

# Daily Flash

## Asia

*Today's news flow was active, with three key events taking place in the morning, Asia time: (i) new stimulus measures in Japan; (ii) higher-than-expected inflation for December in China; and (iii) Bank of Korea's decision to keep interest rates on hold. Markets were mixed, with the Nikkei up sharply (+1.4%), and the Shanghai composite down (-1.8%). In the coming week, attention will turn to important China data being released on January 18, including fourth quarter GDP, retail sales and industrial production. India releases its December WPI on Monday, while Singapore will give its December non-oil domestic exports outturn on Thursday.*

### Japan unveils stimulus measures amidst economic weakness

As anticipated, Prime Minister Shinzo Abe announced a ¥10.3trn yen (USD \$116 billion, or 2.2% of GDP) stimulus package as his new government seeks to end deflation and jump-start Japan's sluggish economy. The government also called on the Bank of Japan to conduct more aggressive monetary easing, and to adopt a 2% inflation target (from an informal 1% "goal" at present). Japan's economy has fallen into recession since the second quarter of 2012. The government estimates that today's package will boost GDP growth by 2% and create 600k jobs. An additional ¥5 trillion yen in bonds will be issued to finance the stimulus package, which will add to the already high public debt level, currently around 230% of GDP. Markets were boosted by today's announcement, as the Nikkei gained 1.4% percent, and the yen weakened further to 89.9, its lowest level in 2½ years.

### China's inflation ticks up in December, but outlook remains benign

China's December CPI increased to 2.5% y/y from 2.0% in November. Although the reading was above market expectations (consensus: 2.3%), it remains well below the government's 3.5-4.0% comfort range. Food inflation climbed by 4.2% y/y, driven by rising vegetables prices due to unfavorable weather conditions. We expect inflation to rise gradually to 3.3% on average in 2013 from 2.6% in 2012. Despite the still-benign inflation outlook, the uptick announced today was negative for market sentiment, on perceptions that it may curtail the PBoC's ability to ease monetary policy. Markets will now turn their attention to the upcoming release of China's GDP and other December's activity indicators on January 18.

### Korea's keeps policy rate steady

As expected, the Bank of Korea kept interest rates on hold today at its first meeting of 2013, leaving the policy rate at 2.75%. The central bank lowered the policy rate by 50bps in 2012, after 25bps cuts in both July and October, due to a significant deterioration in exports and weakening domestic demand. In today's statement, the central bank noted that it 'expects the global economy to exhibit a modest recovery going forward but judges that the uncertainties related to the fiscal crisis in the euro area and to fiscal consolidation in the US have not lifted, and remain as downside risks to growth.' We expect growth to improve modestly in 2013, to 2.9% y/y from 2.2% y/y this year, due to an expected improvement in the global environment. We would not rule out a rate cut in the current quarter.

**India's November industrial production contracted by -0.1% y/y (consensus: -0.7% y/y), down sharply from +8.2% y/y in October.** A weak November outturn was widely expected given a high base effect and production losses due to fewer working days given the November holidays.

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## Calendar Indicators

<b>Australia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Retail Sales s.a. (MoM)	09-Jan	Nov	0.00%	0.30%	0.00%
<b>China</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
New Yuan Loans	10-Jan	Dec	522.9B	550.0B	454.3B
Money Supply - M2 (YoY)	10-Jan	Dec	13.90%	14.00%	13.80%
Imports YoY%	10-Jan	Dec	0.00%	3.50%	6.00%
Exports YoY%	10-Jan	Dec	2.90%	5.00%	14.10%
Trade Balance (USD)	10-Jan	Dec	\$19.63B	\$20.00B	\$31.62B
Consumer Price Index (YoY)	11-Jan	Dec	2.00%	2.30%	2.50%
Producer Price Index (YoY)	11-Jan	Dec	-2.20%	-1.80%	-1.90%
<b>India</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Industrial Production (YoY)	11-Jan	Nov	8.20%	0.10%	-0.10%
<b>Japan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Current Account Total	11-Jan	Nov	¥376.9B	-¥17.1B	-¥222.4B
Trade Balance - BOP Basis	11-Jan	Nov	-¥450.3B	-¥832.03B	-¥847.5B
<b>Malaysia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Exports YoY%	09-Jan	Nov	-3.20%	2.30%	3.30%
Industrial Production YoY	10-Jan	Nov	5.80%	5.90%	7.50%
<b>Philippines</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Total Exports (YoY)	10-Jan	Nov	6.10%	20.10%	5.50%
<b>South Korea</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Unemployment Rate (SA)	09-Jan	Dec	3.00%	3.00%	3.00%
<b>Taiwan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
CPI YoY%	07-Jan	Dec	1.59%	1.38%	1.61%
Total Exports (YoY)	07-Jan	Dec	0.90%	4.50%	9.0%

