

Daily Flash

Asia

Strong industrial profits data released in China over the weekend (see below) set the tone for Asian markets today. The Shanghai Composite (2.4%), Hang Seng (0.4%) and Taiwan (0.5%) all advanced. However, Japan's Nikkei ended down (-0.9%) on questions about the pace of further yen depreciation, while the yen closed slightly more appreciated today (+0.2%) after trading at a 36-month low earlier in the day. Against the backdrop of concerns about the impact of yen weakness on Korean exporters, the won fell sharply against the USD, by -1.7% to 1,092/USD.

Japan unveils draft budget for FY 2013, raises 2013 GDP growth forecast

Japan's new government unveiled a draft budget over the weekend which we estimate will target a deficit of 9-10% of GDP (including the stimulus measures announced earlier this month), broadly similar to the expected FY2012 outturn (the fiscal year runs from April to March). The draft must be approved the Cabinet (tomorrow), before being sent to Parliament at end-February. The government also approved a FY2013 growth projection of 2.5%, from 1.7% previously, on expectations that its stimulus policies will succeed in spurring domestic demand. Some analysts may question whether the higher growth projection - which will automatically lead to higher revenue projections - is realistic (we currently project growth of around 1.7%). In the meantime, the government will be seeking to assure markets that the additional debt burden resulting from recent stimulus actions will be manageable, given the already-high debt-to-GDP ratio of around 230%.

Rise in China's industrial profits boosts sentiment

China's industrial profits rose by 17.3% y/y for the month of December, pointing to a continued improvement in the outlook for the corporate sector and overall growth. The outturn brings total profits for 2012 to RMB 5.56trn, an increase of 5.3% from 2011. The data add to signs that the economy picked up in Q4, when GDP growth rose by a better-than-expected 7.9% y/y.

Briefly noted:

- **Vietnam's total exports in January rose 43.2% y/y to \$10.1bn**, while imports climbed up by 42.3% y/y \$9.9bn, resulting in a trade surplus of \$200mn.
- **Consumer confidence rose in Korea to 102 in January from 99 the previous month**, reaching its highest level in eight months. An improving global environment is helping to lift consumer sentiment in Korea, with a further boost being given by expectations incoming President Park will focus on creating jobs and increasing social welfare after she is sworn in next month.
- **Singapore's Economic Development Board reported today that Fixed Asset Investment soared to a record S\$16bn in 2012**, up 16% from 2011, driven by rising investment in the electronics, energy and chemicals industries. The outturn highlights that interest in Singapore remains high given the economy's openness and strategic position in Southeast Asia, a rising hotbed for regional growth.

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With contributions from the BBVA Research Asia Team

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%	--	5.30%
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%	--	--
Japan	Date	Period	Prior	Cons.	Actual
Industrial Production YOY%	31 Jan	Dec P	-5.50%	-5.60%	--
Jobless Rate	01 Feb	Dec	4.10%	4.1%	--
Philippines	Date	Period	Prior	Cons.	Actual
GDP (YoY)	31 Jan	4Q	7.10%	6.30%	--
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%	1.20%	--
Consumer Price Index (YoY)	01 Feb	Jan	1.40%	1.50%	--
Ext Trade - Export (YoY)	01 Feb	Jan	-5.70%	9.40%	--
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%	3.50%	--
Vietnam	Date	Period	Prior	Cons.	Actual
Exports YTD (YoY)	28 Jan	Jan	18.30%	--	43.20%
Retail Sales YTD (YoY)	28 Jan	Jan	16.00%	--	8.10%

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.	23465	2.4	0.8	3.4	1.2
Hong Kong - Hang Seng	23671.9	0.4	0.3	4.5	15.5	
Taiwan - Weighted	7714.7	0.5	-0.1	0.2	6.6	
Japan - Nikkei 225	10824.3	-0.9	0.7	4.1	22.4	
Korea - Kospi	1939.7	-0.4	-2.4	-2.9	-1.3	
India - Sensex 30	20104.4	0.0	0.0	3.5	16.7	
Australia - SPX/ASX 200	4835.2	0.5	1.3	4.0	12.8	
Singapore - Strait Times	3277.8	0.3	1.8	3.5	12.4	
Indonesia - Jakarta Comp	4403.6	-0.8	-1.4	2.0	10.5	
Thailand - SET	1469.0	0.5	2.0	5.5	36.5	
Malaysia - KLCI	1637.1	0.1	-2.3	-3.1	7.6	
Philippines - Manila Comp.	6192.4	0.4	0.3	6.5	32.3	

