

Daily Flash

Asia

Asian equity markets were mixed to start the week, ahead of tomorrow's Bank of Japan policy decision, and as investors awaited developments at the EU finance ministers meeting in Brussels. The Nikkei fell by -1.5% on profit-taking and speculation the yen may reverse some of its recent depreciation (the yen appreciated by 0.7% today, and is now 89.4/USD). Elsewhere, the Indonesian rupiah rose almost 2.2% against the US dollar on media speculation that Bank Indonesia will seek to move the exchange rate to the 9,400-9,600/USD range, based on comments by the central bank governor.

PBoC announces new short-term liquidity operations

In China, the PBoC announced late on Friday that it will introduce new short-term liquidity operations (SLOs) to its arsenal of liquidity management tools, to supplement its current open market operations (which are done every Tuesday and Thursday). Short-term repo and reverse repo (with maturities of less than 7 days) will be the major tools used in the SLOs. The move will help with increasingly volatile inter-bank liquidity caused by informal lending activities and capital flows, and also reflects the PBoC's efforts regarding its ongoing movement towards financial liberalization. The PBoC had already introduced a 5-day repo in early January this year, which is expected to be used more frequently going forward. While there may be speculation that this will dampen expectations for an upcoming RRR cut given the central bank's new emphasis on increasing efforts to monitor and support market liquidity, we think the launching of SLOs does not necessarily mean the possibility of further RRR cuts should be ruled out, as additional RRR cuts would still be effective if domestic liquidity dries up, and/or the external environment worsens.

Taiwan's export orders show more momentum

Taiwan's December export orders grew for a fourth straight month on an over-year basis, increasing by 8.5% y/y (consensus: 10.0% y/y) after a strong pickup in November (11.1% y/y). On balance, export orders showed a marked improvement in Q4 compared with the first three quarters of 2012 (7.6% y/y in Q4 vs. -1.1% y/y from Jan-Sep). Orders for information & communication products grew by double-digit rates, on a surge in demand from Europe. For the whole year of 2012, orders from ASEAN, the US and Europe reached all time highs in value terms. Looking ahead, export orders are expected to improve further in 2013 given an expected recovery in external demand.

Hong Kong's inflation remains flat, upward pressures remain

Hong Kong's headline inflation for December came out today at 3.7% y/y, unchanged from the previous month and in line with the market's expectation. As a result, average inflation for 2012 was 4.1%, which, although moderating from 5.3% in 2011, still remained at a high level when taking into account Hong Kong's growth slowdown. By category, food and housing rental prices continued to be the key drivers of inflation, rising by 5.8% y/y and 5.7% y/y, respectively, this year. Looking ahead, we expect inflation to remain broadly flat in 2013, with upside risks from pressures due to capital inflows and rising property prices.

Stephen Schwartz
Chief Economist for Asia
stephen.schwartz@bbva.com.hk
+852 2582 3218

Jeffrey Cantwell, CFA
Economist
jeffrey.cantwell@bbva.com.hk
+852 2582 3173

Weiwei Liu
Economist
carrie.liu@bbva.com.hk
+852 2582 3243

With contributions from the BBVA Research Asia Team

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	51.8	--
Hong Kong	Date	Period	Prior	Cons.	Actual
CPI - Composite Index (YoY)	21 Jan	Dec	3.70%	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%	10.00%	8.51%
Unemployment Rate - sa	22 Jan	Dec	4.27%	4.25%	--
Industrial Production (YoY)	23 Jan	Dec	5.85%	6.80%	--
Commercial Sales (YoY)	23 Jan	Dec	1.26%	1.43%	--
Thailand	Date	Period	Prior	Cons.	Actual
Customs Exports (YoY)	24-27 Jan	Dec	26.86%	21.40%	--
Vietnam	Date	Period	Prior	Cons.	Actual
CPI (YoY)	24 Jan	Jan	6.81%	7.00%	--
Exports YTD (YoY)	25-31 Jan	Jan	18.30%	--	--
Retail Sales YTD (YoY)	25-31 Jan	Jan	16.00%	--	--

Calendar Events

Japan - BOJ Target Rate, January 22

We expect the benchmark rate to remain unchanged

Current	Consensus	New
0.10%	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	% change				
		Last price	over a day	over a week	Year to date	over 1 Y
	China - Shanghai Comp.	2328.2	0.5	0.7	2.6	0.4
	Hong Kong - Hang Seng	23590.9	0.0	0.8	4.1	17.3
	Taiwan - Weighted	7724.9	-0.1	-1.3	0.3	6.8
	Japan - Nikkei 225	10747.7	-1.5	-0.5	3.4	22.6
	Korea - Kospi	1986.9	0.0	-1.0	-0.5	1.9
	India - Sensex 30	20114.9	0.4	1.0	3.5	20.2
	Australia - SPX/ASX 200	4777.5	0.1	1.2	2.8	12.7
	Singapore - Strait Times	3225.4	0.4	0.6	1.8	13.2
	Indonesia - Jakarta Comp	4440.0	-0.6	1.3	2.9	11.4
	Thailand - SET	1441.3	0.5	1.1	3.5	36.1
	Malaysia - KLCI	1635.6	-2.4	-2.9	-3.2	7.4
	Philippines - Manila Comp.	6171.7	0.5	1.3	6.2	30.0

