

Daily Flash

Asia

The yen's weakening trend continued today (reaching 90.7/USD, a level not seen since June 2010), capping a week in which the BoJ's monetary easing campaign was the focus of attention. Asian equity markets finished the week mixed, with the Nikkei up by 2.9% (+0.1% for the week in volatile trading). In contrast, Korean shares closed down for a third consecutive day (Kospi: -0.9%) on concerns about export competitiveness in light of the yen's weakness, and after yesterday's lackluster Q4 GDP outturn. In the coming week, market attention will turn to China's manufacturing PMI (February 1 – see Weekly Calendar below), Q4 GDP in Taiwan and the Philippines (January 31) and Korea's January exports (February 1).

Deflation persists in Japan as the BoJ steps up monetary easing

Japan today reported December CPI of -0.1% y/y (consensus: -0.2%), highlighting the difficulties the BoJ will face in reversing deflation. Under pressure from the government, the BoJ adopted a 2% inflation target at the conclusion of its monetary meeting on January 22, and launched unlimited quantitative easing (starting in 2014), aiming to end deflation and boost Japan's sluggish growth momentum. We expect average inflation of 0.1% in 2013, and for deflation to end more convincingly in 2014, with inflation increasing to around 1%.

Reports of new UK-China linkages, as offshore RMB competition intensifies

The Wall Street Journal has reported that the Bank of England is prepared to sign a bilateral-currency swap agreement with China's PBoC provided they can work out the details. China has signed swap agreements with other offshore RMB centers, mostly notably Hong Kong and Singapore. In addition, it has signed agreements with 17 other countries to boost trade ties, including Korea, Australia, Turkey, and Brazil. If successfully concluded, a swap agreement with the BoE could boost RMB liquidity in London and lift the financial center's prospects to become a major offshore RMB trading hub, as competition grows for RMB-related business.

Singapore IP falls in December on weak export demand

Singapore reported that December industrial production declined on an over-year basis by less than expected (-0.6% y/y, consensus: -4.8% y/y). For the whole year, IP declined by -0.1%. On the positive side, sequential growth increased by 5.4% m/m as growth in pharmaceuticals offset weakness in the electronics sector. Singapore's economic momentum remains weak, in contrast with other regional economies which have shown signs of a pickup in recent months. The Monetary Authority of Singapore (MAS) is in a difficult position as it needs to tackle twin challenges of still-high inflation (4.3% y/y in December) alongside sluggish growth momentum. The MAS's next meeting will be held in April.

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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%	-0.10%
Tokyo CPI YoY	25 Jan	Jan	-0.60%	-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	--	-\$1586M
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%	-4.80%	-0.60%
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%

Indicator of the Week

China: PMI for January (February 1st)

Forecast: 50.5

Consensus: 51.0

Prior: 50.6

Official PMI from the National Bureau of Statistics is expected to remain above the +50 expansion threshold for a fourth consecutive month in January, as growth momentum continues to improve. That said, we expect the outturn to remain broadly flat from its December level on seasonal effects ahead of the Chinese New Year that begins on February 10. The January flash HSBC/Markit PMI estimate released on January 24 of 51.9 rose to its highest level in 22 months. The next significant batch of monthly activity indicators, including industrial production, investment, and retail sales will be released on March 9, as the authorities prefer to release January and February data together to eliminate seasonal distortions from the Chinese New Year (which occurred in January last year).

