

Daily Flash

Asia

The Japanese yen continued its slide today, approaching the 94-level against the USD for the first time since May 2010, as the Nikkei surged by 3.8% for the day, a new high for the year. Media outlets attributed the market moves to yesterday's announcement by Bank of Japan President Masaaki Shirakawa that he will step down three weeks ahead of the April 8 expiration of his term, adding to expectations that the government will find a replacement in line with its more expansionary monetary views. The yen's depreciation continues to weigh on Korean markets, where the Kospi has now slid for 5 consecutive days by a cumulative 1.4%. Elsewhere, the Australia dollar fell to 1.03 against the USD, as weak retail sales add to expectations of another interest rate cut (see below), just a day after the RBA's decision to stay on hold.

China unveils new income distribution plan

China's State Council yesterday announced a long-awaited income distribution plan (IDP) to address growing income disparities. The plan contained relatively little in the way of new measures. That said, key elements included: i) increasing the dividend payout of State Owned Enterprises (SOE) by 5% to finance social programs; ii) strengthening the social safety net through improvements in pensions and healthcare; iii) increasing household returns by furthering interest rate liberalization and increasing payout ratios of listed firms; and iv) raising minimum wages (to 40% of the average urban wage by 2015).

Offshore RMB business kicks off in Taiwan

Offshore RMB business in Taiwan began today, just six months after a memorandum of understanding (MOU) between the PBoC and the Central Bank of Taiwan. Forty-six banks in Taiwan are allowed to provide deposits, lending and remittance services, and sell wealth management products (WMP) denominated in RMB. Given its close trade and investment ties with the Mainland, Taiwan is on track to become an important RMB offshore center, following in the footsteps of Hong Kong, Singapore and London. For further details, see our *Working Paper on RMB Internationalization in Taiwan*.

Weak consumer spending for December in Australia

Australia's retail sales fell by -0.2% m/m (consensus: 0.3% m/m) in December, underscoring the weakness in the domestic economy. The data was released just a day after the Reserve Bank of Australia's decision to keep interest rates on hold at 3.0% in view of an improving global environment, especially in China. Although our baseline continues to incorporate no further cuts following the cumulative 175bps in cuts since November 2011, today's downbeat data may raise expectations of further easing.

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
Trade Balance	05 Feb	Dec	-2788M	-800M	-427M
Retail Sales s.a. (MoM)	06 Feb	Dec	-0.20%	0.30%	-0.20%
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

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.	24345	0.1	2.2	7.3	4.4
Hong Kong - Hang Seng	23256.9	0.5	-2.4	2.6	12.3	
Taiwan - Weighted	7906.7	0.2	0.9	2.7	2.8	
Japan - Nikkei 225	11463.8	3.8	3.1	10.3	28.4	
Korea - Kospi	1936.2	-0.1	-1.4	-3.0	-1.9	
India - Sensex 30	19674.8	0.1	-1.7	1.3	11.1	
Australia - SPX/ASX 200	4921.0	0.8	0.5	5.9	14.5	
Singapore - Strait Times	3273.0	0.0	-0.4	3.3	11.3	
Indonesia - Jakarta Comp	4499.0	0.4	1.0	4.2	13.2	
Thailand - SET	1502.7	-0.2	0.8	8.0	37.4	
Malaysia - KLCI	1614.7	-1.1	-1.4	-4.4	4.9	
Philippines - Manila Comp.	6431.4	-0.6	2.6	10.6	33.5	

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	-0.01	-0.19	6.30	6.32
Hong Kong (HKD/USD)	7.75	0.02	0.06	7.75	7.74	
Taiwan (TWD/USD)	29.6	-0.22	-0.23	29.51	29.20	
Japan (JPY/USD)	93.73	-0.11	-2.83	93.67	93.33	
Korea (KRW/USD)	1088	-0.09	-0.23	1093	1105	
India (INR/USD)	53.1	0.08	0.40	53.95	56.29	
Australia (USD/AUD)	1.03	-0.70	-0.97	0.98	1.00	
Singapore (SGD/USD)	1.24	-0.08	-0.15	1.24	1.24	
Indonesia (IDR/USD)	9700	-0.39	-0.12	9781	10105	
Thailand (THB/USD)	29.8	-0.07	-0.13	29.91	30.27	
Malaysia (MYR/USD)	3.10	-0.29	-0.48	3.12	3.16	
Philippines (PHP/USD)	40.7	-0.11	-0.14	40.58	40.48	

