

Daily Flash

Asia

China's PMI release was the key event of the day, with a disappointing outturn for the official index offset by a better-than-expected outturn of the private sector (HSBC) index (see below). Market reaction was initially negative, but reversed course during the day, with the Shanghai composite finishing up by 1.4% after earlier losses. Elsewhere in the region, January inflation and PMI outturns were largely in line with expectations, suggesting that the region's growth momentum remains intact, with inflation mostly at bay. In currencies, the yen's depreciation continues, passing through the 92/USD for the first time since June 2010. Next week will be highlighted by China's January exports (Friday), Indonesia's Q4 GDP (Tuesday), and Australia's policy meeting (Tuesday).

China's January PMI disappoints, but recovery remains intact

As reported in our *China Flash*, the official NBS PMI for January released today disappointed to the downside at 50.4 (consensus: 51.0; BBVA: 50.5; prior: 50.6), but nevertheless remains above the 50 expansion/contraction threshold for a fourth consecutive month. Caution is in order in interpreting the outturn, however, as data for January and February will be heavily distorted by the timing of the week-long Chinese New Year holiday (CNY, beginning on February 10). While the outturn was well below consensus expectations, it was only marginally lower than our forecast and in our view is still in line with a moderate recovery ahead. A range of other activity indicators have consistently turned upward, including today's Markit/HSBC PMI (covering smaller manufacturers), which hit a two-year high at 52.3 for January from 51.5 in December.

Korea January exports improve, as concerns persist about currency moves

Korea's January exports – the first monthly read on exports in the region – rose by 11.8% y/y (consensus: 9.4% y/y), from a contraction in December (-5.7% y/y), on signs of increased demand from China. The data was skewed, however, because January had two more working days than the same month a year ago (due to the timing of the Lunar New Year holiday). Despite the strong outturn for January, concerns persist among Korean exporters about competitiveness in light of the significant depreciation of the Japanese yen. We expect a gradual pickup in exports for 2013 as global demand gradually improves. Also today, Korea reported inflation of 1.5% y/y in January (consensus: 1.5% y/y), up slightly from last month's 1.4% but still well below the Bank of Korea's inflation target of 2.5%-3.5%.

Indonesia inflation rises in January, as expected

Indonesian inflation rose to 4.6% y/y in January (consensus: 4.5% y/y) from 4.3% the prior month, largely due to planned electricity price hikes but also due to disruptions from recent flooding in Jakarta. Indonesia's inflation looks set to rise in 2013, but will likely remain within the government's 4.5% +/- 1% target range (BBVA Forecast: 5.1%). Meanwhile, December exports disappointed (-9.8% y/y, consensus: -2.6% y/y), but weaker imports kept the trade deficit below expectations (outturn: USD -155mn, consensus: USD -400mn).

China January property prices rise by the most in two years

According to the Soufun 100 city housing price index, new home prices increased by 1.0% m/m in Jan 2013 – the fastest monthly gain since February 2011, and the eighth straight monthly increase. Tier 1 cities led the pickup, pointing to an ongoing recovery in the property market since June of last year, although authorities have vowed to maintain the current policy curbs. Official NBS housing prices will be released on Feb 22nd, after the Chinese New Year.

Thailand: strong baht dampens inflation

Thailand's January CPI rose by 3.4% y/y (consensus: 3.5% y/y, prior: 3.6% y/y), with core inflation

up 1.6% from a year earlier. The slowing CPI is due to recent baht appreciation (up 2.0% in Jan) which is lowering import prices, as well as due to subsidies for food and energy. Contained inflation may give the Central Bank room for further interest rate cuts in 2013, following 50bps of cuts in 2012 (the rate is currently 2.75%, with the most recent cut of 25bps coming in October).

Briefly noted:

- One day after a positive 4Q GDP outturn, **Taiwan's January Markit Manufacturing PMI rose to 51.5**, continuing its climb above the 50 expansion threshold in December (when it had an outturn of 50.6).
- Late yesterday, **Malaysia's central bank held its benchmark interest rate steady at 3.0%**, in line with expectations. Malaysia has kept interest rates on hold since May 2011, stating that its policy stance remains sufficiently growth supportive.

