

Daily Flash

Asia

India's October IP jumps to a 16 month high, improving growth outlook

Supporting other recent activity indicators which suggest a gradual growth recovery for India, such as positive PMI data, India's October industrial production jumped to a 16 month high of 8.2% y/y from a revised -0.7% in September (Consensus: 5.1%). Sequentially, we estimate October IP to have gained 2.7% m/m sa (- 2.6% in September) while at 3.3% y/y (from 0.5% previously) on a less volatile 3 month moving average basis. The latest outturn was chiefly driven by base effects coupled with robust gains in manufacturing and electricity sectors. The consumer goods sector accelerated 13.2% y/y (-0.1% previously), on strong demand in the festive season. We expect GDP to grow by 5.6% y/y in 2012 and 6.7% y/y in 2013 amid an improving growth outlook with further traction in policy reforms, a near term peak out in the inflation cycle and a relatively benign global growth outlook. Meanwhile, in a separate release, the November CPI inflation edged higher (9.9% y/y vs 9.8% in October), suggesting inflation concerns would keep Reserve Bank of India on hold at its December 18th policy meeting. Moreover, the release of the more widely followed wholesale inflation, scheduled this Friday, will be a crucial input ahead of the rate decision.

The Bank of China to carry RMB settlements in Taiwan

Yesterday the PBoC appointed the Taipei branch of Bank of China (BOC) to be the offshore RMB clearing bank in Taiwan, in a move widely expected by analysts due to the rich experience on offshore RMB settlement the BOC has accumulated since 2003 in Hong Kong. Back in August, the central banks from both sides of the strait signed a memorandum of understanding (MOU) on the cross-strait currency settlement mechanism. The appointment signals that the development of cross-strait ties has resumed and will move forward as scheduled, after a short period of silence due to the political transition in mainland China. Once the clearing house is set up and starts operating, probably in the space of one or two months, companies will be allowed to raise offshore RMB in Taiwan and then bring them back to the mainland for investment. Meanwhile, domestic banks in Taiwan will also be allowed to handle RMB deposit and loans and further expand their business with related financial products, giving them access to a wider range of funding sources and enhancing their profitability.

Japan's machine orders rise in October, but outlook remains dim

Japan's machine orders, a gauge for capital spending over the coming months, climbed 2.6% m/m sa (Prior: -4.3%, Consensus: 3.0%) in October with 17.8% growth in orders from the auto industry. The weaker yen and signs of recovery in the global economy might have provided some relief for the time being; nonetheless the corporate sector remains cautious about the economic outlook—we expect Japan's economy to extend its recession into the last quarter of the year. Separately, the tertiary industry index contracted by -0.1% m/m sa (Prior: 0.3%, Consensus: -0.4%) in October, as domestic demand weakened. On the monetary front, we expect the BoJ to boost the asset purchasing program by 5-10 trillion yen at its December 20th meeting.

Briefly noted:

- **South Korea's unemployment remained at 3.0% for a second straight month in November (consensus: 3.0%),** as labor markets remained tight despite the country's growth slowdown. We think tight labor markets are a key reason why the Bank of Korea will refrain from cutting interest rates at tomorrow's policy meeting.

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	11-Dec	Nov	505.2B	550.0B	552.9B
Money Supply - M2 (YoY)	11-Dec	Nov	14.10%	14.10%	13.90%
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%	11-Dec	Nov	-1.60%	--	-4.20%
Industrial Production YoY	12-Dec	Oct	-0.40%	5.10%	8.20%
CPI (YoY)	12-Dec	Nov	9.75%	--	9.90%
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%	3.00%	2.60%
Machine Orders YOY%	12-Dec	Oct	-7.80%	-5.00%	1.20%
Tertiary Industry Index (MoM)	12-Dec	Oct	0.30%	-0.40%	-0.10%
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%	5.80%
Philippines	Date	Period	Prior	Cons.	Actual
Total Exports (YoY)	11-Dec	Oct	22.80%	10.50%	6.10%
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%	3.00%

Calendar Events

Indonesia - BI Reference Rate, December 11

We expected the benchmark rate to remain unchanged

Current

5.75%

Consensus

5.75%

New

5.75%

South Korea - 7-Day Repo Rate, December 13

We expect the benchmark rate to remain unchanged

Current

2.75%

Consensus

2.75%

New

--

Philippines - Overnight Borrowing Rate, December 13

We expect the benchmark rate to remain unchanged

Current

3.50%

Consensus

3.50%

New

--

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.	2082.7	0.4	2.5	-5.3	-9.1
	Hong Kong - Hang Seng	22503.4	0.8	1.0	22.1	21.1
	Taiwan - Weighted	7690.2	1.0	0.5	8.7	10.7
	Japan - Nikkei 225	9581.5	0.6	1.2	13.3	10.7
	Korea - Kospi	1975.4	0.6	1.5	8.2	4.0
	India - Sensex 30	19369.7	-0.1	-0.1	25.3	22.0
	Australia - SPX/ASX 200	4583.8	0.2	1.4	13.0	7.8
	Singapore - Strait Times	3141.6	0.7	2.1	18.7	16.3
	Indonesia - Jakarta Comp	4337.5	0.5	1.2	13.5	14.4
	Thailand - SET	1352.8	0.9	1.5	31.9	30.8
	Malaysia - KLCI	1649.8	0.5	2.2	7.8	12.4
	Philippines - Manila Comp.	5819.8	-0.2	2.3	33.1	36.1

