

Daily Flash

Asia

Equities in Asia were higher today as the US Congress passed a bill to temporarily avert the fiscal cliff (Hang Seng: +2.9%). Stock markets in Japan and mainland China are closed for the holidays and will reopen on Friday.

China's December PMI points to ongoing recovery

China's official NBS PMI, released yesterday, remained unchanged at 50.6 in December (BBVA: 50.9; consensus: 51.0), marking the third consecutive month of expansion in manufacturing. By components, output (52.0) and new orders (51.2) continue to lead the recovery, while raw material inventory (47.3), employment (49.0), and supplier delivery time (48.8) still lag behind. Meanwhile, new export orders fell slightly to 50.0 from 50.2, as global headwinds pose the biggest risk to the economy. In a separate data release on Monday, the private sector HSBC PMI surprisingly rose to 51.5 from 50.5. Taken together, the outturns are in line with our view that the economy is strengthening gradually on domestic demand, boding well for our projections of about 8.0% growth in 2013 from 7.6% in 2012.

Exports unexpectedly decline in South Korea; inflation slows

Exports in South Korea declined in December for the first time in three months by -5.5% y/y (consensus: +0.8%) from a 3.8% rise one month earlier, according to data released yesterday. Authorities pointed to seasonal factors as the cause of the weak reading in December's exports. Korean authorities recently took measures to curb won appreciation, which is probably weighing on exports performance. In a separate report, inflation in Korea edged down to 1.5% y/y from 1.6% y/y in November, giving room for the Bank of Korea to ease monetary policy in its next meeting on January 11.

Singapore avoids recession

Singapore's economy grew by +1.8% q/q saar in the fourth quarter of 2012, (consensus: +1.6%) after a revised -6.3% q/q saar contraction the previous quarter, avoiding a technical recession and bringing full-year growth to 1.2% from 4.9% in 2011. A rebound in the services sector more than offset a decline in manufacturing, which contracted at a faster pace than the previous quarter. The positive outturn in the last quarter comes despite the Monetary Authority of Singapore refraining from easing policy in its meeting in October. Singapore's PM recently reiterated the government's forecast of 1-3% growth in 2013.

India's Manufacturing PMI rises to six month high in December

Signaling a revival in factory activity, India's December manufacturing PMI touched a six month high of 54.7 (vs 53.7 in November), driven by strong gains in new orders on an improving domestic and external demand outlook. Meanwhile, input as well as output prices eased slightly in December. Moderating inflationary pressures leaves room for the Reserve Bank of India to lower interest rates at its January 29th meeting, where we expect a 25 bps cut in the repo rate.

Briefly noted:

- **Indonesia's inflation remained unchanged at 4.3% y/y in December**, slightly higher than expected (consensus: 4.2%), while core inflation was also flat at 4.4%. The planned increases in electricity tariffs and the minimum wage, however, may put upward pressure on prices in 2013. Separately, exports continued declining in November (-4.6% y/y; consensus: -4.2%), although at a slower pace than in previous months (October: -7.6%).

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With contributions from the BBVA Research Asia Team

Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
HSBC Manufacturing PMI	31-Dec	Dec	50.5	50.9	51.5
Manufacturing PMI	01-Jan	Dec	50.6	51	50.6
Hong Kong	Date	Period	Prior	Cons.	Actual
Retail Sales - Value (YoY)	03-Jan	Nov	4.00%	4.20%	--
Purchasing Managers Index	04-Jan	Dec	52.2	--	--
Indonesia	Date	Period	Prior	Cons.	Actual
Inflation NSA (MoM)	02-Jan	Dec	0.07%	0.54%	0.54%
Inflation (YoY)	02-Jan	Dec	4.32%	4.20%	4.30%
Exports (YoY)	02-Jan	Nov	-7.60%	-7.00%	-4.60%
Core Inflation (YoY)	02-Jan	Dec	4.40%	4.39%	4.40%
Philippines	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	04-Jan	Dec	2.80%	3.10%	--
Singapore	Date	Period	Prior	Cons.	Actual
GDP (annualized) (QoQ)	02-Jan	4Q A	-5.90%	1.60%	1.80%
GDP (YoY)	02-Jan	4Q A	0.30%	1.40%	1.10%
South Korea	Date	Period	Prior	Cons.	Actual
Consumer Price Index (MoM)	31-Dec	Dec	-0.40%	0.20%	0.20%
Consumer Price Index (YoY)	31-Dec	Dec	1.60%	1.50%	1.40%
Ext Trade - Export (YoY)	01-Jan	Dec	3.90%	0.80%	-5.50%
Ext Trade - Imports (YoY)	01-Jan	Dec	0.70%	-2.20%	-5.30%
HSBC Manufacturing PMI	02-Jan	Dec	48.2	--	50.1
Thailand	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	02-Jan	Dec	2.74%	3.22%	3.63%
Core CPI (YoY)	02-Jan	Dec	1.85%	1.80%	1.78%

Calendar Events

There are no calendar events scheduled for this week.

