

Daily Flash

Asia

The week began with a surge in China's equity markets on signals from the Securities Regulation Commission it may expand the size of its QFII program to allow larger foreign inflows to the domestic capital market (see below). The news sent shares in the Shanghai Composite up by 3.1%, reversing Friday's declines, and is now up by 18.0% from its recent low in early December. Elsewhere, the Sensex was up 1.2%, while Japan was closed.

Signals of a further opening of China's capital inflows through QFII

The Chairman of China's Securities Regulatory Commission (CSRC), Guo Shuqing, said in a speech today in Hong Kong that the authorities are considering a further expansion of the QFII and QDII programs. Guo was quoted as saying that the programs could be expanded by "9 to 10 times," without specifying a timetable. The QFII program was last increased from \$30 to \$80 billion in July, at a time when the authorities were seeking to attract capital inflows amidst a slowing economy and uncertain global environment.

China's SAFE plans to use foreign reserves for FDI outflows

The State Administration of Foreign Exchange (SAFE) has reportedly established a new unit to support overseas investments of Chinese enterprises. With \$3.3 trillion in reserves, the new unit could help facilitate China's outward investment strategy, while limiting the ongoing increase in official reserves and maximizing returns. Under the new unit, domestic banks would serve as intermediaries between SAFE and domestic borrowers.

Easing December inflation in India supports case for a rate cut

India's December wholesale price inflation steadied at 7.2% y/y (BBVA: 7.2%; consensus: 7.4%), the same level as the previous month. As a continued moderation in core and fuel prices offset a low base effect and higher food inflation. Core inflation (non-food manufacturing) slipped for the fourth successive month to 4.2% y/y, signaling easing demand pressures and softer commodity prices. Looking ahead, we expect WPI inflation to average 6.6% y/y in 2013 with near term upside risks emanating from a weak rupee and imminent hikes in energy prices. Easing WPI inflation should enable the RBI to cut its repo rate by 25bps at its next policy meeting on January 29th policy meeting to 7.75%, the first cut since May 2012.

Singapore announces new measures to stem property price increases

The Monetary Authority of Singapore announced last Friday its latest measures to stem a rise in domestic property prices. The new measures include: (i) an increase in the stamp duties paid by non-resident foreigners to 15% from 10% previously; (ii) imposition of a seller's stamp duty of 5% - 15% will be applied on industrial properties turned over within three years, and (iii) an increase in the minimum cash down payment requirement for second homes to 25% from 10%. Singapore last tightened its property measures in October as it and other Asian economies such as Hong Kong seek to prevent asset price bubbles in the midst of heavy capital inflows.

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Unemployment Rate	17 Jan	Dec	5.20%	5.40%	--
China	Date	Period	Prior	Cons.	Actual
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%	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Unemployment Rate SA	17 Jan	Dec	3.40%	3.40%	--
Composite Interest Rate	17 Jan	Dec	0.34%	--	--
India	Date	Period	Prior	Cons.	Actual
WPI YoY%	14 Jan	Dec	7.24%	7.37%	7.18%
Japan	Date	Period	Prior	Cons.	Actual
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%	--	--
Philippines	Date	Period	Prior	Cons.	Actual
Overseas Remittances (YoY)	15 Jan	Nov	8.50%	5.00%	--
Balance of Payments	18 Jan	Dec	\$2161M	--	--
Singapore	Date	Period	Prior	Cons.	Actual
Retail Sales (YoY)	15 Jan	Nov	-1.00%	-0.80%	--
Non-oil Domestic Exports (YoY)	17 Jan	Dec	-2.50%	-7.60%	--

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.	2311.7	3.1	1.2	1.9	3.0
Hong Kong - Hang Seng	23413.3	0.6	0.4	3.3	21.9	
Taiwan - Weighted	7824.0	0.1	0.9	1.6	8.9	
Japan - Nikkei 225	10801.6	1.4	1.1	3.9	27.1	
Korea - Kospi	2007.0	0.5	-0.2	0.5	7.0	
India - Sensex 30	19842.7	0.9	0.8	2.1	22.8	
Australia - SPX/ASX 200	4719.7	0.2	0.1	1.5	12.5	
Singapore - Strait Times	3201.1	-0.5	-0.5	1.1	14.7	
Indonesia - Jakarta Comp	4382.5	1.8	-0.2	1.5	11.4	
Thailand - SET	1424.6	0.9	0.7	2.3	36.4	
Malaysia - KLCI	1683.9	0.1	-0.6	-0.3	10.6	
Philippines - Manila Comp.	6093.9	0.7	0.8	4.8	32.1	

