

Daily Flash

Asia

Capping a volatile week in Chinese equity markets, the Shanghai Composite ended on a strong note today (+1.6%) ahead of Sunday's release of the next batch of monthly economic indicators, including industrial production, inflation, retail sales and investment (see Weekly Indicator below). Apart from the data releases in China, next week investors will be watching the outcome of the monetary policy meetings in Indonesia, South Korea and the Philippines, where we expect all three to stay on hold, and the release of India's WPI inflation.

Signals from new leadership in China point to stable policy path in 2013

Reports have surfaced of a policy meeting held last week of the newly appointed Standing Committee members of the Politburo, in which the new party president Xi Jinping said the government will maintain its "proactive fiscal policy and prudent monetary policy" approach in 2013. This has been interpreted by analysts to mean that further cautious fiscal and monetary easing may be forthcoming in 2013, with no abrupt changes, such as a larger stimulus package. The reports come ahead of the annual Central Economic Work Conference (CEWC), to be held in mid-December, where it is expected that the government will maintain an annual growth target for 2013 of 7.5%, the same as in 2012. Given the tendency of actual growth outturns to exceed government targets, this would be broadly consistent with our growth projection of 7.9% y/y in 2013.

Taiwan's exports fall short of expectations

Taiwan's November exports came in well below market expectations, but remained positive at 0.9% y/y (consensus: 7.8% y/y), as demand from Europe and the US remained weak, declining by -6.4% and -5.8% y/y respectively. Intra-regional exports held up relatively well, however, as over-year shipments to Japan and China improved. Though today's outturn was disappointing, Taiwan's export growth in Q4 will likely show an improvement from the first three quarters (-3.9% y/y), given the uptick in regional demand and slightly better external environment.

Malaysia's exports fall in October

Malaysia's exports in October declined by -3.2% y/y (consensus: -1.7% y/y) after a surprise 2.6% y/y increase in September, due to a decline in exports of palm oil and sluggish exports of gasoline (-26.0% y/y and 0.9% y/y respectively). By region, the biggest year-on-year declines were on exports to China and Japan (-9.4% and -6.7% respectively). While weak external demand continues to weigh on growth, as elsewhere in the ASEAN region, strong domestic demand has been an offset, supporting the central bank's decision to refrain from cutting rates for the whole of 2012. We expect growth in 2013 to reach 5.0%, compared to 4.5% in 2012.

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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%	5.20%
Trade Balance	07-Dec	Oct	-1456M	-2200M	-2088M
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%	-3.20%
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%	--	0.10%
GDP (YoY)	06-Dec	3Q F	1.60%	--	1.50%
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%	7.80%	0.90%
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%

Indicator of the Week

China: Industrial output for November (December 9)

Forecast: 10.0% y/y

Consensus: 9.8% y/y

Prior: 9.6% y/y

Against the backdrop of improving economic indicators over the past few months, we expect industrial production (IP) to have risen modestly in November, backed by robust PMI readings, which have shown strength in production and new orders. The IP release will be part of a batch of monthly indicators to be issued during December 9-15, including inflation (BBVA: 2.1% y/y vs. 1.7% prior), fixed asset investment (BBVA: 21.0% ytd vs. prior: 20.7%), retail sales, exports ((BBVA: 9.8% y/y vs. prior: 11.7%, and credit aggregates. While we expect inflation to have ticked up in November on rising food prices, price pressures generally remain contained, well within the authorities' 4% comfort level. All told, the November data should be consistent with a rebound in Q4 GDP growth to the 7.5%-8.0% range, after bottoming out at 7.4% in Q3. On the policy front, all eyes will be on the annual Central Economic Work Conference to be held in the coming 1-2 weeks, in which the 2013 growth target will be set, most likely between 7.0-7.5% (compared to the 2012 target of 7.5%). Indications so far suggest that China's new leadership will maintain the current policy mix, with only modest further easing of the fiscal and monetary policy settings in coming months.