Last update: today, 17:00 Hong Kong time

FOREIGN EXCHANGE MARKETS	CURRENCY	Spot	% change over a day	% change over a week	Forward 3-month	Forward 12-month
	China (CNY/USD)	6.22	-0.04	-0.05	6.30	6.32
Hong Kong (HKD/USD)	7.76	-0.03	-0.05	7.75	7.75	
Taiwan (TWD/USD)	29.5	-1.31	-1.93	29.48	29.20	
Japan (JPY/USD)	90.69	0.24	-1.20	90.63	90.31	
Korea (KRW/USD)	1093	-1.70	-2.72	1096	1109	
India (INR/USD)	53.9	-0.36	-0.23	54.74	57.12	
Australia (USD/AUD)	1.04	-0.27	-1.15	0.97	0.99	
Singapore (SGD/USD)	1.24	-0.38	-0.90	1.24	1.24	
Indonesia (IDR/USD)	9710	-0.59	-0.95	9821	10160	
Thailand (THB/USD)	30.0	-0.10	-0.77	30.10	30.50	
Malaysia (MYR/USD)	3.08	-1.25	-1.54	3.10	3.14	
Philippines (PHP/USD)	41.0	-0.76	-0.52	40.89	40.74	

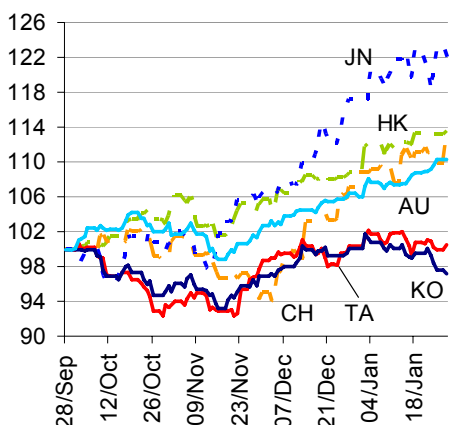
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.00	0.00	0.00	-1.08
Hong Kong (HIBOR/1W)	0.10	0.00	0.00	-0.03	
Taiwan (TAIBOR/1W)	0.56	0.00	0.00	-0.01	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.78	0.00	0.00	-0.01	
India (MIBOR/7D)	4.00	1.30	0.95	-0.20	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	4.29	0.00	0.00	-0.19	
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	0.06	0.19	1.69	

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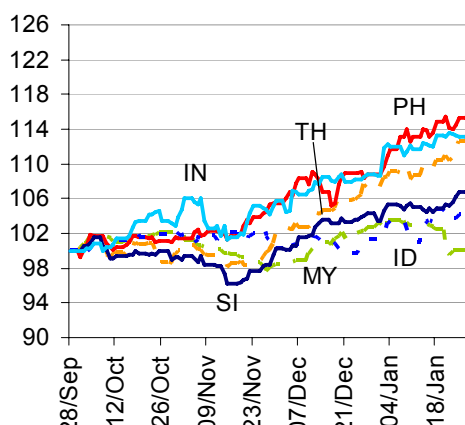
Charts

Chart 1
Stock Markets



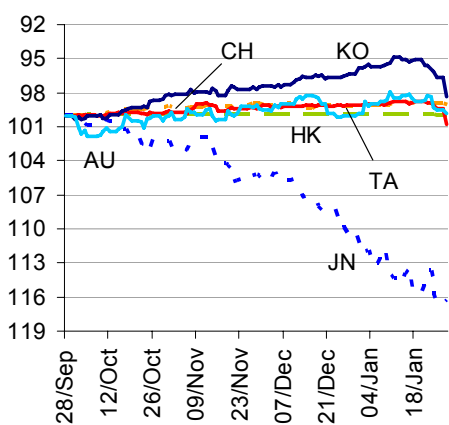
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



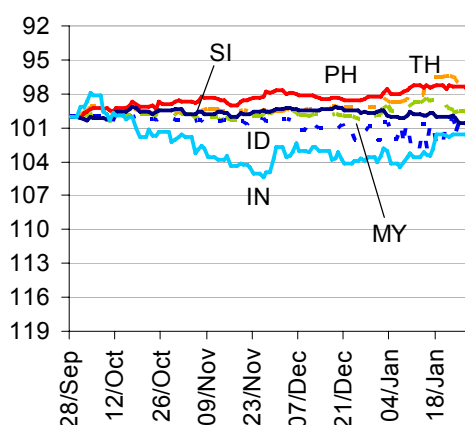
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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