Calendar Events

Japan - BOJ Target Rate, January 22

We expect the benchmark rate to remain unchanged

Current

0.10%

Consensus

0.10%

New

0.10%

Philippines -Overnight Borrowing Rate, January 24

We expect the benchmark rate to remain unchanged

Current

3.50%

Consensus

3.50%

New

3.50%

Upcoming Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
AiG Performance of Mfg Index	01 Feb	Jan	44.3	--	--
RBA Commodity Index SDR YoY%	01 Feb	Jan	-8.00%	--	--
Producer Price Index (YoY)	01 Feb	4Q	1.1%	1.2%	
China	Date	Period	Prior	Cons.	Actual
Industrial Profits YTD YoY	27 Jan	Dec	3.0%		
Manufacturing PMI	01 Feb	Jan	50.6	51.0	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Retail Sales - Value (YoY)	31 Jan	Dec	9.50%	--	--
Indonesia	Date	Period	Prior	Cons.	Actual
Inflation (YoY)	01 Feb	Jan	4.30%	--	--
Exports (YoY)	01 Feb	Dec	-4.60%	--	--
Annual GDP	01-15 FEB	2012	--	--	--
Japan	Date	Period	Prior	Cons.	Actual
Industrial Production YOY%	31 Jan	Dec P	-5.50%	--	--
Jobless Rate	01 Feb	Dec	4.10%	--	--
Philippines	Date	Period	Prior	Cons.	Actual
GDP (YoY)	31 Jan	4Q	7.10%	6.40%	--
Singapore	Date	Period	Prior	Cons.	Actual
Unemployment Rate (sa)	31 Jan	4Q P	1.90%	2.00%	--
South Korea	Date	Period	Prior	Cons.	Actual
Industrial Production (YoY)	30 Jan	Dec	2.90%	1.30%	--
Consumer Price Index (YoY)	01 Feb	Jan	1.40%	1.60%	--
Ext Trade - Export (YoY)	01 Feb	Jan	-5.70%	7.00%	--
Taiwan	Date	Period	Prior	Cons.	Actual
GDP - Constant Prices (YoY)	31 Jan	4Q P	0.98%	3.00%	--
Thailand	Date	Period	Prior	Cons.	Actual
Total Exports YOY%	31 Jan	Dec	27.10%	--	--
Current Account Balance (USD)	31 Jan	Dec	\$392M	--	--
Consumer Price Index (YoY)	01 Feb	Jan	3.63%	--	--
Vietnam	Date	Period	Prior	Cons.	Actual
Exports YTD (YoY)	28-31 Jan	Jan	18.30%	--	--
Retail Sales YTD (YoY)	28-31 Jan	Jan	16.00%	--	--

Upcoming Calendar Events

India - REPO Cutoff Yld, January 29

We expected a 25 bps cut in the benchmark rate

Current	Consensus	New
8.00%	7.75%	--

Malaysia -Overnight Rate, January 31

We expect the benchmark rate to remain unchanged

Current	Consensus	New
3.00%	3.00%	--

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.	2291.3	-0.5	-1.1	1.0	-1.2
Hong Kong - Hang Seng	23580.4	-0.1	-0.1	4.1	17.3	
Taiwan - Weighted	7672.6	-0.3	-0.8	-0.3	6.1	
Japan - Nikkei 225	10926.7	2.9	0.1	5.1	23.0	
Korea - Kospi	1946.7	-0.9	-2.1	-2.5	-0.3	
India - Sensex 30	20073.8	0.8	0.2	3.3	17.5	
Australia - SPX/ASX 200	4835.2	0.5	1.3	4.0	13.2	
Singapore - Strait Times	3266.3	0.6	1.7	3.1	13.0	
Indonesia - Jakarta Comp	4437.6	0.4	0.9	2.8	11.1	
Thailand - SET	1459.1	0.7	1.7	4.8	38.2	
Malaysia - KLCI	1635.2	0.0	-2.7	-3.2	7.4	
Philippines - Manila Comp.	6167.6	0.8	0.5	6.1	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	-0.03	-0.07	6.29	6.29
Hong Kong (HKD/USD)	7.75	-0.01	-0.02	7.75	7.75	
Taiwan (TWD/USD)	29.2	-0.38	-0.69	29.07	28.80	
Japan (JPY/USD)	90.68	-0.39	-0.64	90.62	90.32	
Korea (KRW/USD)	1074	-0.48	-1.58	1080	1092	
India (INR/USD)	53.7	-0.02	1.31	54.65	57.03	
Australia (USD/AUD)	1.05	0.03	-0.53	0.96	0.98	
Singapore (SGD/USD)	1.23	0.02	-0.10	1.23	1.23	
Indonesia (IDR/USD)	9653	1.11	1.81	9739	10083	
Thailand (THB/USD)	29.9	-0.23	-0.43	30.02	30.42	
Malaysia (MYR/USD)	3.04	0.12	-1.11	3.06	3.10	
Philippines (PHP/USD)	40.7	-0.04	-0.18	40.55	40.38	