## Indicator of the Week

### China: Q4 GDP growth (January 18)

Forecast: 7.8% y/y

Consensus: 7.8% y/y

Prior: 7.4% y/y

Activity indicators since September have been trending up, confirming an economic rebound. As such we believe the economy bottomed out in Q3, and that Q4 should register an upturn. The rebound is due to stronger domestic demand, facilitated by monetary and fiscal easing measures over the past year, with more recent support from firming exports. The anticipated Q4 outturn would bring full-year GDP growth to 7.7% for 2012 from 9.3% in 2011. Looking ahead, we expect growth in 2013 to increase marginally on continued momentum in domestic demand. We will also be monitoring a set of activity indicators for December to be released along with the Q4 growth outturn, including industrial production, investment, and retail sales.

## Calendar Events

### Thailand - Benchmark Rate, January 9

We expected the benchmark rate to remain unchanged

**Current**

2.75%

**Consensus**

2.75%

**New**

2.75%

### Indonesia - BI Reference Rate, January 10

We expected the benchmark rate to remain unchanged

**Current**

5.75%

**Consensus**

5.75%

**New**

5.75%

### South Korea - 7-Day Repo Rate, January 11

We expect the benchmark rate to remain unchanged

**Current**

2.75%

**Consensus**

2.75%

**New**

2.75%

## Upcoming Calendar Indicators

<b>Australia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Unemployment Rate	17 Jan	Dec	5.20%	5.40%	--
<b>China</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
China December Property Prices	18 Jan	Dec			
Real GDP (YoY)	18 Jan	4Q	7.40%	7.80%	--
Industrial Production (YoY)	18 Jan	Dec	10.10%	10.20%	--
Fixed Assets Inv Excl. Rural YTD YoY	18 Jan	Dec	20.70%	20.70%	--
Retail Sales (YoY)	18 Jan	Dec	14.90%	15.00%	--
<b>Hong Kong</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Unemployment Rate SA	17 Jan	Dec	3.40%	--	--
<b>India</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Imports YoY%	11-15 JAN	Dec	6.40%	--	--
Exports YoY%	11-15 JAN	Dec	-4.20%	--	--
<b>Japan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Japan Money Stock M2 YoY	15 Jan	Dec	2.10%	2.10%	--
Machine Orders YOY%	16 Jan	Nov	1.20%	-7.30%	--
Tertiary Industry Index (MoM)	17 Jan	Nov	-0.10%	0.10%	--
Industrial Production YOY%	18 Jan	Nov F	-5.80%	--	--
<b>Philippines</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Overseas Remittances (YoY)	15 Jan	Nov	8.50%	4.30%	--
Balance of Payments	18 Jan	Dec	\$2161M	--	--
<b>South Korea</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Retail Sales (YoY)	15 Jan	Nov	-1.00%	-0.80%	--
Non-oil Domestic Exports (YoY)	17 Jan	Dec	-2.50%	-7.60%	--

## Upcoming Calendar Events

There are no calendar events scheduled for next 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.	2243.0	-1.8	-1.5	-1.2	-1.5
	Hong Kong - Hang Seng	23264.1	-0.4	-0.3	2.7	21.5
	Taiwan - Weighted	7819.2	0.1	0.2	1.6	8.8
	Japan - Nikkei 225	10801.6	1.4	1.1	3.9	27.9
	Korea - Kospi	1996.7	-0.5	-0.8	0.0	8.2
	India - Sensex 30	19672.4	0.0	-0.6	1.3	21.6
	Australia - SPX/ASX 200	4709.5	-0.3	-0.3	1.3	12.5
	Singapore - Strait Times	3216.5	-0.3	-0.3	1.6	17.1
	Indonesia - Jakarta Comp	4305.9	-0.3	-2.4	-0.2	10.1
	Thailand - SET	1408.4	0.2	-0.6	1.2	33.9
	Malaysia - KLCI	1682.7	-0.1	-0.6	-0.4	10.5
	Philippines - Manila Comp.	6051.8	0.6	1.3	4.1	30.3