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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)	6.22	-0.07	0.15	6.28	6.28
Hong Kong (HKD/USD)	7.75	-0.01	-0.02	7.75	7.74	
Taiwan (TWD/USD)	29.0	-0.01	0.17	28.81	28.47	
Japan (JPY/USD)	89.40	-0.25	-1.80	89.33	89.03	
Korea (KRW/USD)	1056	-0.14	0.72	1062	1074	
India (INR/USD)	54.5	0.43	1.27	55.37	57.73	
Australia (USD/AUD)	1.06	0.32	0.63	0.95	0.97	
Singapore (SGD/USD)	1.23	-0.10	0.23	1.23	1.23	
Indonesia (IDR/USD)	9635	2.40	0.36	9751	10095	
Thailand (THB/USD)	30.3	0.03	0.63	30.39	30.79	
Malaysia (MYR/USD)	3.02	0.13	0.85	3.03	3.07	
Philippines (PHP/USD)	40.7	-0.20	0.57	40.49	40.37	

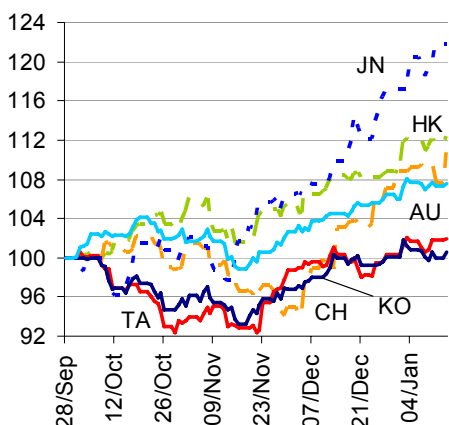
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	2.85	0.10	-0.19	-0.15
Hong Kong (HIBOR/1W)	0.10	0.00	-0.03	-0.03	
Taiwan (TAIBOR/1W)	0.57	0.00	0.00	-0.01	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.78	0.00	-0.02	-0.01	
India (MIBOR/7D)	2.93	0.13	-0.57	-0.07	
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)	-0.06	0.94	-0.69	-0.31	

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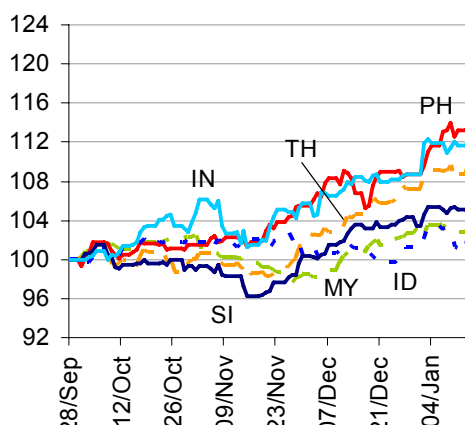
Charts

Chart 1
Stock Markets



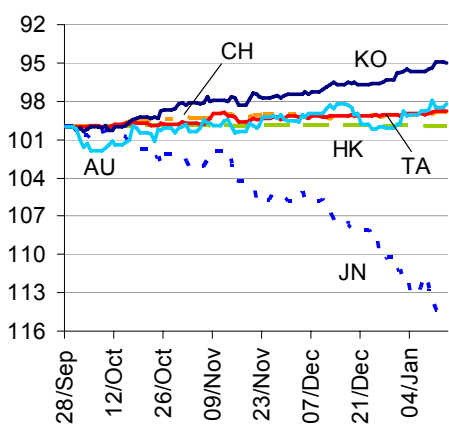
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



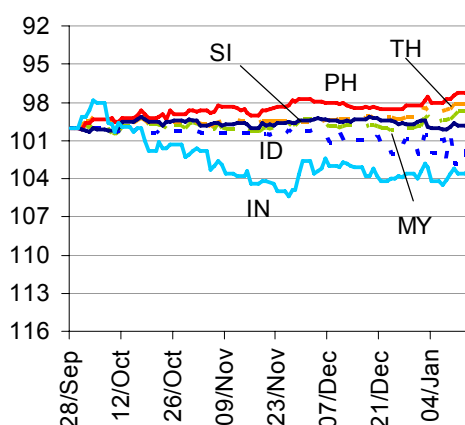
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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