

Daily Flash

Asia

Asian stock markets closed sharply higher today, especially in Japan (Nikkei +2.9%) on renewed prospects for yen weakness which should help exporters; markets are also positioning ahead of next week's BOJ policy meeting on January 22 where we expect further easing through adoption of a looser inflation target and step-up in the asset purchase program. Elsewhere in the region, sentiment was supported by China's positive economic data confirming a Q4 GDP growth rebound (see below). In India, the rupee appreciated by 0.9% (to 53.9/USD), fueled by upbeat investor sentiment after the Government underscored its commitment to reduce diesel fuel subsidies.

China's 4Q GDP and December activity indicators lift sentiment

As reported in today's *China Flash*, China's Q4 GDP growth rose to 7.9% y/y after bottoming out at 7.4% y/y in Q3, on the effects of policy stimulus. The Q4 outturn was slightly above our and consensus expectations (7.8% y/y), and brings full-year growth for 2012 to 7.8%. December activity indicators, also released today, generally rose in line with expectations, including industrial production (10.3% y/y; consensus: 10.2%), investment (20.6% y/y; consensus: 20.7%), and retail sales (15.2% y/y; consensus: 15.1%). Looking ahead, we expect GDP growth to rise to around 8.0% in 2013 as policy-induced growth in the first half of the year gradually gives way to a more self-sustaining, albeit less vigorous, trajectory in the second half on improving consumption and external demand.

China's property prices continue to rise

Somewhat overshadowed today by the reporting of China's GDP was the NBS's release of monthly property price data in December. The number of cities reporting rising sales prices for new homes increased to 54 from 53 the previous month. We estimate that national property prices increased by 0.35% m/m in December (0.43% y/y), slightly up from 0.29% in November (-0.2% y/y). Residential housing prices began to rebound in June 2012, and had risen by a cumulative 1.0% through December 2012, turning positive in over-year terms (0.2% y/y in December) for the first time in 2012. The data point to an ongoing recovery in the property market since June, despite tightening measures remaining in place. See our annual *Real Estate Outlook* for further details on our estimates that the current prices levels are broadly in line with fundamentals.

Coming up next week: BoJ policy meeting and Korea Q4 GDP

Next week will be eventful as attention turns to Japan's policy meeting in which inflation target is expected to increase to 2%, while South Korea will report its 4Q GDP on Jan 24th, where we expect fourth quarter growth of 1.8% (see Weekly Indicator). Taiwan export orders (Monday), Japan's trade data (Thursday), and Singapore's industrial production (Friday) are among the other noteworthy releases next week.

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Unemployment Rate	17 Jan	Dec	5.20%	5.40%	5.40%
China	Date	Period	Prior	Cons.	Actual
Real GDP (YoY)	18 Jan	4Q	7.40%	7.80%	7.90%
Industrial Production (YoY)	18 Jan	Dec	10.10%	10.20%	10.30%
Fixed Assets Inv Excl. Rural YTD YoY	18 Jan	Dec	20.70%	20.70%	20.60%
Retail Sales (YoY)	18 Jan	Dec	14.90%	15.10%	15.20%
Hong Kong	Date	Period	Prior	Cons.	Actual
Unemployment Rate SA	17 Jan	Dec	3.40%	3.40%	3.30%
Composite Interest Rate	17 Jan	Dec	0.34%	--	0.32%
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%	2.60%
Machine Orders YOY%	16 Jan	Nov	1.20%	-7.30%	0.30%
Tertiary Industry Index (MoM)	17 Jan	Nov	-0.10%	0.10%	-0.30%
Industrial Production YOY%	18 Jan	Nov F	-5.80%	--	-5.50%
Philippines	Date	Period	Prior	Cons.	Actual
Overseas Remittances (YoY)	15 Jan	Nov	8.50%	5.00%	7.60%
Balance of Payments	18 Jan	Dec	\$2161M	--	--
Singapore	Date	Period	Prior	Cons.	Actual
Retail Sales (YoY)	15 Jan	Nov	-1.00%	-0.30%	-1.10%
Non-oil Domestic Exports (YoY)	17 Jan	Dec	-2.50%	-7.60%	-16.30%

Indicator of the Week

Korea: Q4 GDP growth (January 24)

