

Daily Flash

Asia

The Reserve Bank of India cut interest rates today (see below), a move that came as little surprise and should be welcomed by markets looking for growth-oriented policies in the Asia's third largest economy. The rupee gained 0.4% for the day against the USD to 53.7, although the equity market closed down -0.6%. Elsewhere in the region, Taiwan's index gained 1.1% on expectations of a possible expansion in China's QFII and RQFII program that could increase portfolio flows between Taiwan and the Mainland. Looking ahead, Q4 GDP outturns will be announced for the Philippines and Taiwan on Thursday (BBVA Forecasts: 6.3% and 3.1%, respectively) and China releases its closely-watched January Manufacturing PMI outturn on Friday (see Weekly Calendar below).

RBI cuts repo rate, signaling an increased focus on growth

As reported in today's [India Flash](#), the Reserve Bank of India (RBI) cut its benchmark repo rate and Cash Reserve Ratio (CRR) by 25 bps each to 7.75% and 4.0% respectively. The move was the first rate cut since April 2012, with the RBI basing its decision on: (i) a moderation in inflation; (ii) deceleration in growth; and (iii) tight liquidity conditions. Looking ahead, with inflation trending lower (WPI inflation eased to 7.3%y/y in 4Q12 from 7.9% y/y in the previous quarter), the RBI's baseline scenario suggests a reasonable likelihood of further modest policy easing in 2013, in line with our expectations of an additional 75bps in cuts by the end of 2013. That said, the RBI acknowledged that room for further easing remains "limited" due to upside risks to inflation, and the presence of "twin" deficits in the external current and fiscal accounts.

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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%	7.60%	--
Indonesia	Date	Period	Prior	Cons.	Actual
Inflation (YoY)	01 Feb	Jan	4.30%	4.49%	--
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	-\$636M	--
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 expect a 25 bps cut in the benchmark rate

Current	Consensus	New
8.00%	7.75%	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.	2359.0	0.5	1.9	4.0	1.7
Hong Kong - Hang Seng	23655.2	-0.1	0.0	4.4	15.4	
Taiwan - Weighted	7802.0	1.1	0.6	1.3	7.9	
Japan - Nikkei 225	10866.7	0.4	1.5	4.5	22.9	
Korea - Kospi	1956.0	0.8	-2.0	-2.1	-0.5	
India - Sensex 30	20013.3	-0.4	0.2	3.0	16.1	
Australia - SPX/ASX 200	4889.0	1.1	2.3	5.2	14.0	
Singapore - Strait Times	3263.2	-0.3	1.3	3.0	11.9	
Indonesia - Jakarta Comp	4439.0	0.5	0.0	2.8	11.4	
Thailand - SET	1475.3	0.2	2.9	6.0	37.1	
Malaysia - KLCI	1637.3	0.0	0.1	-3.1	7.7	
Philippines - Manila Comp.	6234.7	0.7	2.1	7.3	33.2	

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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)	6.23	-0.03	-0.09	6.30	6.31
Hong Kong (HKD/USD)	7.76	-0.03	-0.07	7.76	7.75	
Taiwan (TWD/USD)	29.6	-0.06	-1.88	29.47	29.17	
Japan (JPY/USD)	90.54	0.35	-2.02	90.48	90.16	
Korea (KRW/USD)	1083	0.93	-1.88	1090	1103	
India (INR/USD)	53.6	0.52	0.32	54.44	56.83	
Australia (USD/AUD)	1.05	0.35	-1.06	0.96	0.98	
Singapore (SGD/USD)	1.24	0.15	-0.73	1.24	1.24	
Indonesia (IDR/USD)	9684	1.53	-0.66	9893	10237	
Thailand (THB/USD)	29.8	0.23	-0.34	29.97	30.36	
Malaysia (MYR/USD)	3.08	0.18	-1.21	3.09	3.14	
Philippines (PHP/USD)	40.7	0.60	-0.29	40.65	40.50	

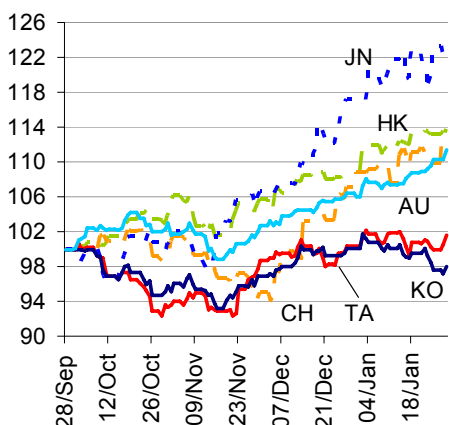
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.15	0.15	0.15	-0.93
Hong Kong (HIBOR/1W)	0.10	0.00	0.00	-0.03	
Taiwan (TAIBOR/1W)	0.56	0.00	0.00	-0.01	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.78	0.00	0.00	-0.02	
India (MIBOR/7D)	3.10	-0.90	-0.05	-1.10	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	4.29	0.00	0.00	-0.18	
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)	2.38	1.00	1.63	2.69	

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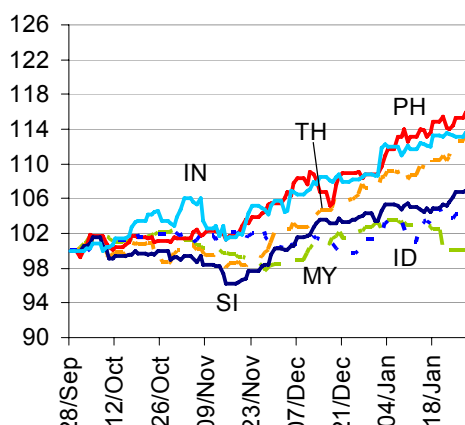
Charts

Chart 1
Stock Markets



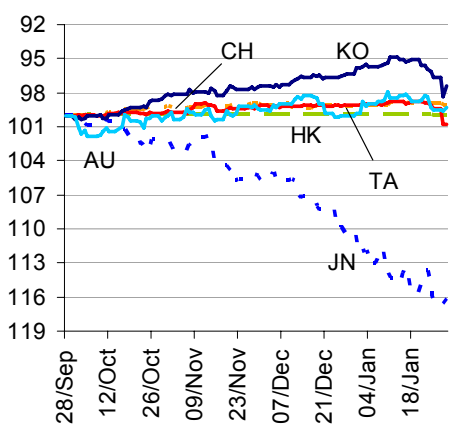
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



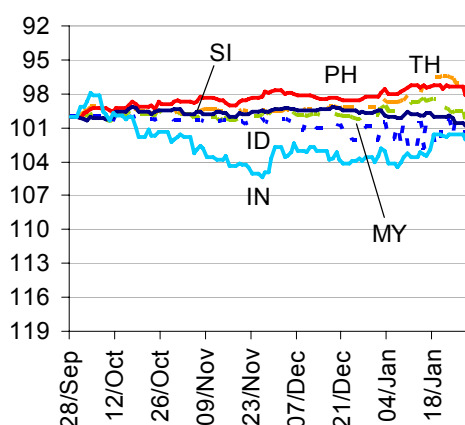
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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