

Daily Flash

Asia

Fresh concerns in global markets from renewed financial and political tensions in Europe spread to Asia today. The Hang Seng Index slumped to its lowest level in almost a month, ending down by -2.3%, while Japan's Nikkei slid by -1.9% as investors looked to lock in gains following a blistering start to 2013.

The Reserve Bank of Australia keeps rates on hold, with a dovish tone

As widely expected, the RBA left its policy rate unchanged today at 3.0%. In its statement, the RBA mentioned that for the global economy, "downside risks appear to (have) abated" and that growth in China has stabilized at "a fairly robust pace." That said, the statement noted lingering weakness in the domestic economy, especially with respect to non-mining investment, "which remains relatively subdued," and that "the exchange rate remains higher than might have been expected." According to the RBA, the benign inflation outlook "would afford scope to ease policy further, should that be necessary to support demand." The AUD depreciated slightly following the announcement (to 1.04/USD). The RBA has cut rates by 175 bps since November 2011 (most recently with a 25bp cut in December 2012). Looking ahead, given the improvement in external demand, we maintain our baseline of no further cuts in the policy rate, a view that has been more commonplace of late among market participants who had previously been pricing in further rate cuts.

Hong Kong's Monetary Authority cautions on risks in the property market

The head of the HKMA, Norman Chan, warned yesterday that the local property market "remains the biggest risk factor to the stability of the Hong Kong economy." Mr. Chan told lawmakers of the HKMA's concern about a rise in household debt (59% of GDP, close to its historic high of 60% in 2002). Despite recent measures to slow the pace of property price increases, ranging from increasing new land supply to a 15% Buyer's Stamp Duty (BSD) for non-Hong Kong purchasers, housing prices have climbed to new highs. The remarks fanned rumors of a new round of tightening measures, possibly as early as this week.

Indonesia posts solid Q4 GDP growth on robust domestic demand

Q4 GDP growth came in at 6.1% y/y (consensus: 6.2% y/y). Though the outturn was slightly below expectations, full year growth remained high at 6.2%, the third highest in Asia (behind China and the Philippines), on resilience in domestic demand. ASEAN countries continue to be strong performers in the region, and for Indonesia we expect to see a slight increase in growth in 2013, to 6.3%, on improving exports and increased government spending. Bank Indonesia has projected growth to pick up to 6.3%-6.8% in 2013.

India's service PMI expands at fastest pace in a year

Signalling an improving growth outlook, India's services PMI expanded at the fastest pace in a year in January, rising to 57.5 from 55.6. Meanwhile, input and output prices grew at a modest pace last month, suggesting moderating inflation pressures and further scope for monetary policy easing going forward. We anticipate another 75 bps in repo rate cuts by the RBI in 2013, after the central bank cut by 25bps last month.

Briefly noted:

- **Inflation rose slightly in the Philippines in January, to 3.0% y/y** (consensus: 3.0% y/y, prior: 2.9% y/y) on a pickup in consumer-related items. We expect inflation to pick up in the Philippines in 2013 as growth momentum will likely remain robust (BBVA GDP Forecast: 6.0%, inflation forecast: 3.5%), causing rising price pressures.

- **Taiwan's inflation moderated in January to 1.2% y/y (consensus: 1.4%) from 1.6% y/y in December.** We expect headline inflation to be stable around 1.8% on average in 2013, though should global commodity prices increase, risks to the upside may emerge.
- **Singapore announced its January PMI late yesterday, which showed an expansion** (50.2, consensus: 48.8) for the first time since June of last year. Though we expect Singapore's growth to remain under pressure in 2013 (BBVA Forecast: 2.3%), the outturn is encouraging and suggests a possible rebound in growth momentum in the coming months.

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With contributions from the BBVA Research Asia Team

Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Trade Balance	05 Feb	Dec	-2788M	-800M	-427M
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%	2.00%	--
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%	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Purchasing Managers Index	05 Feb	Jan	51.7	--	52.5
Indonesia	Date	Period	Prior	Cons.	Actual
GDP Constant Price (YoY)	05 Feb	4Q	6.17%	6.20%	6.11%
Annual GDP	05 Feb	2012	6.49%	6.29%	6.23%
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%	6.40%	--
Exports YoY%	08 Feb	Dec	3.30%	1.70%	--
Philippines	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	05 Feb	Jan	2.90%	3.00%	3.00%
Singapore	Date	Period	Prior	Cons.	Actual
Purchasing Managers Index	04 Feb	Jan	48.6	48.8	50.2
Taiwan	Date	Period	Prior	Cons.	Actual
CPI YoY%	05 Feb	Jan	1.60%	1.40%	1.15%
Total Exports (YoY)	07 Feb	Jan	9.00%	22.90%	--
Total Trade balance in US\$ Billion	07 Feb	Jan	\$4.13B	\$3.50B	--

