

# Daily Flash

## Asia

Today brought a batch of November data throughout the region, with several economies reporting inflation outturns that were lower than expected (see below). At the same time, PMI outturns were mixed, as ongoing weakness in Taiwan and Korea were offset by further pickups in China and India. Looking ahead, tomorrow the Reserve Bank of Australia will hold its monthly policy meeting, with the consensus expecting a 25bps cut - bringing the interest rate down to 3.00%. However, we expect rates to remain unchanged (see below for further details).

### China's November PMI affirms gradual economic pickup

The official PMI reading for November (released over the weekend on December 1) rose for a fourth consecutive month, to 50.6 (BBVA forecast: 50.9; Consensus: 50.8) and was above the 50 expansion threshold for a second month in a row (see our [China Flash](#) for details). While slightly below expectations, the outturn confirms an economic pickup in Q4 after bottoming out in Q3. The positive data, however, failed to stem the downward momentum of China's stock market, with the Shanghai today closing down by another -1.0%, bringing the index to its lowest level since January 2009, on investor concerns about the market's transparency and uncertainty over the pace and extent of forthcoming stimulus measures. In this regard, investors will be watching for the next batch of economic indicators due out December 9-15, as well as the forthcoming annual Central Economic Work Conference in mid-December, where next year's growth target is likely to be established, along with the course of policy measures.

### Korea's exports surprise to the upside; inflation falls

Exports for November (the first monthly release in the region) climbed by a better-than-expected 3.9% y/y (consensus: 1.6% y/y), up from a revised 1.1% y/y in October. The outturn is the latest regional export reading showing signs of stabilization. Concurrently, inflation fell to 1.6% y/y in November (consensus: 2.0% y/y) from 2.1% y/y the previous month on lower food and clothing prices. We expect a gradual pickup in Korea's economy in 2013 (to 2.9% y/y GDP growth, from 2.3% y/y this year), and in the nearer-term we expect the central bank to stay on hold at its policy meeting on December 13, given the pickup in external demand. However, if economic conditions remain weak, we would not rule out a rate cut in January, following the Presidential elections on December 19.

### India raises foreign investment limits on domestic debt market

In their latest bid to attract capital inflows to help finance the high current account deficit and arrest further rupee weakness, the Indian authorities last Friday raised the foreign institutional investor (FII) limits on government securities and corporate bonds by USD 5bn each (to US\$75bn) (only long-term investors such as sovereign funds, insurance funds, pension funds and central banks are allowed to invest). The government is also currently mulling over whether to further liberalize external commercial borrowings for Indian companies.

### Japanese companies' spending grows at a slower pace

In the third quarter, Japanese capital spending excluding software rose by 2.4% y/y (prior: 6.6%; consensus: 1.0%), on increased spending in the transport equipment, food and chemicals industries. Though better than expected, the growth rate was lower than the previous quarter, reflecting the general slowdown in the economy. Therefore, we would expect the Bank of Japan to continue easing through its asset purchase program in order to support the economy.

## Briefly noted:

- **Indonesia reported lower-than-expected November inflation** (4.32% y/y, consensus: 4.57% y/y), slowing from 4.61% y/y in October. However, inflation may be set to rise in the coming months on base effects as well as the possible scaling back of government subsidies. Also today, Indonesia reported that October exports continued to contract, by -7.6% y/y (consensus: -3.9% y/y) after a -9.4% y/y contraction in September. Despite the disappointing outturn, the outlook for Indonesia remains relatively benign given strong domestic consumption (BBVA GDP forecasts: 6.2% y/y in 2012 and 6.3% in 2013).
- **Thailand's headline inflation in November decelerated** to 2.7% y/y (consensus: 3.2% y/y) from 3.3% one month earlier, on easing food prices and extended subsidies. Core inflation, the gauge used by the Bank of Thailand (BOT) to set monetary policy, stayed broadly unchanged from the previous month at 1.9% y/y. The BOT refrained from cutting interest rates in its policy meeting last week, citing that "inflationary pressures (have) stabilized at a moderate level."
- **Australia will hold its monetary policy meeting tomorrow**, where we expect interest rates to remain unchanged. The release of weaker-than-expected October retail sales data today (0.0% m/m vs. consensus 0.4%) increases the likelihood of a rate cut, though we think the RBA will stay put on an uptick in external demand, and an improvement in China's growth momentum.

