

Daily Flash

Asia

Chinese equities were lifted by the release of positive data on November production and domestic demand released over the weekend, but the gains were tempered by a disappointing November export outturn released today (see below). The Shanghai Composite and the Hang Seng were both up (+1.1% and +0.4% respectively). Meanwhile, a technical recession was confirmed in Japan after a downward revision of second quarter GDP and the release of final Q3 GDP showing two consecutive quarters of contraction (see below). Elsewhere in Asia, investors will be watching this week for a series of monetary policy meetings, beginning tomorrow in Indonesia, followed by Korea and the Philippines on Thursday. We expect all three to keep rates unchanged.

China's November data rebound, but reveal ongoing external headwinds

China's November activity indicators were generally stronger than expected, providing further evidence of an economic rebound in Q4, albeit marked by headwinds from weak external demand (for further details see our *China Flash*). Industrial production and retail sales growth accelerated by more than expected, while fixed asset investment remained strong, although unchanged in year-on-year terms from the previous month. In contrast, however, export data released today disappointed to the downside, underscoring risks from weak external demand. Meanwhile, headline inflation edged up to 2.0% y/y (consensus: 2.1% y/y) in November from higher food prices, as expected, but still within the government's 4% comfort level. In the coming days, all eyes will be on the government's annual Central Economic Work Conference, in which the 2013 growth target will be set, most likely at unchanged from the current year 7.5%. We also await the release of November credit aggregates data to be released on December 15.

Japan enters technical recession

The final reading for Japan's third quarter GDP came out in line with last month's estimate of a -0.9% q/q, s.a. contraction. Together with a slight downward revision of Q2 GDP to -0.1% (from a slight positive previously), the revisions put the economy into a technical recession of two consecutive quarters of contraction. The news underscores the difficulties facing the economy from weak exports and softening domestic demand. In particular, in Q3 private consumption, which accounts for around 60% of GDP, declined by -0.4% q/q, s.a., and exports dropped by -5.1% q/q, s.a.. We expect the contraction to continue in the fourth quarter given weak external demand. Policies to stimulate the economy have taken center stage ahead of the general election scheduled for December 16, with pressure on the Bank of Japan to step up its asset purchase program to ward off deflation and curb the strength of the yen, which has recently depreciated to ¥82.2 per USD, some 6.1% weaker from its peak in mid-September.

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Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	09-Dec	Nov	1.70%	2.10%	2.00%
Producer Price Index (YoY)	09-Dec	Nov	-2.80%	-2.00%	-2.20%
Industrial Production (YoY)	09-Dec	Nov	9.60%	9.80%	10.10%
Industrial Production YTD YoY	09-Dec	Nov	10.00%	10.00%	10.00%
Fixed Assets Inv Excl. Rural YTD YoY	09-Dec	Nov	20.70%	20.90%	20.70%
Retail Sales (YoY)	09-Dec	Nov	14.50%	14.60%	14.90%
Trade Balance (USD)	10-Dec	Nov	\$31.99B	\$26.85B	\$19.63B
Exports YoY%	10-Dec	Nov	11.60%	9.00%	2.90%
Imports YoY%	10-Dec	Nov	2.40%	2.00%	0.00%
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	--	--
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%	-0.90%
GDP Annualized	10-Dec	3Q F	-3.50%	-3.30%	-3.50%
Current Account Total	10-Dec	Oct	¥503.6B	¥230.9B	¥376.9B
Trade Balance - BOP Basis	10-Dec	Oct	¥471.3B	¥450.0B	¥450.3B
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%	--

Calendar Events

Indonesia - BI Reference Rate, December 11

We expect the benchmark rate to remain unchanged

Current	Consensus	New
5.75%	5.75%	--

South Korea - 7-Day Repo Rate, December 13

We expect the benchmark rate to remain unchanged

Current	Consensus	New
2.75%	2.75%	--

Philippines - Overnight Borrowing Rate, December 13

We expect the benchmark rate to remain unchanged

Current	Consensus	New
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.	2083.8	1.1	6.3	-5.3	-10.0
	Hong Kong - Hang Seng	22276.7	0.4	2.3	20.8	19.9
	Taiwan - Weighted	7609.5	-0.4	0.1	7.6	10.4
	Japan - Nikkei 225	9533.8	0.1	0.8	12.8	11.7
	Korea - Kospi	1957.4	0.0	0.9	7.2	4.4
	India - Sensex 30	19389.0	-0.2	0.4	25.5	19.6
	Australia - SPX/ASX 200	4557.9	0.1	0.6	12.4	8.4
	Singapore - Strait Times	3115.4	0.3	1.6	17.7	15.6
	Indonesia - Jakarta Comp	4302.6	0.3	0.0	12.6	14.4
	Thailand - SET	1335.0	-0.4	1.9	30.2	29.1
	Malaysia - KLCI	1632.2	0.9	1.5	6.6	11.8
	Philippines - Manila Comp.	5757.5	-0.6	1.5	31.7	34.1

