

Daily Flash

Asia

The Japanese yen weakened today by more than 1%, to 89.6/USD, as top officials in Japan defended their recent policy moves against accusations of competitive devaluation. Meanwhile, elsewhere in Asia, economic indicators released today were generally positive (see below), confirming an ongoing pickup in growth after bottoming out in Q3 2012. Equity markets were mixed today, with the Nikkei closing higher (+1.3%) on the yen's decline, while the Korean KOSPI closed down by -0.8%.

China's flash PMI rises to two-year high

China's HSBC/Markit flash manufacturing PMI climbed to 51.9 in January from its final reading of 51.5 in December, the highest level since February 2011 and the third consecutive month above the expansionary threshold of 50. The preliminary outturn suggests that underlying growth momentum in China's manufacturing sector is firm, in line with other recent activity indicators, including fourth quarter GDP which rose by a better-than-expected 7.9% y/y. The official PMI will be released on February 1.

Korea's 4Q GDP misses expectations, but confirms a modest upturn

The Bank of Korea announced fourth quarter GDP of 1.5% y/y (consensus and BBVA: 1.8% y/y), resulting in full year growth of 2.0% in 2012, down from 3.6% the previous year. Sequential growth picked up to 0.4% q/q sa from 0.1% q/q sa in Q3 on improving private consumption spending, which offset declining growth in all other components of demand. Speculation is rising that the authorities may take further steps to boost activity, including additional rate cuts, all the more so in light of the recent strength in the won.

Japan reports record trade deficit for 2012

Japan reported a trade deficit of ¥641.5bn (consensus: ¥522.8bn) in December, resulting in a record trade deficit for the full year (¥6.9trn or US\$77bn) – or about 1.4% of GDP. Exports slumped more than expected in December (-5.8% y/y; consensus:-4.2% y/y) on sluggish demand from China and the EU. Meanwhile, imports rose by 1.9% y/y (consensus: 1.7%). The outturns lend support to the government's recent efforts to ease monetary policy and weaken the yen.

Positive Hong Kong export data reinforces China growth momentum

Hong Kong's December exports rose by a better-than-expected 14.4% y/y (consensus: 9.5% y/y), and imports increased by 11.9% y/y (consensus: 8.3% y/y). Exports to China, the US and UK all registered double-digit over-year growth.

Briefly noted:

- **Vietnam reported January inflation of 7.1% y/y**, limiting room for the central bank to cut interest rates. Consumer prices are expected to further accelerate next month due to the Lunar New Year.

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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	51.7	51.9
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	-50.3B	-48.0B
Exports YoY%	24 Jan	Dec	10.50%	9.20%	14.40%
Japan	Date	Period	Prior	Cons.	Actual
Merchnds Trade Balance Total	24 Jan	Dec	-¥954.8B	-¥522.8B	-¥641.5B
Merchnds Trade Exports YoY	24 Jan	Dec	-4.10%	-4.20%	-5.80%
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%	1.80%	1.50%
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%	6.95%	7.07%
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%	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.	2302.6	-0.8	0.8	1.5	-0.7
Hong Kong - Hang Seng	23598.9	-0.2	1.1	4.2	17.3	
Taiwan - Weighted	7696.0	-0.6	1.0	0.0	6.4	
Japan - Nikkei 225	10620.9	1.3	0.1	2.2	20.9	
Korea - Kospi	1964.5	-0.8	-0.5	-1.6	0.7	
India - Sensex 30	19990.8	-0.2	0.1	2.9	17.6	
Australia - SPX/ASX 200	4810.2	0.5	1.1	3.5	13.9	
Singapore - Strait Times	3247.9	0.5	1.7	2.6	14.0	
Indonesia - Jakarta Comp	4418.7	0.0	0.2	2.4	10.6	
Thailand - SET	1446.7	0.5	1.8	3.9	36.1	
Malaysia - KLCI	1635.3	0.4	-2.8	-3.2	7.4	
Philippines - Manila Comp.	6117.3	0.4	0.7	5.2	29.8	