Calendar Events

Australia - RBA Cash Target, December 4

We expected the benchmark rate to remain unchanged

Current

3.25%

Consensus

3.00%

New

3.00%

Upcoming Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	09-Dec	Nov	1.70%	2.10%	--
Producer Price Index (YoY)	09-Dec	Nov	-2.80%	-2.00%	--
Industrial Production (YoY)	09-Dec	Nov	9.60%	9.80%	--
Industrial Production YTD YoY	09-Dec	Nov	10.00%	10.00%	--
Fixed Assets Inv Excl. Rural YTD YoY	09-Dec	Nov	20.70%	20.90%	--
Retail Sales (YoY)	09-Dec	Nov	14.50%	14.60%	--
Trade Balance (USD)	10-Dec	Nov	\$31.99B	\$26.85B	--
Exports YoY%	10-Dec	Nov	11.60%	9.00%	--
Imports YoY%	10-Dec	Nov	2.40%	2.00%	--
New Yuan Loans	10-15 DEC	Nov	505.2B	550.0B	--
Money Supply - M2 (YoY)	10-15 DEC	Nov	14.10%	14.10%	--
HSBC Flash Manufacturing PMI	14-Dec	Dec	50.5	--	--
Consumer Price Index (YoY)	09-Dec	Nov	1.70%	2.10%	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Industrial Production (YoY)	13-Dec	3Q	-2.90%	--	--
India	Date	Period	Prior	Cons.	Actual
Exports YoY%	10-15 DEC	Nov	-1.60%	--	--
Industrial Production YoY	12-Dec	Oct	-0.40%	4.20%	--
CPI (YoY)	12-Dec	Nov	9.75%	--	--
Monthly Wholesale Prices YoY%	14-Dec	Nov	7.45%	7.62%	--
Japan	Date	Period	Prior	Cons.	Actual
Gross Domestic Product (QoQ)	10-Dec	3Q F	-0.90%	-0.80%	--
GDP Annualized	10-Dec	3Q F	-3.50%	-3.30%	--
Current Account Total	10-Dec	Oct	¥503.6B	¥235.6B	--
Trade Balance - BOP Basis	10-Dec	Oct	¥471.3B	¥449.5B	--
Machine Orders (MoM)	12-Dec	Oct	-4.30%	2.50%	--
Machine Orders YOY%	12-Dec	Oct	-7.80%	-5.10%	--
Tertiary Industry Index (MoM)	12-Dec	Oct	0.30%	-0.40%	--
Tankan Lge Manufacturers Index	14-Dec	4Q	-3	--	--
Tankan Large All Indust Capex	14-Dec	4Q	6.40%	--	--
Malaysia	Date	Period	Prior	Cons.	Actual
Industrial Production YoY	11-Dec	Oct	4.90%	2.60%	--
Philippines	Date	Period	Prior	Cons.	Actual
Total Exports (YoY)	11-Dec	Oct	22.80%	--	--
Overseas Remittances (YoY)	13-Dec	Oct	5.90%	--	--
Singapore	Date	Period	Prior	Cons.	Actual
Unemployment Rate (sa)	14-Dec	3Q F	1.90%	--	--
Retail Sales (YoY)	14-Dec	Oct	2.50%	--	--
South Korea	Date	Period	Prior	Cons.	Actual
Unemployment Rate (SA)	12-Dec	Nov	3.00%	3.10%	--

Upcoming Calendar Events

Indonesia - BI Reference Rate, December 11	Current	Consensus	New
We expect the benchmark rate to remain unchanged	5.75%	5.75%	--
South Korea - 7-Day Repo Rate, December 13	Current	Consensus	New
We expect the benchmark rate to remain unchanged	2.75%	2.75%	--
Philippines - Overnight Borrowing Rate, December 13	Current	Consensus	New
We expect the benchmark rate to remain unchanged	3.50%	3.50%	--

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.	2061.8	1.6	4.1	-6.3	-11.6
	Hong Kong - Hang Seng	22191.2	-0.3	0.7	20.4	15.3
	Taiwan - Weighted	7642.3	0.2	0.8	8.1	8.7
	Japan - Nikkei 225	9527.4	-0.2	0.9	12.7	9.2
	Korea - Kospi	1957.5	0.4	1.3	7.2	2.0
	India - Sensex 30	19454.3	-0.2	0.6	25.9	15.3
	Australia - SPX/ASX 200	4551.8	0.9	1.0	12.2	6.0
	Singapore - Strait Times	3107.1	0.9	1.2	17.4	11.7
	Indonesia - Jakarta Comp	4290.8	0.0	0.3	12.3	13.1
	Thailand - SET	1333.9	-0.4	1.9	30.1	27.4
	Malaysia - KLCI	1617.8	0.1	0.4	5.7	9.1
	Philippines - Manila Comp.	5794.2	0.5	2.7	32.5	34.3

