

Daily Flash

Asia

Reaction to yesterday's Bank of Japan announcement remained negative, with the Nikkei posting a sharp decline (-2.0%) on disappointment that significant further easing will not occur until January 2014. The yen appreciated by 0.4%, to 88.4/USD. The market focus will now turn to tomorrow's Q4 GDP in Korea (consensus and BBVA: 1.8% y/y), which we expect will pick up slightly from the previous quarter (see Weekly Indicator). The Philippines will also hold its policy meeting tomorrow, where we expect rates will remain unchanged.

Benign inflation in Australia may add pressure on RBA for another rate cut

Australia reported inflation of 2.2% y/y for the fourth quarter, slightly higher than Q3 (2.0% y/y) but lower than expectations (consensus: 2.4% y/y). The soft outturn, which is well within the central bank's target range of 2-3%, may increase expectations of another rate cut, following 175 bps in cuts by the RBA since November 2011, which have lowered the policy rate to 3.00% (the last cut was in December). That said, we do not anticipate another cut in the coming months in view of improving global prospects, especially in China. The RBA's next monetary policy meeting is to be held on February 5.

Singapore's inflation up on housing and transportation prices

Singapore's inflation rose sharply in December, to 4.3% y/y (consensus: 3.8% y/y) from 3.6% y/y the previous month, largely on increases in housing (6.7% y/y) and transportation costs (8.2% y/y). With the MAS's semi-annual policy meeting beginning to loom on the horizon (April), the market will gradually focus on whether the MAS will ease monetary policy (by slowing the pace of appreciation or re-centering the exchange rate band) in view of recent weak output indicators. Inflation may remain elevated in the near-term, however, as labor markets remain tight and price pressures persist due to rising wages. We therefore think it is unlikely at this stage that the MAS will ease further. At its previous meeting in October, the MAS surprised the markets by leaving policy unchanged in view of inflation pressures.

Taiwan's December IP, retail sales data point to steady momentum

Taiwan's December industrial production increased by 2.4% y/y from 5.9% in November, below market expectations (consensus: 6.8%). However, on the bright side it was the fifth consecutive month showing positive IP growth on an over-year basis. For the whole year, IP declined slightly by -0.1%, mainly due to weak performance in the first half. Meanwhile, Taiwan's retail sales improved marginally to 1.8% y/y from 1.7% in November, on improved demand for the automobiles and cell phones. We expect retail sales to rise this year on the back of a resilient labor market and expanding tourism sector.

Briefly noted:

- **Korea's department store sales fell by -0.2% y/y in December**, a sign that domestic demand remains weak. Citing expectations of a weak domestic as well as global environment in the coming months, the Bank of Korea recently lowered its official 2013 GDP growth forecast to 2.8% y/y from 3.2% y/y (BBVA: 2.7% y/y).
- **Malaysia's December inflation reached record low of 1.2%**. The outturn leaves room for the central bank to support economic growth, though we think they will remain on hold given still-strong growth momentum.
- **Thailand's exports rose by 13.5% y/y to \$18.1 billion last December** on rising electronics demand. For the whole of 2012, exports increased by 3.1%, missing the government's target of 5%.

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Consumer Prices (YoY)	23 Jan	4Q	2.00%	2.40%	2.20%
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%	1.20%
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%	4.30%
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%	4.22%
Industrial Production (YoY)	23 Jan	Dec	5.85%	6.80%	2.39%
Commercial Sales (YoY)	23 Jan	Dec	1.26%	1.43%	1.74%
Thailand	Date	Period	Prior	Cons.	Actual
Customs Exports (YoY)	23 Jan	Dec	26.86%	21.50%	13.45%
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%	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.	2320.9	0.2	0.5	2.3	0.1
Hong Kong - Hang Seng	23635.1	-0.1	1.2	4.3	17.5	
Taiwan - Weighted	7744.2	-0.2	0.6	0.6	7.1	
Japan - Nikkei 225	10487.0	-2.1	-1.1	0.9	19.6	
Korea - Kospi	1980.4	-0.8	0.1	-0.8	1.6	
India - Sensex 30	19933.9	-0.2	0.6	2.6	19.0	
Australia - SPX/ASX 200	4787.8	0.2	1.0	3.0	13.3	
Singapore - Strait Times	3232.8	0.4	0.8	2.1	13.5	
Indonesia - Jakarta Comp	4418.7	0.0	0.2	2.4	10.8	
Thailand - SET	1427.1	-0.5	0.8	2.5	34.3	
Malaysia - KLCI	1635.5	0.4	-2.8	-3.2	7.4	
Philippines - Manila Comp.	6092.5	-0.2	0.7	4.8	28.3	