Last update: today, 17:00 Hong Kong time

FOREIGN EXCHANGE MARKETS	CURRENCY	% change				
		Spot	over a day	over a week	Forward 3-month	Forward 12-month
	China (CNY/USD)	6.22	-0.06	-0.02	6.28	6.28
	Hong Kong (HKD/USD)	7.75	-0.01	-0.01	7.75	7.75
	Taiwan (TWD/USD)	29.0	-0.06	-0.03	28.87	28.56
	Japan (JPY/USD)	89.40	0.78	0.09	89.33	89.02
	Korea (KRW/USD)	1063	-0.55	-0.64	1070	1082
	India (INR/USD)	53.9	-0.29	1.19	54.69	57.05
	Australia (USD/AUD)	1.05	0.09	-0.45	0.96	0.98
	Singapore (SGD/USD)	1.23	-0.20	-0.36	1.23	1.23
	Indonesia (IDR/USD)	9618	2.18	0.18	9889	10236
	Thailand (THB/USD)	29.7	0.07	1.68	29.86	30.25
	Malaysia (MYR/USD)	3.04	-0.82	-0.62	3.05	3.09
	Philippines (PHP/USD)	40.8	-0.41	-0.17	40.59	40.42

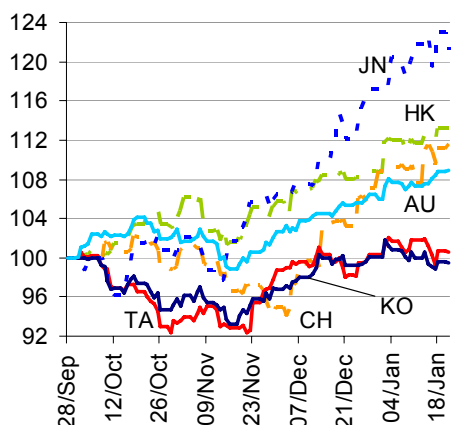
Last update: today, 17:00 Hong Kong time.

INTERBANK RATES	INDEX	Rate	net change		
			over a day	over a week	over a month
	China (SHIBOR/7D)	3.00	0.10	0.18	-0.40
	Hong Kong (HIBOR/1W)	0.10	0.00	0.00	-0.03
	Taiwan (TAIBOR/1W)	0.56	0.00	0.00	0.00
	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)	3.05	0.10	0.12	-0.46
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.29	0.00	0.00	-0.05
	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)	1.19	-0.19	1.25	0.94

Last update: today, 17:00 Hong Kong time

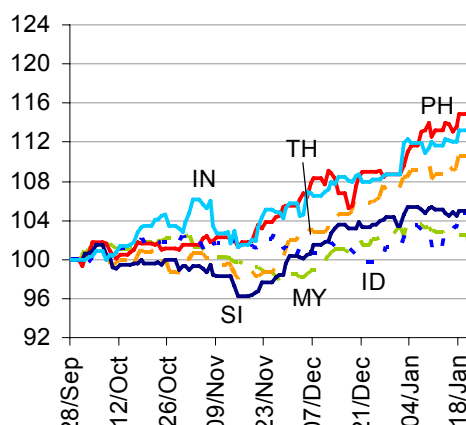
Charts

Chart 1
Stock Markets



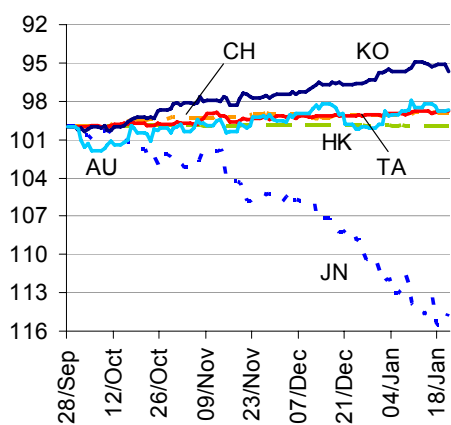
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



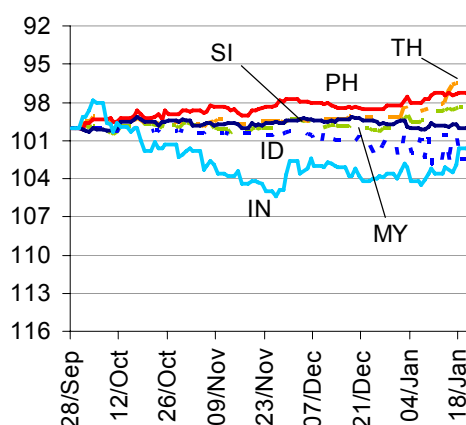
Source: BBVA Research and Bloomberg

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

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

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

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

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

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

Weiwei Liu
Economist
carrie.liu@bbva.com

Edward Wu
Economist
edward.wu@bbva.com

BBVA | RESEARCH  | 10/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.