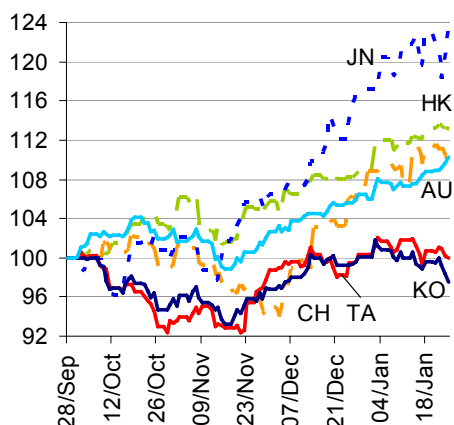
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.00	0.00	0.10	-1.00
Hong Kong (HIBOR/1W)	0.10	0.00	0.00	-0.03	
Taiwan (TAIBOR/1W)	0.56	0.00	0.00	-0.01	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.78	0.00	0.00	-0.01	
India (MIBOR/7D)	2.70	-0.14	-0.25	-1.30	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	4.30	4.30	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)	1.31	0.13	-0.06	1.06	

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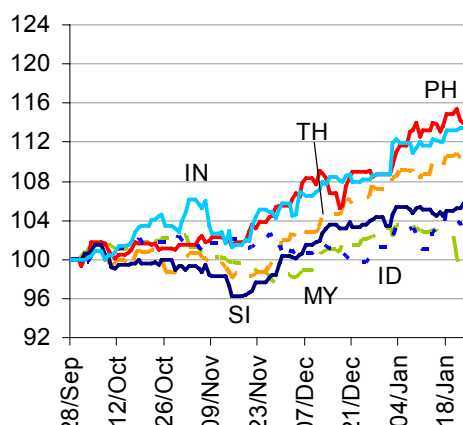
Charts

Chart 1
Stock Markets



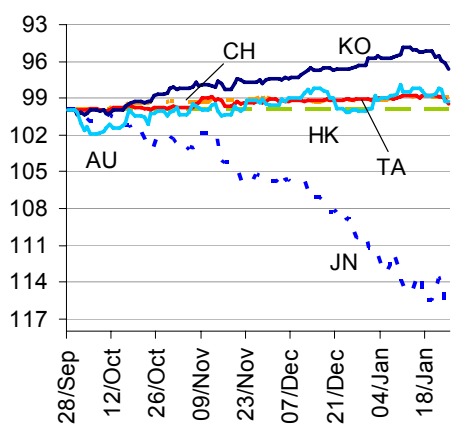
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



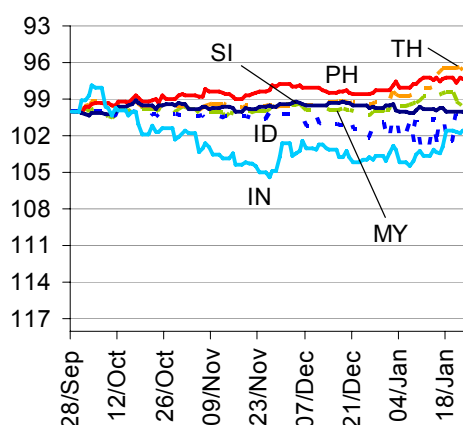
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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