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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	0.03	0.00	6.28	6.28
Hong Kong (HKD/USD)	7.75	0.01	-0.01	7.75	7.75	
Taiwan (TWD/USD)	29.0	-0.01	0.04	28.89	28.58	
Japan (JPY/USD)	88.27	0.50	0.12	88.20	87.91	
Korea (KRW/USD)	1066	-0.36	-0.70	1072	1084	
India (INR/USD)	53.8	0.04	1.69	54.57	56.95	
Australia (USD/AUD)	1.06	-0.09	-0.14	0.95	0.97	
Singapore (SGD/USD)	1.23	0.01	-0.25	1.23	1.23	
Indonesia (IDR/USD)	9625	-0.05	0.45	9696	10045	
Thailand (THB/USD)	29.8	-0.30	-0.03	29.95	30.33	
Malaysia (MYR/USD)	3.04	-0.08	-0.79	3.06	3.10	
Philippines (PHP/USD)	40.6	-0.06	0.17	40.46	40.28	

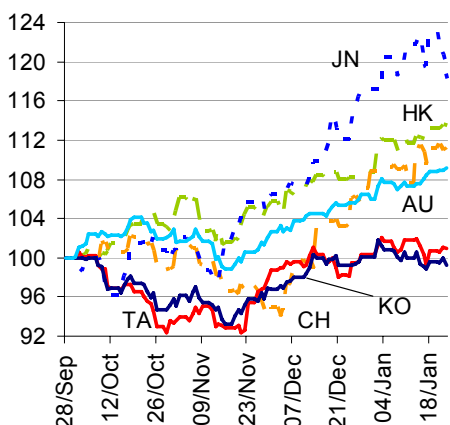
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.00	0.00	0.10	-0.40
Hong Kong (HIBOR/1W)	0.10	0.00	0.00	-0.03	
Taiwan (TAIBOR/1W)	0.56	0.00	0.00	0.00	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.78	0.00	0.00	-0.01	
India (MIBOR/7D)	2.98	-0.17	0.19	-0.53	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	4.29	0.00	0.00	-0.04	
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)	1.06	0.31	0.44	0.81	

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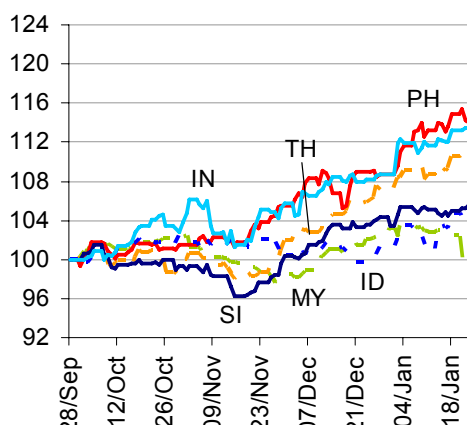
Charts

Chart 1
Stock Markets



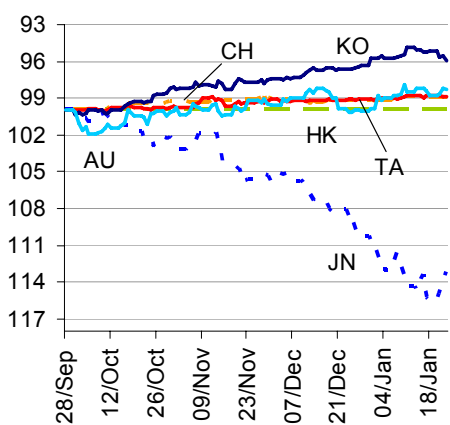
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



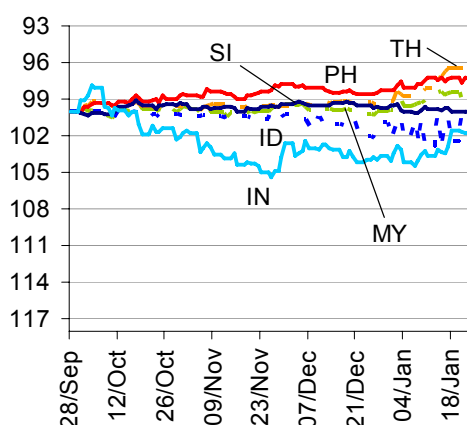
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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