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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	0.06	0.04	6.28	6.32
	Hong Kong (HKD/USD)	7.75	0.00	0.00	7.75	7.75
	Taiwan (TWD/USD)	29.1	0.15	-0.03	28.94	28.65
	Japan (JPY/USD)	82.37	0.04	0.13	82.30	82.01
	Korea (KRW/USD)	1082	0.14	0.12	1087	1099
	India (INR/USD)	54.3	-0.25	-0.01	55.08	57.43
	Australia (USD/AUD)	1.05	-0.10	0.45	0.96	0.98
	Singapore (SGD/USD)	1.22	-0.11	-0.07	1.22	1.22
	Indonesia (IDR/USD)	9708	-0.61	-0.93	9816	10151
	Thailand (THB/USD)	30.7	-0.10	0.07	30.84	31.27
	Malaysia (MYR/USD)	3.06	-0.25	-0.53	3.07	3.11
	Philippines (PHP/USD)	40.9	-0.04	-0.37	40.87	40.88

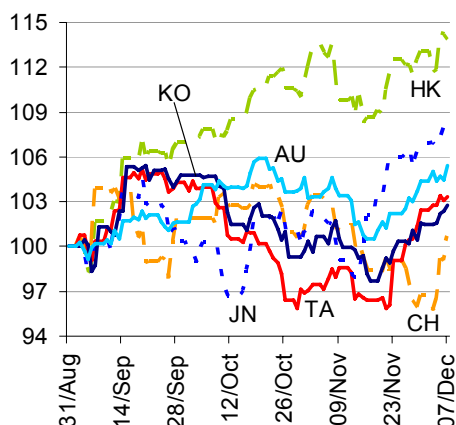
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.08	0.18	-0.32	-0.05
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.58	0.00	0.00	-0.02
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	2.78	0.00	0.00	0.00
	India (MIBOR/7D)	3.90	1.02	0.51	0.58
	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)	1.00	0.31	0.81	-0.94

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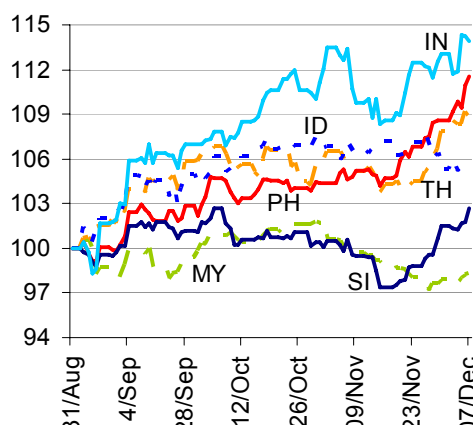
Charts

Chart 1
Stock Markets



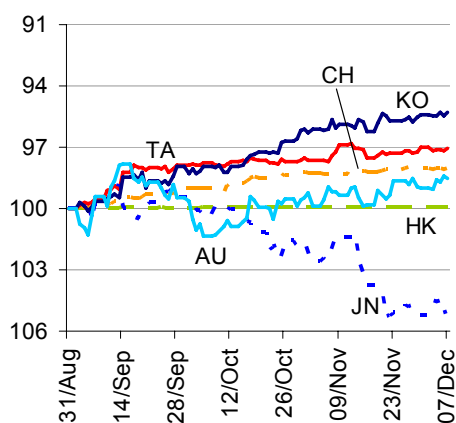
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



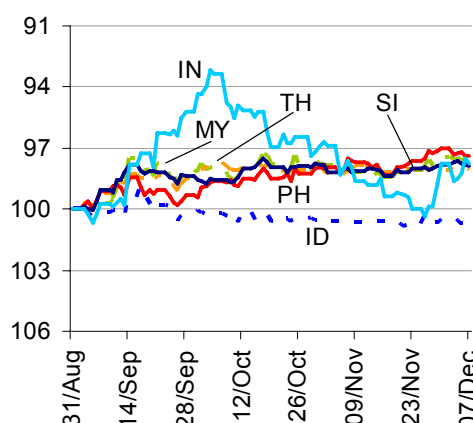
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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