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## Calendar Indicators

<b>Australia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Retail Sales s.a. (MoM)	03-Dec	Oct	0.50%	0.40%	0.00%
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	--
<b>China</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Manufacturing PMI	01-Dec	Nov	50.2	50.8	50.6
Non-manufacturing PMI	03-Dec	Nov	55.5	--	55.6
HSBC Manufacturing PMI	03-Dec	Nov	49.5	50.4	50.5
HSBC Services PMI	05-Dec	Nov	53.5	--	--
<b>Hong Kong</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Purchasing Managers Index	05-Dec	Nov	50.5	--	--
<b>Indonesia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Inflation (YoY)	03-Dec	Nov	4.61%	4.57%	4.32%
Inflation NSA (MoM)	03-Dec	Nov	0.16%	0.30%	0.07%
Core Inflation (YoY)	03-Dec	Nov	4.59%	4.60%	4.40%
Exports (YoY)	03-Dec	Oct	-9.40%	-4.60%	-7.60%
<b>Malaysia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Exports YoY%	07-Dec	Oct	2.60%	-1.70%	--
<b>Philippines</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Consumer Price Index (YoY)	05-Dec	Nov	3.10%	3.00%	--
<b>Singapore</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Purchasing Managers Index	04-Dec	Nov	48.3	49	--
<b>South Korea</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Ext Trade - Export (YoY)	01-Dec	Nov	1.20%	1.60%	3.90%
Consumer Price Index (MoM)	03-Dec	Nov	-0.10%	0.00%	-0.40%
Consumer Price Index (YoY)	03-Dec	Nov	2.10%	2.00%	1.60%
GDP (QoQ)	06-Dec	3Q F	0.20%	--	--
GDP (YoY)	06-Dec	3Q F	1.60%	--	--
<b>Taiwan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
CPI YoY%	05-Dec	Nov	2.36%	2.00%	--
Total Exports (YoY)	07-Dec	Nov	-1.90%	7.60%	--
<b>Thailand</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Consumer Price Index (YoY)	03-Dec	Nov	3.32%	3.20%	2.74%
Core CPI (YoY)	03-Dec	Nov	1.83%	1.90%	1.85%

## Calendar Events

### **Australia - RBA Cash Target, December 4**

We expect the benchmark rate to remain unchanged

**Current**  
3.25%

**Consensus**  
3.00%

**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.	1959.8	-1.0	-2.9	-10.9	-17.0
Hong Kong - Hang Seng	21767.9	-1.2	-0.4	18.1	14.3	
Taiwan - Weighted	7599.9	0.3	2.6	7.5	6.4	
Japan - Nikkei 225	9458.2	0.1	0.7	11.9	9.4	
Korea - Kospi	1940.0	0.4	1.7	6.3	1.3	
India - Sensex 30	19279.2	-0.3	4.2	24.7	14.4	
Australia - SPX/ASX 200	4531.5	0.6	2.4	11.7	5.7	
Singapore - Strait Times	3062.5	-0.2	1.9	15.7	10.4	
Indonesia - Jakarta Comp	4302.4	0.6	-1.7	12.6	13.8	
Thailand - SET	1332.5	0.6	3.2	30.0	29.5	
Malaysia - KLCI	1607.4	-0.2	0.0	5.0	7.9	
Philippines - Manila Comp.	5672.7	0.6	2.2	29.8	34.7	