Stephen Schwartz
Chief Economist for Asia
stephen.schwartz@bbva.com.hk
+852 2582 3218

Jeffrey Cantwell, CFA
Economist
jeffrey.cantwell@bbva.com.hk
+852 2582 3173

Weiwei Liu
Economist
carrie.liu@bbva.com.hk
+852 2582 3243

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	--	40.2
RBA Commodity Index SDR YoY%	01 Feb	Jan	-8.7%	--	-6.4%
Producer Price Index (YoY)	01 Feb	4Q	1.1%	1.2%	1.0%
China	Date	Period	Prior	Cons.	Actual
Industrial Profits YTD YoY	27 Jan	Dec	3.0%	--	5.3%
Manufacturing PMI	01 Feb	Jan	50.6	51.0	50.4
Hong Kong	Date	Period	Prior	Cons.	Actual
Retail Sales - Value (YoY)	31 Jan	Dec	9.5%	7.6%	8.8%
Indonesia	Date	Period	Prior	Cons.	Actual
Inflation (YoY)	01 Feb	Jan	4.30%	4.47%	4.57%
Exports (YoY)	01 Feb	Dec	-5.3%	-2.0%	-9.8%
Japan	Date	Period	Prior	Cons.	Actual
Retail Trade (YoY)	30 Jan	Dec	1.3%	0.3%	0.4%
Industrial Production YOY%	31 Jan	Dec P	-5.5%	-5.6%	-7.8%
Jobless Rate	01 Feb	Dec	4.1%	4.1%	4.2%
Philippines	Date	Period	Prior	Cons.	Actual
GDP (YoY)	31 Jan	4Q	7.2%	6.3%	6.8%
Singapore	Date	Period	Prior	Cons.	Actual
Unemployment Rate (sa)	31 Jan	4Q P	1.9%	1.9%	1.8%
South Korea	Date	Period	Prior	Cons.	Actual
Industrial Production (YoY)	30 Jan	Dec	2.9%	1.2%	0.8%
Current Account in US\$ Million	30 Jan	Dec	\$6906.2M	--	\$2252.9M
Consumer Price Index (YoY)	01 Feb	Jan	1.4%	1.5%	1.5%
Ext Trade - Export (YoY)	01 Feb	Jan	-5.7%	8.9%	11.8%
Taiwan	Date	Period	Prior	Cons.	Actual
GDP - Constant Prices (YoY)	31 Jan	4Q P	0.98%	3.00%	3.42%
Annual GDP	31 Jan	2012	4.07%	1.10%	1.25%
Thailand	Date	Period	Prior	Cons.	Actual
Current Account Balance (USD)	31 Jan	Dec	\$392M	-\$700M	\$730M
Consumer Price Index (YoY)	01 Feb	Jan	3.63%	3.50%	3.39%
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%
Industrial Production Index (YoY)	28 Jan	Jan	5.90%	--	21.1%

Indicator of the Week

China: CPI Inflation for January (February 8)

Forecast: 2.0% yoy

Consensus: 2.1% yoy

Prior: 2.5% yoy

Although recent inflation outturns in China have been mild, an uptick in December, supply disruptions from an unusually cold winter, and the ongoing economic recovery are raising concerns about inflation later in the year. For the time being, however, we do not see inflation as a threat. We expect the CPI outturn for January to fall due to base effects from the Chinese New Year (CNY) effect -- the week-long holiday occurred last year in January, and begins this year on February 10. Thereafter, we expect inflation to rise above 3.0% y/y in February (on reverse base effects) and to drift gradually higher to 3.8% by end-year as demand pressures increase. As such, inflation may act as a constraint on further policy easing as the year progresses (no further rate cuts are expected). We will also be watching for January credit and trade data during the week of February 8, while the remaining set of monthly indicators will be delayed to March, when the authorities typically combine two months of data to avoid CNY distortions.