Forecast: 1.8% y/y

Consensus: 1.8% y/y

Prior: 1.5% y/y

The Korean economy slumped in 2012 as weak external demand weighed on exports (-1.3% y/y for the full year). Sluggish exports spilled over to domestic demand, although the latter was sustained by a still-strong labor market (unemployment has fallen to just 3.0%). We expect GDP growth to have picked up from Q3 on slightly higher private spending, which would bring full-year growth to 2.2% for 2012 from 3.6% in 2011. In sequential terms, this outturn would imply a pickup to 0.5% q/q, s.a. (non-annualized) from 0.1% in Q3. Looking ahead, we expect growth to improve in 2013 to around 2.7%, as the newly elected government of President Park Geun-hye seeks to stimulate GDP by front-loading budget spending, and as external demand improves on China's ongoing recovery (China is Korea's biggest export market, accounting for almost a quarter of total exports). Monetary policy is also supportive, and with inflation well-contained at 1.4% y/y in December vs. the official inflation target of 2%-4%, we expect another interest rate cut by the BOK in February or March at the latest (interest rates were cut twice in 2012, most recently in October, to 2.75% at present).

Upcoming Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Consumer Prices (YoY)	23 Jan	4Q	2.00%	2.40%	--
China	Date	Period	Prior	Cons.	Actual
HSBC Flash Manufacturing PMI	24 Jan	Jan	51.5	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
CPI - Composite Index (YoY)	21 Jan	Dec	3.70%	3.70%	--
Trade Balance	24 Jan	Dec	-44.1B	-50.4B	--
Exports YoY%	24 Jan	Dec	10.50%	10.50%	--
Japan	Date	Period	Prior	Cons.	Actual
Merchnds Trade Balance Total	24 Jan	Dec	-¥954.8B	-¥540.5B	--
Merchnds Trade Exports YoY	24 Jan	Dec	-4.10%	-4.00%	--
Natl CPI YoY	25 Jan	Dec	-0.20%	-0.20%	--
Tokyo CPI YoY	25 Jan	Jan	-0.60%	-0.60%	--
Malaysia	Date	Period	Prior	Cons.	Actual
CPI YoY	23 Jan	Dec	1.30%	1.40%	--
Philippines	Date	Period	Prior	Cons.	Actual
Trade Balance	25 Jan	Nov	-\$832M	--	--
Singapore	Date	Period	Prior	Cons.	Actual
CPI (YoY)	23 Jan	Dec	3.60%	3.80%	--
Industrial Production YoY	25 Jan	Dec	3.10%	-5.10%	--
South Korea	Date	Period	Prior	Cons.	Actual
GDP (YoY)	24 Jan	4Q P	1.50%	1.90%	--
Taiwan	Date	Period	Prior	Cons.	Actual
Export Orders (YoY)	21 Jan	Dec	11.10%	9.11%	--
Unemployment Rate - sa	22 Jan	Dec	4.27%	4.25%	--
Industrial Production (YoY)	23 Jan	Dec	5.85%	6.35%	--
Commercial Sales (YoY)	23 Jan	Dec	1.26%	--	--
Thailand	Date	Period	Prior	Cons.	Actual
Customs Exports (YoY)	24-27 Jan	Dec	26.86%	18.50%	--
Vietnam	Date	Period	Prior	Cons.	Actual
CPI (YoY)	25-31 Jan	Jan	6.81%	--	--
Exports YTD (YoY)	25-31 Jan	Jan	18.30%	--	--
Retail Sales YTD (YoY)	25-31 Jan	Jan	16.00%	--	--

Upcoming Calendar Events

Japan - BOJ Target Rate, January 22

We expect the benchmark rate to remain unchanged

Current	Consensus	New
0.10%	--	--

Philippines - Overnight Borrowing Rate, January 24

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.	2317.1	1.4	3.3	2.1	2.2
Hong Kong - Hang Seng	23601.8	1.1	1.5	4.2	19.9	
Taiwan - Weighted	7732.9	1.5	-1.1	0.4	6.9	
Japan - Nikkei 225	10913.3	2.9	2.4	5.0	27.6	
Korea - Kospi	1987.9	0.7	-0.4	-0.5	5.0	
India - Sensex 30	20006.3	0.2	1.7	3.0	21.6	
Australia - SPX/ASX 200	4771.2	0.3	1.3	2.6	13.1	
Singapore - Strait Times	3212.1	0.5	-0.1	1.4	14.9	
Indonesia - Jakarta Comp	4465.5	1.5	3.7	3.4	12.3	
Thailand - SET	1435.3	1.0	1.6	3.1	36.5	
Malaysia - KLCI	1676.4	-0.3	-0.4	-0.7	10.5	
Philippines - Manila Comp.	6139.2	1.1	1.4	5.6	31.2	

