

Daily Flash

Asia

Asian equities rallied today, led by a sharp rebound in the Shanghai Composite (+2.9%) and Hong Kong (2.2%) on optimism of continued policy support following the outcome of yesterday's Politburo meeting, which was the first since the leadership transition in November (see below). Elsewhere in Asia, Australia posted 3Q GDP growth in line with expectations (below), while the Indian rupee strengthened marginally (+0.2%) ahead of an important vote in parliament on the government's proposal to open the retail sector to foreign investment (see below).

Australia third quarter GDP slows in line with expectations

GDP growth slowed to 3.1% y/y from a revised second quarter of 3.8% y/y, in line with consensus estimates. Sequentially, Australia's economy grew by 0.5% in the third quarter (consensus: 0.6% q/q), slightly below the 0.6% q/q growth posted the previous quarter. Weaker consumption and government spending were the main factors behind the slowdown. On the output side, mining was the biggest contributor to growth. As reported yesterday, the Reserve Bank of Australia (RBA), cut interest rates by 25 bps to 3.0%, driving the benchmark rate to its lowest level since 2009, on a weakening outlook outside the mining sector. The RBA has cut interest rates six times since the start of its easing cycle in November 2011, for a combined total of 150 bps. We expect growth this year of 3.2%, and 3.0% in 2013 as the mining sector slows, and domestic consumption remains subdued.

China's Politburo signals continuity in policy outlook

The first Politburo meeting since the leadership transition in November was held yesterday, providing signals as to the outlook for policies. The post-meeting announcement stressed positive indicators that the economy was stabilizing, and also emphasized the risks to growth and policy challenges ahead. Over the medium term, urbanization will be a top priority, along with increasing domestic demand. This statement was widely interpreted as providing continuity with the current policy stance of cautious monetary and fiscal easing. The government is likely to set its 2013 GDP growth target (most likely in the 7.0-7.5% range) in the coming annual Central Economic Work Conference in mid December. No talks were reported regarding further stimulus, though we cannot rule this out if the external environment were to worsen.

Investors eye Indian parliamentary vote on foreign investment in retail

With recent activity indicators signaling signs of an emerging recovery in Q4 (November manufacturing PMI posted its highest level in five months to 53.7), renewed reform momentum is helping to improve investor sentiment regarding India, with the forward-looking business expectations index improving notably last month. The Indian parliament will be voting on the government's proposal to allow foreign capital in multi-brand retail. While a positive outcome is widely anticipated, a convincing victory for the government would provide a big boost to the reforms process going ahead.

Inflation moderates in Taiwan and the Philippines

Taiwan's headline inflation moderated for a third consecutive month, to 1.6% y/y in November (consensus: 2.0%) from 2.3% y/y in October, as food prices eased with the end of the typhoon season. November's outturn marked the first time Taiwan's inflation fell below the government's 2% comfort zone since June. The expected end of extreme weather conditions, together with a favorable base effect, will likely keep inflationary pressures mild in December as well. Meanwhile in the Philippines, inflation fell to a five-month low of 2.8% y/y in November (consensus: 3.0% y/y) from 3.1% y/y the previous month, on falling food and fuel prices. An appreciating peso (currently 40.86/USD, up 7.0% year-to-date) is also keeping inflation muted. The Philippines just reported a strong third quarter (GDP growth of 7.1% y/y, up from 5.9% y/y in Q2), and muted inflation is another positive as the economy looks to sustain its growth momentum.

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Retail Sales s.a. (MoM)	03-Dec	Oct	0.50%	0.40%	0.00%
Current Account Balance	04-Dec	3Q	-11801M	-14550M	-14900M
Australia Net Exports of GDP	04-Dec	3Q	0.30%	0.00%	0.10%
Gross Domestic Product (QoQ)	05-Dec	3Q	0.60%	0.60%	0.50%
Gross Domestic Product (YoY)	05-Dec	3Q	3.70%	3.10%	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	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	--	52.1
Hong Kong	Date	Period	Prior	Cons.	Actual
Purchasing Managers Index	05-Dec	Nov	50.5	--	52.2
Indonesia	Date	Period	Prior	Cons.	Actual
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%
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%	2.80%
Singapore	Date	Period	Prior	Cons.	Actual
Purchasing Managers Index	04-Dec	Nov	48.3	49.0	48.8
South Korea	Date	Period	Prior	Cons.	Actual
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%	--	--
Taiwan	Date	Period	Prior	Cons.	Actual
CPI YoY%	05-Dec	Nov	2.36%	2.04%	1.59%
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%	2.74%
Core CPI (YoY)	03-Dec	Nov	1.83%	1.90%	1.85%