Calendar Events

India - REPO Cutoff Yld, January 29

We expect a 25 bps cut in the benchmark rate

Current

8.00%

Consensus

7.75%

New

7.75%

Malaysia -Overnight Rate, January 31

We expect the benchmark rate to remain unchanged

Current

3.00%

Consensus

3.00%

New

3.00%

Upcoming Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Trade Balance	05 Feb	Dec	-2637M	-800M	--
Retail Sales s.a. (MoM)	06 Feb	Dec	-0.10%	0.30%	--
Unemployment Rate	07 Feb	Jan	5.40%	5.50%	--
China	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	08 Feb	Jan	2.50%	2.10%	--
Exports YoY%	08 Feb	Jan	14.10%	17.70%	--
Trade Balance (USD)	08 Feb	Jan	\$31.62B	\$28.50B	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Purchasing Managers Index	05 Feb	Jan	51.7	--	--
Indonesia	Date	Period	Prior	Cons.	Actual
GDP Constant Price (YoY)	05 Feb	4Q	6.17%	6.24%	--
Annual GDP	05 Feb	2012	--	6.30%	--
Japan	Date	Period	Prior	Cons.	Actual
Current Account Total	08 Feb	Dec	-¥222.4B	-¥141.1B	--
Malaysia	Date	Period	Prior	Cons.	Actual
Industrial Production YoY	08 Feb	Dec	7.50%	--	--
Exports YoY%	08 Feb	Dec	3.30%	--	--
Philippines	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	05 Feb	Jan	2.90%	3.10%	--
Singapore	Date	Period	Prior	Cons.	Actual
Purchasing Managers Index	04 Feb	Jan	48.6	48.8	--
Taiwan	Date	Period	Prior	Cons.	Actual
CPI YoY%	05 Feb	Jan	1.61%	--	--
Total Exports (YoY)	07 Feb	Jan	9.00%	--	--
Total Trade balance in US\$ Billion	05 Feb	Jan	\$4.13B	\$3.80B	--

Upcoming Calendar Events

Australia - RBA Cash Rate Target, Feb 05

We expect the benchmark rate to remain unchanged

Current

3.00%

Consensus

3.00%

New

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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.	2419.0	1.4	5.6	6.6	6.7
	Hong Kong - Hang Seng	23721.8	0.0	0.6	4.7	16.7
	Taiwan - Weighted	7856.0	0.1	2.4	2.0	4.1
	Japan - Nikkei 225	11191.3	0.5	2.4	7.7	27.0
	Korea - Kospi	1957.8	-0.2	0.6	-2.0	-0.1
	India - Sensex 30	19817.4	-0.4	-1.4	2.0	14.5
	Australia - SPX/ASX 200	4921.1	0.9	2.3	5.9	16.5
	Singapore - Strait Times	3285.9	0.1	0.5	3.8	13.1
	Indonesia - Jakarta Comp	4496.9	1.0	1.3	4.2	13.4
	Thailand - SET	1496.1	1.5	2.4	7.5	37.7
	Malaysia - KLCI	1627.6	0.0	-0.5	-3.6	7.0
	Philippines - Manila Comp.	6318.6	1.2	2.4	8.7	34.0

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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	-0.13	-0.08	6.29	6.32
	Hong Kong (HKD/USD)	7.76	-0.02	-0.04	7.75	7.75
	Taiwan (TWD/USD)	29.6	-0.18	-1.53	29.55	29.25
	Japan (JPY/USD)	92.17	-0.50	-1.37	92.11	91.79
	Korea (KRW/USD)	1097	-0.80	-2.13	1100	1113
	India (INR/USD)	53.3	-0.17	0.69	54.19	56.52
	Australia (USD/AUD)	1.04	-0.58	-0.57	0.97	0.99
	Singapore (SGD/USD)	1.24	-0.37	-0.60	1.24	1.24
	Indonesia (IDR/USD)	9713	0.32	-0.62	9798	10138
	Thailand (THB/USD)	29.8	0.10	0.40	29.95	30.35
	Malaysia (MYR/USD)	3.12	-0.43	-2.40	3.14	3.18
	Philippines (PHP/USD)	40.7	-0.07	-0.10	40.64	40.54