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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	-0.08	6.28	6.29
Hong Kong (HKD/USD)	7.75	0.00	-0.01	7.75	7.75	
Taiwan (TWD/USD)	29.0	-0.14	-0.24	28.94	28.63	
Japan (JPY/USD)	89.38	-0.86	0.56	89.32	89.02	
Korea (KRW/USD)	1069	-0.25	-1.00	1073	1085	
India (INR/USD)	53.7	-0.02	1.32	54.43	56.83	
Australia (USD/AUD)	1.05	-0.43	-0.34	0.96	0.98	
Singapore (SGD/USD)	1.23	-0.03	-0.32	1.23	1.23	
Indonesia (IDR/USD)	9760	-1.38	-1.13	9839	10190	
Thailand (THB/USD)	29.8	-0.03	-0.07	29.92	30.30	
Malaysia (MYR/USD)	3.05	-0.17	-1.08	3.06	3.10	
Philippines (PHP/USD)	40.6	-0.02	-0.04	40.49	40.31	

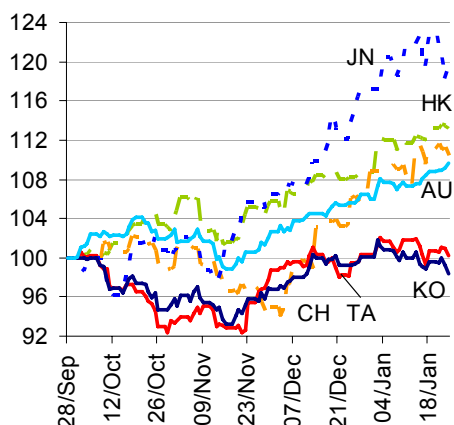
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.00	0.00	0.10	-0.20
Hong Kong (HIBOR/1W)	0.10	0.00	0.00	-0.03	
Taiwan (TAIBOR/1W)	0.56	0.00	0.00	-0.01	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.78	0.00	0.00	-0.01	
India (MIBOR/7D)	2.84	-0.14	-0.86	-1.94	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	0.00	-4.29	-4.29	-4.34	
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	0.13	-0.06	0.94	

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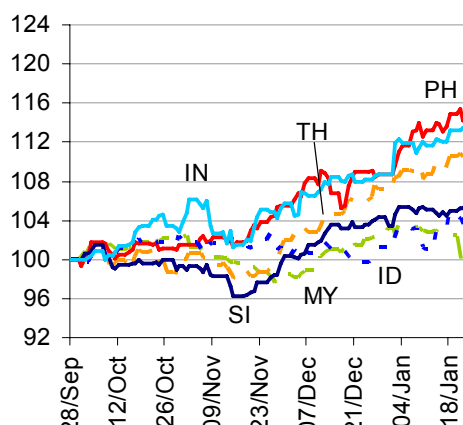
Charts

Chart 1
Stock Markets



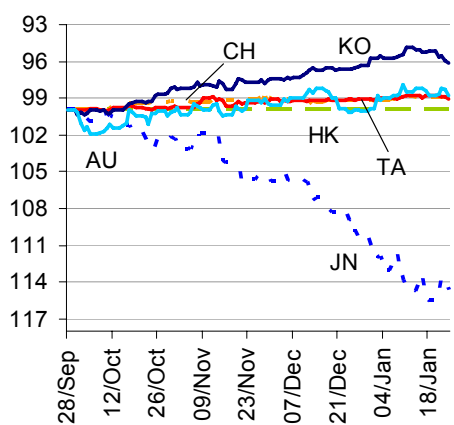
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



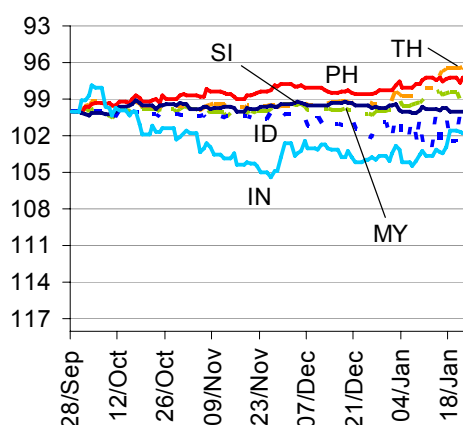
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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