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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)	6.24	-0.25	-0.18	6.28	6.31
	Hong Kong (HKD/USD)	7.75	0.00	0.00	7.75	7.75
	Taiwan (TWD/USD)	29.1	-0.07	0.04	28.95	28.66
	Japan (JPY/USD)	82.28	0.26	-0.04	82.21	81.92
	Korea (KRW/USD)	1079	0.22	0.36	1082	1094
	India (INR/USD)	54.4	0.20	0.74	55.21	57.54
	Australia (USD/AUD)	1.05	-0.13	0.51	0.96	0.98
	Singapore (SGD/USD)	1.22	-0.16	-0.34	1.22	1.22
	Indonesia (IDR/USD)	9633	0.78	-0.20	9752	10084
	Thailand (THB/USD)	30.7	0.07	-0.03	30.80	31.21
	Malaysia (MYR/USD)	3.06	-0.18	-0.60	3.07	3.11
	Philippines (PHP/USD)	41.0	-0.01	-0.12	40.91	40.91

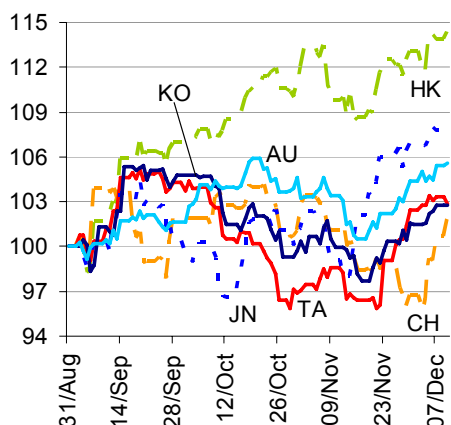
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.02	-0.06	0.22	-0.08
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.58	0.00	0.00	-0.02
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	2.78	0.00	0.00	0.00
	India (MIBOR/7D)	3.23	-0.67	-0.12	0.12
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.28	-0.01	-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)	0.69	-0.31	1.63	-0.75

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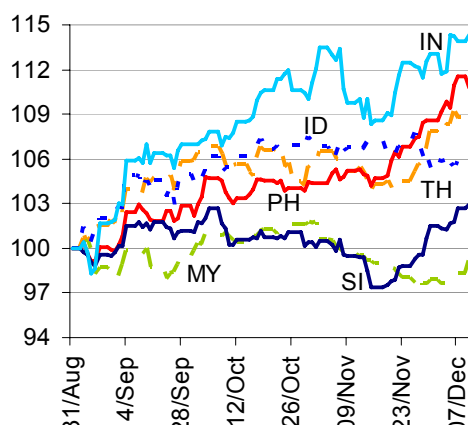
Charts

Chart 1
Stock Markets



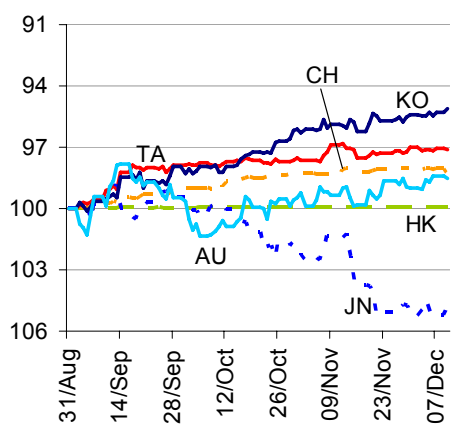
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



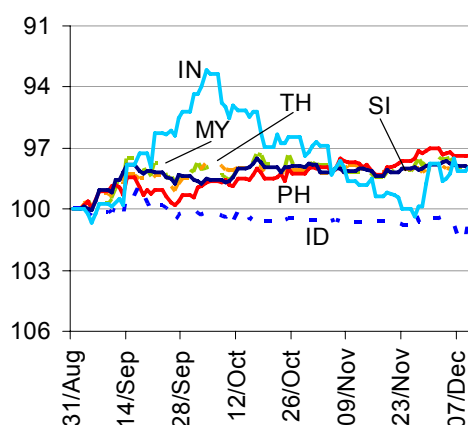
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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