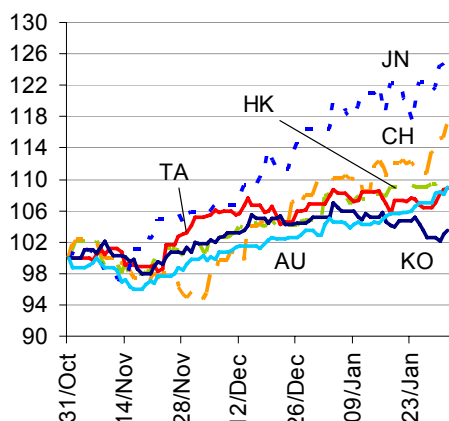
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.40	0.10	0.40	-1.20
	Hong Kong (HIBOR/1W)	0.10	0.00	0.00	-0.03
	Taiwan (TAIBOR/1W)	0.56	0.00	0.00	-0.01
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	2.78	0.00	0.00	-0.02
	India (MIBOR/7D)	3.33	0.09	0.63	-0.67
	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)	1.69	0.75	0.38	2.00

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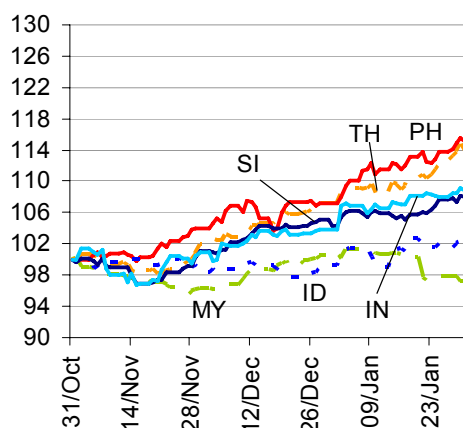
Charts

Chart 1
Stock Markets



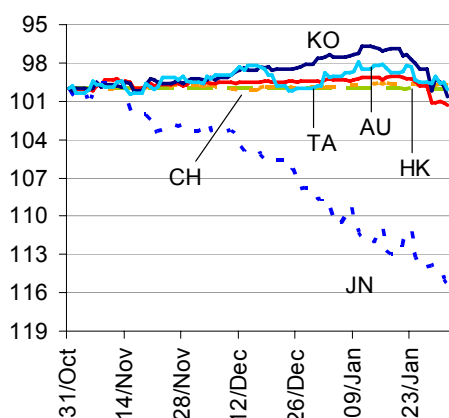
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



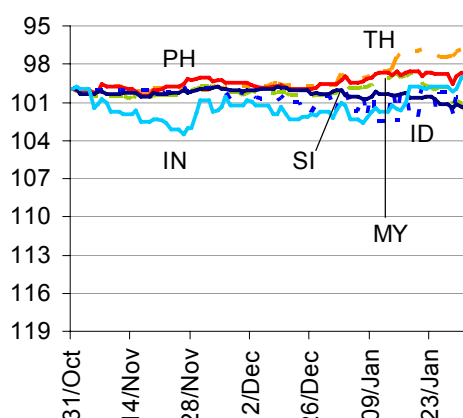
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Stephen Schwartz
Chief Economist for Asia
stephen.schwartz@bbva.com.hk

Sumedh Deorukhkar
Senior Economist (India, Mumbai)
sumedh.deorukhkar@grupobbva.com

Weiwei Liu
Economist
carrie.liu@bbva.com

Fielding Chen
Senior Economist
fielding.chen@bbva.com.hk

Jeffrey Cantwell, CFA
Economist
jeffrey.cantwell@bbva.com.hk

Edward Wu
Economist
edward.wu@bbva.com

Le Xia
Senior Economist (China)
xia.le@bbva.com.hk

George Xu
Economist
george.xu@bbva.com.hk



RESEARCH



10/F., Two IFC, 8 Finance Street, Central, Hong Kong | Tel.: +852 2582 3111 | www.bbva.com.hk

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