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)	6.25	-0.10	-0.42	6.29	6.32
	Hong Kong (HKD/USD)	7.75	0.00	0.00	7.75	7.75
	Taiwan (TWD/USD)	29.1	0.10	0.08	28.89	28.62
	Japan (JPY/USD)	82.82	-0.36	-0.42	82.75	82.46
	Korea (KRW/USD)	1075	0.16	0.61	1078	1090
	India (INR/USD)	54.2	0.18	0.70	55.00	57.36
	Australia (USD/AUD)	1.05	0.17	0.86	0.95	0.97
	Singapore (SGD/USD)	1.22	0.00	-0.16	1.22	1.22
	Indonesia (IDR/USD)	9670	0.26	-0.27	9746	10083
	Thailand (THB/USD)	30.6	-0.03	0.20	30.79	31.19
	Malaysia (MYR/USD)	3.05	0.16	-0.38	3.07	3.11
	Philippines (PHP/USD)	41.0	-0.17	-0.35	40.94	40.95

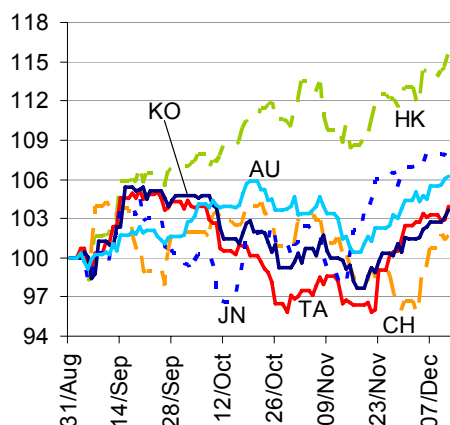
Last update: today, 17:00 Hong Kong time.

INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.02	0.01	-0.06	-0.05
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.58	0.02	0.00	-0.01
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	2.79	0.01	0.01	0.01
	India (MIBOR/7D)	3.21	-0.20	0.39	-0.27
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.29	0.01	0.00	0.01
	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)	-0.31	0.38	-1.00	-1.81

Last update: today, 17:00 Hong Kong time

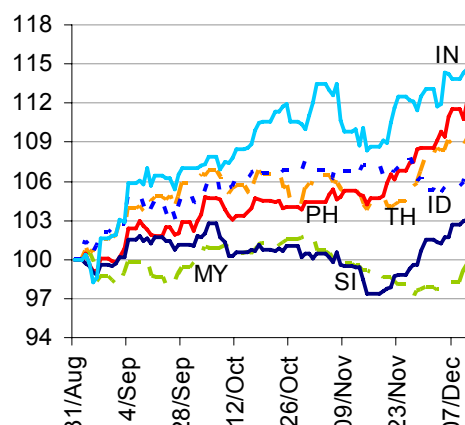
Charts

Chart 1
Stock Markets



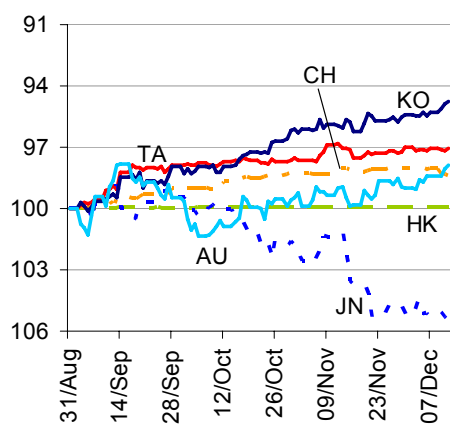
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



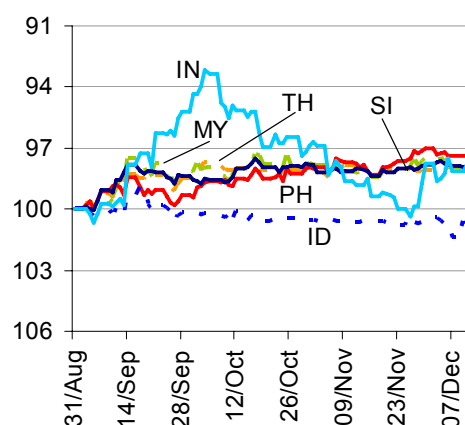
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Stephen Schwartz
Chief Economist for Asia
stephen.schwartz@bbva.com.hk

Zhigang Li
Senior Economist (China)
zhigang.li@bbva.com.hk

George Xu
Economist
george.xu@bbva.com.hk

Fielding Chen
Senior Economist
fielding.chen@bbva.com.hk

Sumedh Deorukhkar
Senior Economist (India, Mumbai)
sumedh.deorukhkar@grupobbva.com

Richard Li
Asian FX Chief Strategist
richard.li@bbva.com.hk

Le Xia
Senior Economist (China)
xia.le@bbva.com.hk

Jeffrey Cantwell, CFA
Economist
jeffrey.cantwell@bbva.com.hk

William Fitchett
Economist
william.fitchett@bbva.com.hk



RESEARCH



43/F., Two IFC, 8 Finance Street, Central, Hong Kong | Tel.: +852 2582 3111 | www.bbva.com.hk

Before you print this message please consider if it is really necessary.

This email and its attachments are subject to the confidentiality terms established in the corresponding regulations and are intended for the sole use of the person or persons indicated in the header. They are for internal use only and cannot be distributed, copied, conveyed or furnished to third parties without prior written consent from BBVA. If this message has been received erroneously, it is forbidden to read, use or copy any of the contents and you are asked to inform BBVA immediately by forwarding the email to the sender and eliminating it thereafter.

BBVA will continue to provide our readers up-to-date reports by emails, but you can also register directly on our website where you can find a full list of our latest reports & presentations <http://serviciodeestudios.bbva.com/KETD/ketd/ing/index.jsp>

If you wish to be excluded from this mailing list, please write to us on research.emergingmarkets@bbva.com.hk and we shall immediately take you off the list.