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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	-0.03	-0.05	6.28	6.33
Hong Kong (HKD/USD)	7.75	0.00	0.00	7.75	7.75	
Taiwan (TWD/USD)	29.1	-0.14	0.02	28.96	28.68	
Japan (JPY/USD)	82.19	0.35	-0.13	82.12	81.83	
Korea (KRW/USD)	1083	-0.01	0.23	1088	1100	
India (INR/USD)	54.6	-0.68	2.00	55.47	57.77	
Australia (USD/AUD)	1.04	-0.11	-0.46	0.97	0.99	
Singapore (SGD/USD)	1.22	-0.02	0.08	1.22	1.22	
Indonesia (IDR/USD)	9614	0.04	-0.15	9656	9976	
Thailand (THB/USD)	30.7	0.20	0.10	30.80	31.21	
Malaysia (MYR/USD)	3.04	-0.12	0.37	3.06	3.09	
Philippines (PHP/USD)	40.9	-0.26	0.25	40.79	40.77	

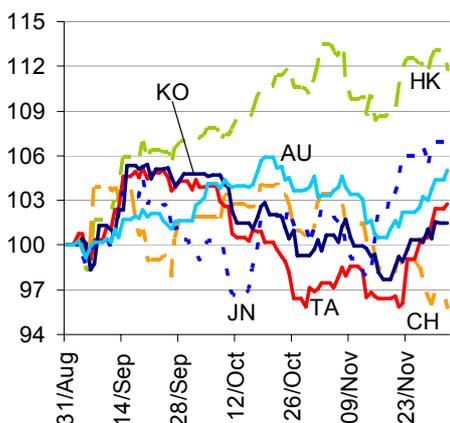
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.33	-0.07	-0.02	-0.10
Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.00	
Taiwan (TAIBOR/1W)	0.58	0.00	0.00	-0.02	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.78	0.00	0.00	0.00	
India (MIBOR/7D)	3.35	-0.04	0.46	-0.09	
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	-1.13	-2.00	-2.56	

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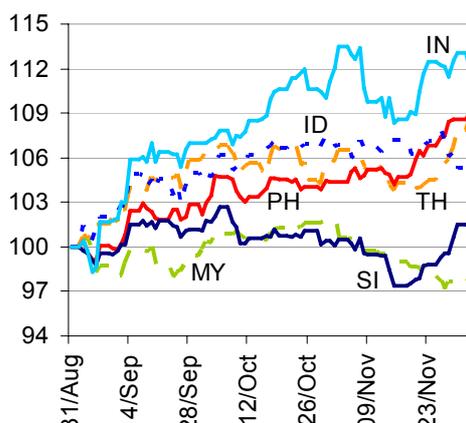
# Charts

Chart 1  
Stock Markets



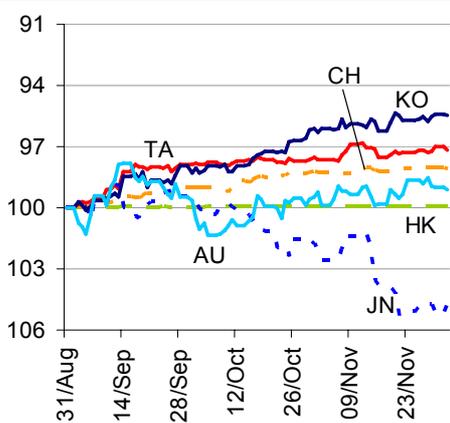
Source: BBVA Research and Bloomberg

Chart 2  
Stock Markets



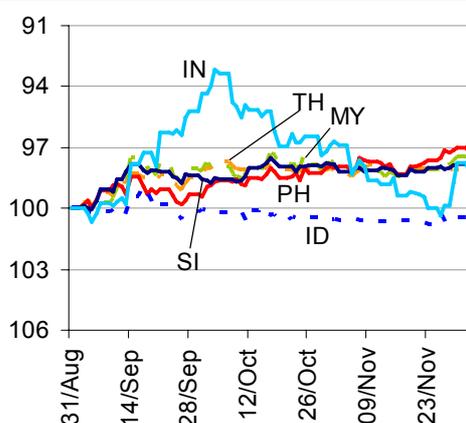
Source: BBVA Research and Bloomberg

Chart 3  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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