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.	2269.1	--	5.1	0.0	3.2
	Hong Kong - Hang Seng	23312.0	2.9	3.6	2.9	26.5
	Taiwan - Weighted	7779.2	1.0	3.2	1.0	10.0
	Japan - Nikkei 225	10395.2	--	3.5	0.0	22.9
	Korea - Kospi	2031.1	1.7	2.6	1.7	11.2
	India - Sensex 30	19711.7	0.7	1.5	1.5	27.0
	Australia - SPX/ASX 200	4705.9	1.2	1.8	1.2	16.0
	Singapore - Strait Times	3201.7	1.1	1.0	1.1	21.0
	Indonesia - Jakarta Comp	4346.5	0.7	2.2	0.7	13.7
	Thailand - SET	1407.5	1.1	2.3	1.1	37.3
	Malaysia - KLCI	1674.7	-0.8	0.3	-0.8	9.4
	Philippines - Manila Comp.	5861.0	0.8	1.1	0.8	34.1

Last update: today, 18.00 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)	6.23	0.07	0.04	6.30	6.31
	Hong Kong (HKD/USD)	7.75	-0.01	-0.01	7.75	7.75
	Taiwan (TWD/USD)	29.0	0.18	0.22	28.80	28.46
	Japan (JPY/USD)	87.10	-0.46	-1.69	87.04	86.78
	Korea (KRW/USD)	1064	0.08	0.91	1068	1081
	India (INR/USD)	54.4	0.55	0.85	55.20	57.55
	Australia (USD/AUD)	1.05	0.97	1.14	0.96	0.98
	Singapore (SGD/USD)	1.22	0.06	0.30	1.22	1.22
	Indonesia (IDR/USD)	9653	1.47	1.51	9711	10048
	Thailand (THB/USD)	30.4	0.69	0.86	30.52	30.93
	Malaysia (MYR/USD)	3.04	0.74	1.09	3.05	3.09
	Philippines (PHP/USD)	40.9	0.37	0.73	40.59	40.54

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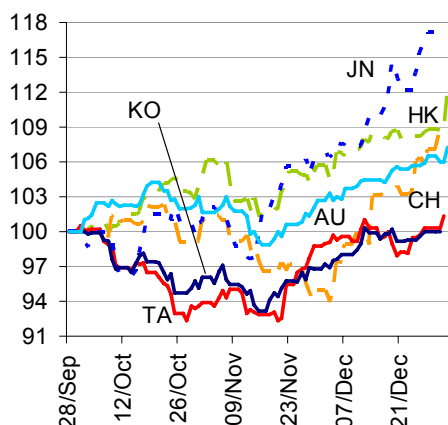
INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	4.60	0.52	0.60	1.20
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.57	-0.01	-0.01	-0.01
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	2.80	0.00	0.01	0.02
	India (MIBOR/7D)	4.00	-0.20	0.00	0.61
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.35	-0.13	-0.01	0.06
	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)	0.25	0.56	3.06	0.06

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Charts

Chart 1

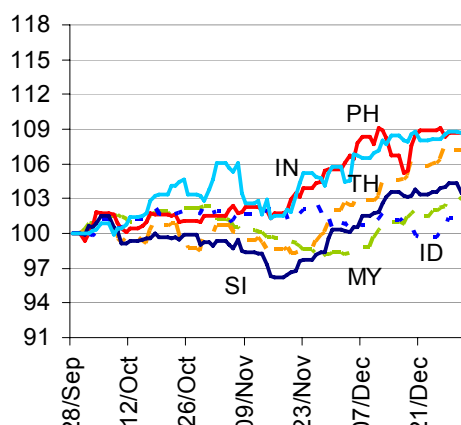
Stock Markets



Source: BBVA Research and Bloomberg

Chart 2

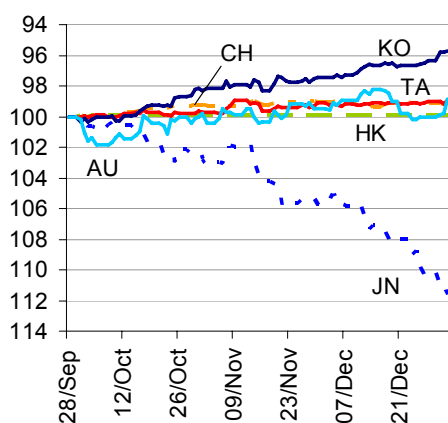
Stock Markets



Source: BBVA Research and Bloomberg

Chart 3

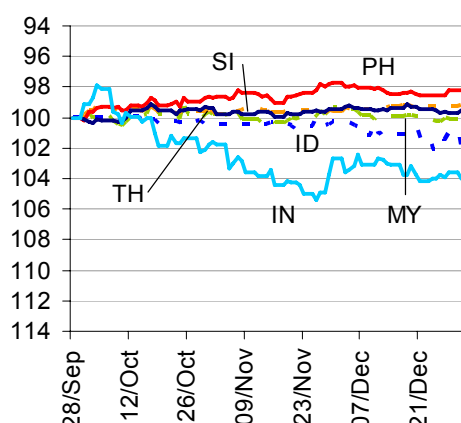
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4

Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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