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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	0.14	0.24	6.27	6.28
	Hong Kong (HKD/USD)	7.75	-0.02	-0.02	7.75	7.74
	Taiwan (TWD/USD)	29.0	0.08	0.23	28.77	28.44
	Japan (JPY/USD)	88.90	-0.14	-0.84	88.84	88.54
	Korea (KRW/USD)	1055	0.53	0.85	1062	1074
	India (INR/USD)	54.7	-0.27	0.65	55.60	57.94
	Australia (USD/AUD)	1.06	-0.25	0.87	0.95	0.97
	Singapore (SGD/USD)	1.23	-0.24	0.16	1.23	1.22
	Indonesia (IDR/USD)	9866	0.01	-0.79	9970	10324
	Thailand (THB/USD)	30.3	-0.07	0.63	30.41	30.81
	Malaysia (MYR/USD)	3.02	0.29	0.85	3.03	3.08
	Philippines (PHP/USD)	40.6	0.18	0.80	40.38	40.26

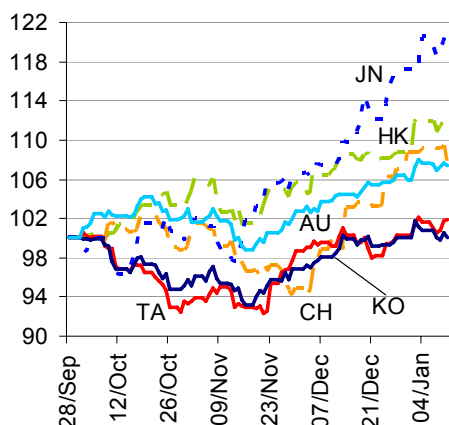
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	2.75	-0.31	-0.87	-0.26
	Hong Kong (HIBOR/1W)	0.10	-0.03	-0.03	-0.03
	Taiwan (TAIBOR/1W)	0.57	0.00	0.00	0.01
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	2.78	0.00	-0.02	0.00
	India (MIBOR/7D)	2.80	-0.26	-1.20	-0.61
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.29	0.00	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)	-1.00	-1.38	-1.38	-0.31

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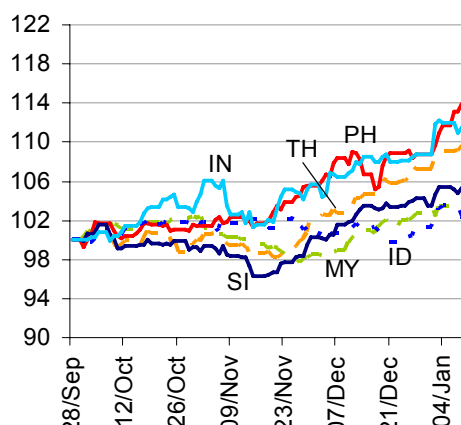
# Charts

Chart 1  
Stock Markets



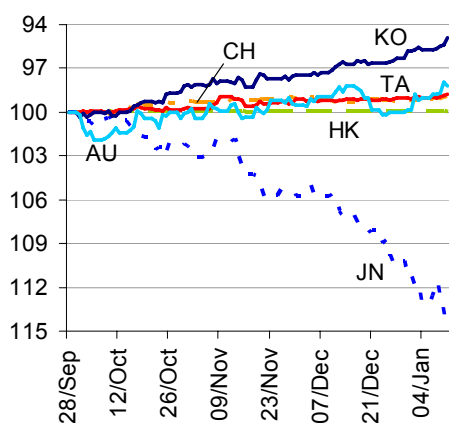
Source: BBVA Research and Bloomberg

Chart 2  
Stock Markets



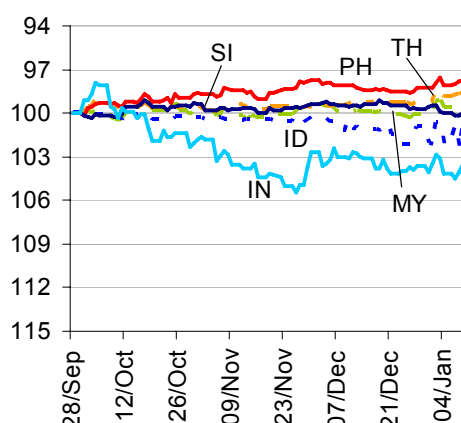
Source: BBVA Research and Bloomberg

Chart 3  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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