Calendar Events

Australia - RBA Cash Target, December 4	Current	Consensus	New
We expected the benchmark rate to remain unchanged	3.25%	3.00%	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.	2031.9	2.9	3.0	-7.6	-12.9
	Hong Kong - Hang Seng	22270.9	2.2	2.6	20.8	16.1
	Taiwan - Weighted	7649.1	0.6	2.9	8.2	7.8
	Japan - Nikkei 225	9468.8	0.4	1.7	12.0	8.9
	Korea - Kospi	1947.0	0.6	1.8	6.6	1.3
	India - Sensex 30	19404.7	0.3	3.0	25.6	15.5
	Australia - SPX/ASX 200	4520.4	0.4	1.6	11.4	4.6
	Singapore - Strait Times	3073.9	0.4	2.1	16.2	11.1
	Indonesia - Jakarta Comp	4286.8	0.4	-0.4	12.2	13.4
	Thailand - SET	1330.1	-0.2	2.5	29.7	29.2
	Malaysia - KLCI	1613.8	0.4	0.5	5.4	8.3
	Philippines - Manila Comp.	5687.7	-0.3	1.8	30.1	32.5

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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	0.00	-0.02	6.28	6.31
	Hong Kong (HKD/USD)	7.75	0.00	0.00	7.75	7.75
	Taiwan (TWD/USD)	29.1	-0.03	0.19	28.95	28.66
	Japan (JPY/USD)	82.24	-0.41	-0.19	82.17	81.88
	Korea (KRW/USD)	1082	0.18	0.46	1086	1098
	India (INR/USD)	54.6	0.24	1.65	55.36	57.65
	Australia (USD/AUD)	1.05	0.04	0.00	0.96	0.98
	Singapore (SGD/USD)	1.22	-0.07	0.31	1.22	1.22
	Indonesia (IDR/USD)	9644	-0.21	0.00	9729	10063
	Thailand (THB/USD)	30.7	0.00	0.20	30.82	31.22
	Malaysia (MYR/USD)	3.04	0.09	0.38	3.06	3.10
	Philippines (PHP/USD)	40.9	0.03	0.03	40.82	40.83

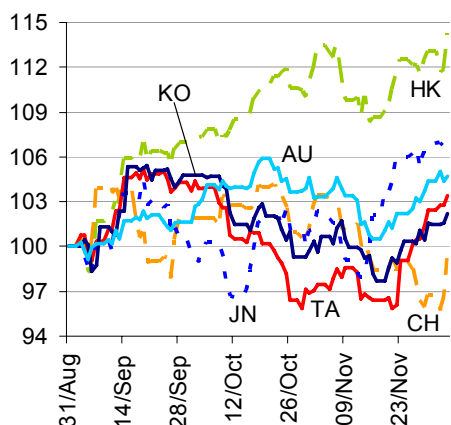
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	2.80	-0.08	-0.60	-0.57
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.58	0.00	0.00	-0.02
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	2.78	0.00	0.00	0.00
	India (MIBOR/7D)	2.82	-0.26	-0.20	-0.50
	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)	0.69	-0.19	1.63	-1.25

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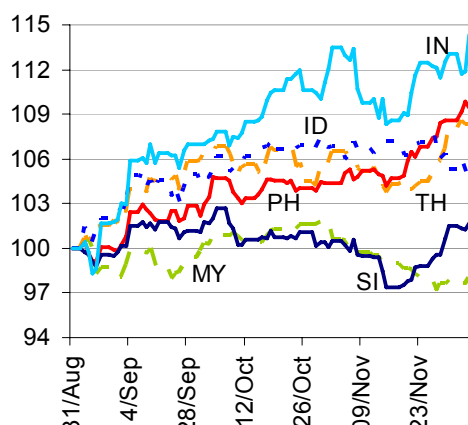
Charts

Chart 1
Stock Markets



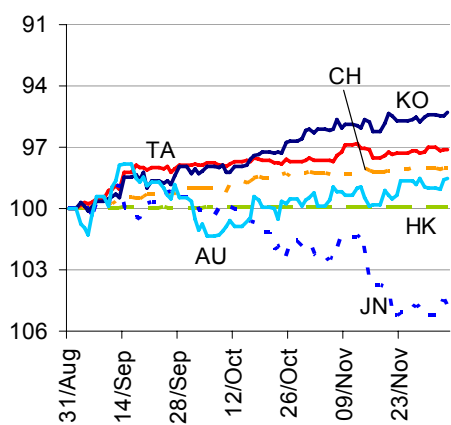
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



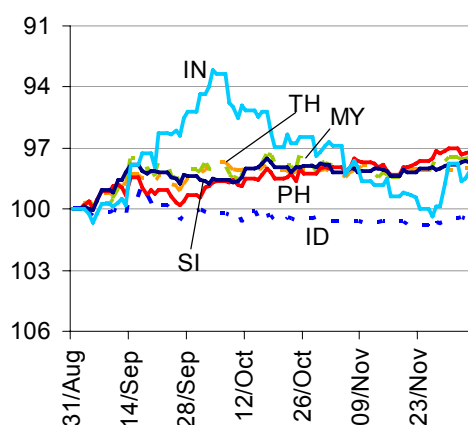
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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