Calendar Events

Australia - RBA Cash Rate Target, Feb 05

We expect the benchmark rate to remain unchanged

Current	Consensus	New
3.00%	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
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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.	2433.1	0.2	3.1	7.2	4.4
	Hong Kong - Hang Seng	23148.5	-2.3	-2.1	2.2	11.5
	Taiwan - Weighted	7886.9	-0.5	1.1	2.4	1.9
	Japan - Nikkei 225	11046.9	-1.9	1.7	6.3	25.1
	Korea - Kospi	1938.2	-0.8	-0.1	-2.9	-1.7
	India - Sensex 30	19673.1	-0.4	-1.6	1.3	11.7
	Australia - SPX/ASX 200	4882.7	-0.5	-0.1	5.0	14.9
	Singapore - Strait Times	3270.4	-0.8	0.3	3.3	12.1
	Indonesia - Jakarta Comp	4479.4	-0.2	0.9	3.8	11.5
	Thailand - SET	1503.5	-0.2	1.7	8.0	36.8
	Malaysia - KLCI	1632.5	-0.1	-0.3	-3.3	6.1
	Philippines - Manila Comp.	6470.5	0.5	3.8	11.3	36.0

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)	6.23	0.03	-0.08	6.30	6.32
	Hong Kong (HKD/USD)	7.75	0.00	0.06	7.75	7.74
	Taiwan (TWD/USD)	29.5	0.20	0.15	29.44	29.13
	Japan (JPY/USD)	92.70	-0.35	-2.13	92.64	92.32
	Korea (KRW/USD)	1087	-0.20	-0.40	1091	1103
	India (INR/USD)	53.2	0.19	1.11	54.02	56.37
	Australia (USD/AUD)	1.04	-0.22	-0.57	0.97	0.99
	Singapore (SGD/USD)	1.24	0.23	-0.18	1.24	1.24
	Indonesia (IDR/USD)	9662	0.02	0.23	9718	10047
	Thailand (THB/USD)	29.8	0.03	0.13	29.87	30.23
	Malaysia (MYR/USD)	3.09	0.22	-0.34	3.10	3.15
	Philippines (PHP/USD)	40.6	-0.04	0.21	40.51	40.39

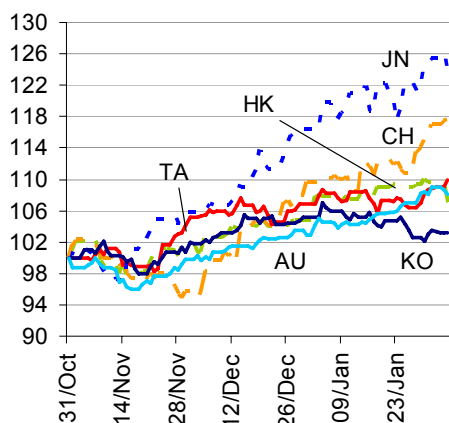
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	4.00	0.60	0.70	0.00
	Hong Kong (HIBOR/1W)	0.10	0.00	0.00	-0.03
	Taiwan (TAIBOR/1W)	0.56	0.00	0.00	-0.01
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	2.78	0.00	0.00	-0.02
	India (MIBOR/7D)	4.00	0.00	0.90	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)	1.00	-0.69	-1.38	0.63

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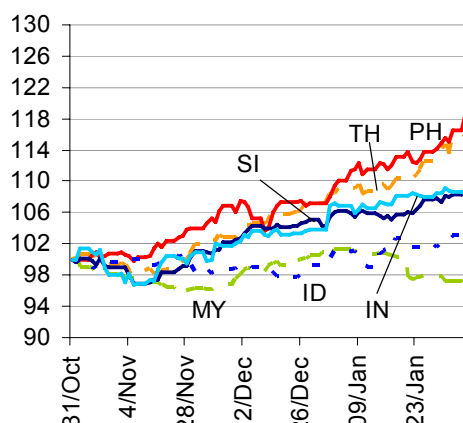
Charts

Chart 1
Stock Markets



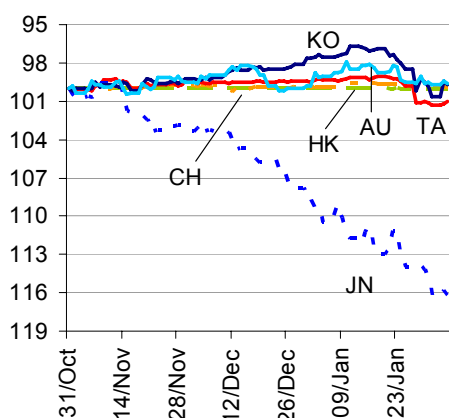
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



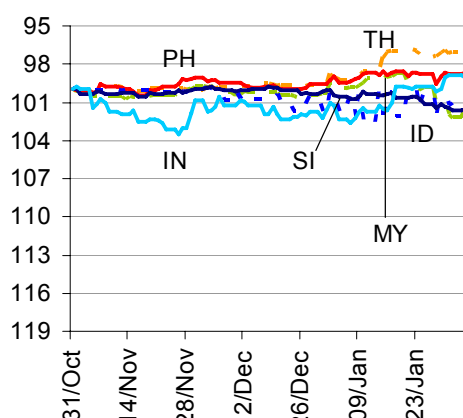
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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