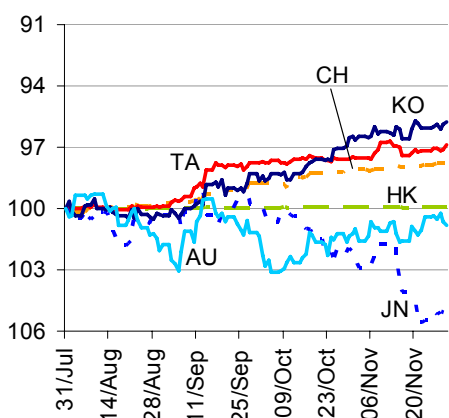
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



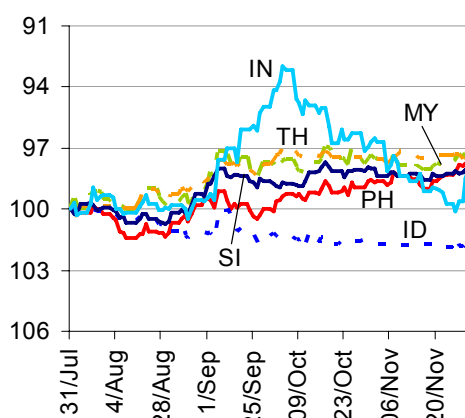
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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