

# Daily Flash

## Asia

Positive sentiment from Friday's US payrolls data helped lift Asian shares today (Taiwan: +0.9%). Notably, the Philippines stock market (+1.9%) closed at a new record after Friday's stronger-than-expected Q4 GDP outturn. Meanwhile, the yen continues its fall, breaking through the 93-level against the USD for the first time since May 2010. All eyes tomorrow will be on the Reserve Bank of Australia, which holds its monthly policy meeting - we expect the RBA to stay on hold as it evaluates the impact of its easing measures (175 bps in cuts from November 2011- December 2012), as well as improving global prospects. Also tomorrow, markets will be watching for Indonesia Q4 GDP (BBVA and consensus: 6.2% y/y), Hong Kong PMI, and January inflation outturns in Taiwan and the Philippines.

### Despite weak building approvals, RBA is likely to stay on hold

Australia's building approvals surprised to the downside in December, falling by -4.4% m/m (consensus: +1.0%), from 2.9% the previous month. The soft data points to ongoing sluggishness in the domestic economy, adding to pressure on the RBA to continue cutting interest rates. We nevertheless expect the RBA to keep policy rates on hold tomorrow - a view now shared by the consensus -- in view of improving global prospects, especially in China, for which Australia depends heavily for its commodity demand. The RBA last cut interest rates by 25 bps in December, to 3.0%.

### China's non-manufacturing PMI rises

China's January NBS non-manufacturing PMI climbed to 56.2, slightly above the December outturn (56.1) and the 4th straight sequential increase. The latest reading suggests China's service sector is stabilizing along with its economic recovery, though the data may be distorted by the timing of the forthcoming Chinese New Year. On Friday, the NBS released manufacturing PMI, which disappointed to the downside but remained above 50 (50.4) for a fourth consecutive month (see our *China Flash*).

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## Calendar Indicators

<b>Australia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
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%	--
<b>China</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Consumer Price Index (YoY)	08 Feb	Jan	2.50%	2.00%	--
Exports YoY%	08 Feb	Jan	14.10%	17.00%	--
Trade Balance (USD)	08 Feb	Jan	\$31.62B	\$24.05B	--
Money Supply- M2 (YoY)	08-15 Feb	Jan	13.80%	14.00%	--
<b>Hong Kong</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Purchasing Managers Index	05 Feb	Jan	51.7	--	--
<b>Indonesia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
GDP Constant Price (YoY)	05 Feb	4Q	6.17%	6.22%	--
Annual GDP	05 Feb	2012	--	6.30%	--
<b>Japan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Current Account Total	08 Feb	Dec	-¥222.4B	-¥141.1B	--
<b>Malaysia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Industrial Production YoY	08 Feb	Dec	7.50%	6.40%	--
Exports YoY%	08 Feb	Dec	3.30%	1.70%	--
<b>Philippines</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Consumer Price Index (YoY)	05 Feb	Jan	2.90%	3.00%	--
<b>Singapore</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Purchasing Managers Index	04 Feb	Jan	48.6	48.8	--
<b>Taiwan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
CPI YoY%	05 Feb	Jan	1.61%	1.40%	--
Total Exports (YoY)	07 Feb	Jan	9.00%	22.90%	--
Total Trade balance in US\$ Billion	05 Feb	Jan	\$4.13B	\$3.50B	--

## Calendar Events

### **Australia - RBA Cash Rate Target, Feb 05**

We expect the benchmark rate to remain unchanged

<b>Current</b>	<b>Consensus</b>	<b>New</b>
3.00%	3.00%	--

## 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.

## 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.	2428.2	0.4	3.5	7.0	4.2
Hong Kong - Hang Seng	23685.0	-0.2	0.1	4.5	14.1	
Taiwan - Weighted	7923.2	0.9	2.7	2.9	2.4	
Japan - Nikkei 225	11260.4	0.6	4.0	8.3	27.5	
Korea - Kospi	1953.2	-0.2	0.7	-2.2	-1.0	
India - Sensex 30	19773.9	0.0	-1.6	1.8	12.3	
Australia - SPX/ASX 200	4907.5	-0.3	1.5	5.6	15.4	
Singapore - Strait Times	3296.7	0.2	0.7	4.1	13.0	
Indonesia - Jakarta Comp	4490.6	0.2	1.7	4.0	11.8	
Thailand - SET	1506.7	0.5	2.4	8.2	37.1	
Malaysia - KLCI	1631.9	0.3	-0.3	-3.4	6.0	
Philippines - Manila Comp.	6436.0	1.9	3.9	10.7	35.3	