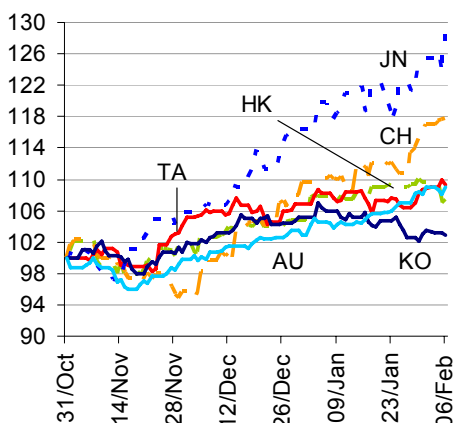
Last update: today, 17:00 Hong Kong time.

INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.65	-0.35	0.25	0.03
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)	3.72	-0.28	-1.28	-0.28	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	4.29	0.00	-0.01	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)	0.94	-0.06	-0.75	0.56	

Last update: today, 17:00 Hong Kong time

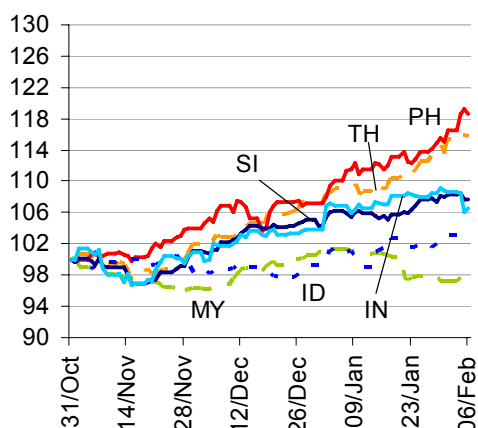
Charts

Chart 1
Stock Markets



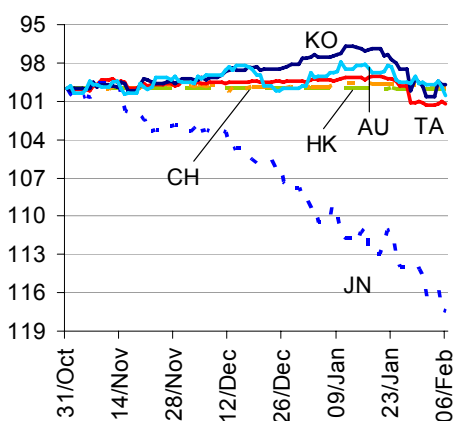
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



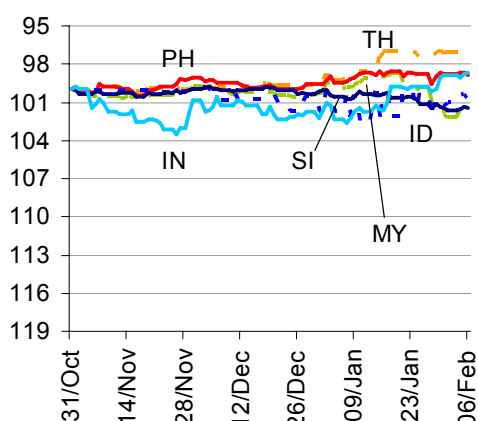
Source: BBVA Research and Bloomberg

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

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

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


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

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

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

Weiwei Liu
Economist
carrie.liu@bbva.com

Edward Wu
Economist
edward.wu@bbva.com

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

Before you print this message please consider if it is really necessary.

This email and its attachments are subject to the confidentiality terms established in the corresponding regulations and are intended for the sole use of the person or persons indicated in the header. They are for internal use only and cannot be distributed, copied, conveyed or furnished to third parties without prior written consent from BBVA. If this message has been received erroneously, it is forbidden to read, use or copy any of the contents and you are asked to inform BBVA immediately by forwarding the email to the sender and eliminating it thereafter.

BBVA will continue to provide our readers up-to-date reports by emails, but you can also register directly on our website where you can find a full list of our latest reports & presentations <http://serviciodeestudios.bbva.com/KETD/ketd/ing/index.jsp>

If you wish to be excluded from this mailing list, please write to us on research.emergingmarkets@bbva.com.hk and we shall immediately take you off the list.