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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	-0.05	-0.04	6.28	6.28
Hong Kong (HKD/USD)	7.75	0.00	-0.01	7.75	7.74	
Taiwan (TWD/USD)	28.9	0.08	0.02	28.81	28.49	
Japan (JPY/USD)	89.74	0.16	-0.62	89.67	89.34	
Korea (KRW/USD)	1057	0.10	-0.23	1063	1076	
India (INR/USD)	53.9	0.82	1.51	54.74	57.10	
Australia (USD/AUD)	1.05	-0.42	-0.31	0.96	0.98	
Singapore (SGD/USD)	1.23	-0.28	-0.16	1.23	1.23	
Indonesia (IDR/USD)	9828	-1.81	0.39	9902	10247	
Thailand (THB/USD)	29.8	-0.03	1.65	29.91	30.29	
Malaysia (MYR/USD)	3.01	0.15	0.33	3.03	3.07	
Philippines (PHP/USD)	40.6	0.10	0.05	40.40	40.22	

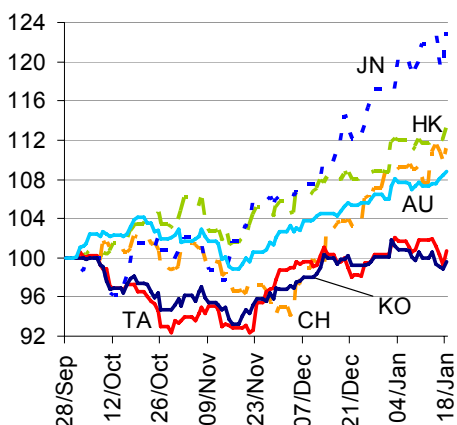
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	2.90	0.60	0.15	-0.10
Hong Kong (HIBOR/1W)	0.10	0.00	0.00	-0.03	
Taiwan (TAIBOR/1W)	0.57	0.00	0.00	-0.01	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.78	0.00	0.00	-0.01	
India (MIBOR/7D)	2.95	-0.75	0.15	-0.05	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	4.29	0.00	0.00	-0.02	
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)	1.38	0.13	2.38	-0.19	

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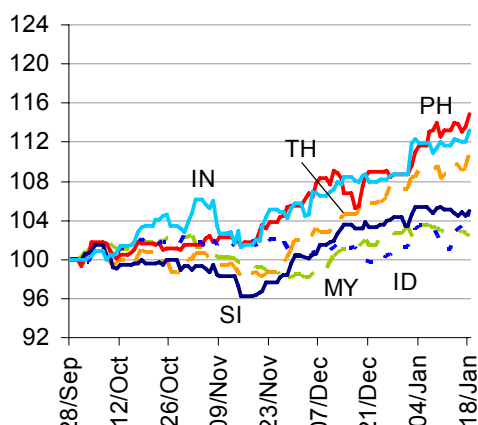
Charts

Chart 1
Stock Markets



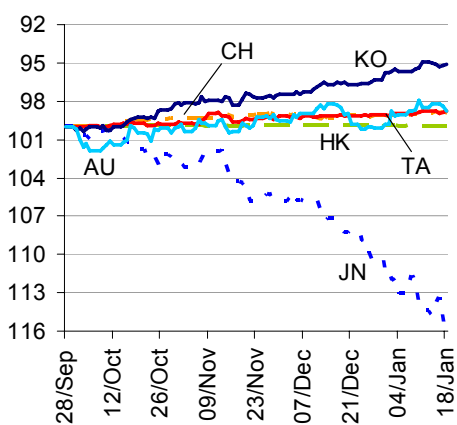
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



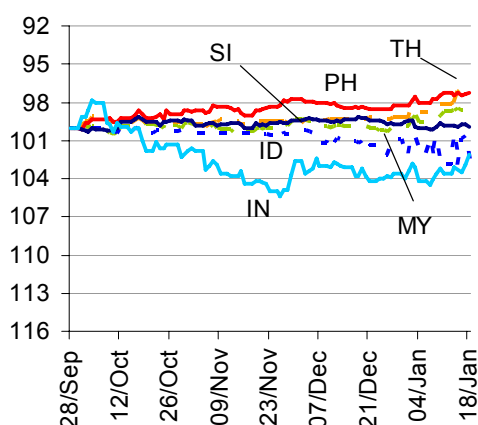
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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