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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	-0.09	-0.13	6.30	6.32
Hong Kong (HKD/USD)	7.76	0.02	0.02	7.75	7.74	
Taiwan (TWD/USD)	29.6	0.12	-0.11	29.49	29.18	
Japan (JPY/USD)	92.94	-0.18	-2.24	92.88	92.56	
Korea (KRW/USD)	1085	1.16	0.72	1092	1105	
India (INR/USD)	53.1	0.27	1.62	53.88	56.21	
Australia (USD/AUD)	1.04	0.12	0.02	0.97	0.99	
Singapore (SGD/USD)	1.24	0.13	-0.08	1.24	1.24	
Indonesia (IDR/USD)	9664	0.65	1.74	9715	10044	
Thailand (THB/USD)	29.8	0.17	0.50	29.88	30.27	
Malaysia (MYR/USD)	3.10	0.69	-0.38	3.12	3.16	
Philippines (PHP/USD)	40.6	0.14	0.85	40.54	40.44	

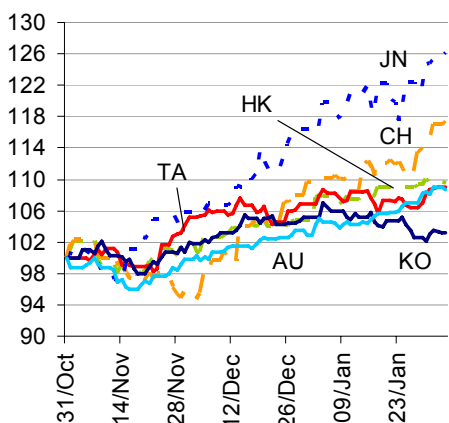
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.40	0.00	0.17	-0.70
Hong Kong (HIBOR/1W)	0.10	0.00	0.00	-0.03	
Taiwan (TAIBOR/1W)	0.56	0.00	0.00	-0.01	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.78	0.00	0.00	-0.02	
India (MIBOR/7D)	4.00	0.67	0.00	0.00	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	4.29	0.00	0.00	0.00	
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	0.00	0.31	1.31	

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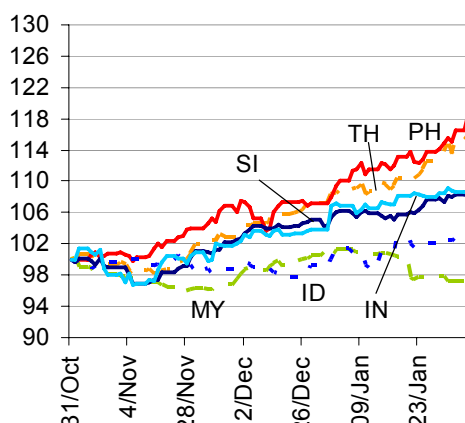
# Charts

Chart 1  
Stock Markets



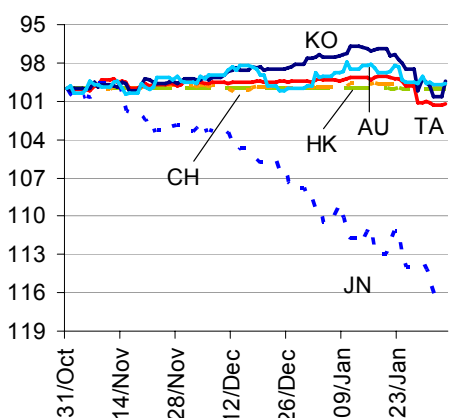
Source: BBVA Research and Bloomberg

Chart 2  
Stock Markets



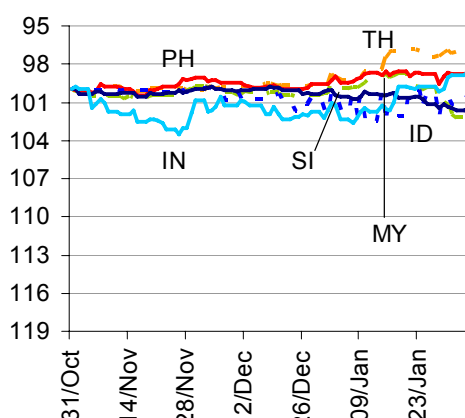
Source: BBVA Research and Bloomberg

Chart 3  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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