

Daily Flash

Asia

In line with global trends, Asian markets were rattled today by concerns about an earlier-than-expected end to quantitative easing in the US (following the release of the Fed's January minutes), and by continuing rumors of forthcoming tightening measures in China (see below on measures in the property sector). Japan's Nikkei fell by -1.4% after yesterday's surge to four year highs, while the Shanghai Composite and Hang Seng were each down by -3.0% and -1.7%, respectively. In a typical sign of "risk-off" trading, the yen appreciated and the Australia dollar depreciated, to 93.29/USD and 1.02 AUD/USD. Looking ahead, the focus tomorrow will be on Singapore and Taiwan's final 4Q GDP (consensus: 1.2% and 3.4% respectively) and on Hong Kong's January CPI.

China calls for closer watch over property market

Markets reacted today to a statement from yesterday's State Council meeting to maintain existing tightening measures in China's property sector. The statement fell short of announcing new measures - as some market-watchers had feared -- but nevertheless led to a sharp selloff in equity markets. Key measures in the statement included to expand the current pilot program of property taxes, establish annual housing price targets by local and municipal governments, and accelerate public housing construction. While none of these were a surprise, they reinforce expectations that the government will maintain a vigilant watch over China's recovering housing prices, and will continue to clamp down on speculative behaviour to prevent asset bubbles and maintain housing affordability. For more details, see our latest *China Outlook*.

India's parliament commences budget session

Indian government today commenced the budget session of Parliament, and will table 72 legislative proposals for investment and social reforms. The session will include the February 28 announcement of the FY14 Union Budget (year ending March 2014) on February 28th. Against the background of investor concerns about lagging reforms, the budget will be watched for further progress on: 1) higher foreign direct investments limits in the insurance and pension sectors, 2) the Land Acquisition Bill for fast-tracking commercial land acquisition, and 3) the passage of the Mines and Minerals Bill for the progressive regulation of mines. Other pending reforms include a National Food Security Bill, Public Procurement Bill, implementation of the Goods and Services Tax, and Direct Taxes Code. We expect the FY14 budget to outline a credible road-map for fiscal consolidation with a focus on reducing subsidy outlays, improving tax collections, greater privatization and an impetus for more productive capital spending. For more, see our *Economic Flash* on India's fiscal outlook.

Briefly noted:

- **Hong Kong's unemployment rate edged up to 3.4% for the period covering November 2012-January 2013** from 3.3% in the previous period, slightly higher than expected (consensus: 3.3%). The outturn continues to indicate tightness in the labor market, thanks to the recent economic pickup of its major trade partners, particularly China. Looking ahead, we expect the unemployment rate to remain low as the external environment and exports improve.

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Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Actual FDI (YoY)	20 FEB	Jan	-4.50%	-4.20%	-7.30%
Hong Kong	Date	Period	Prior	Cons.	Actual
Composite Interest Rate	19 Feb	Jan	0.32%	--	0.28%
Unemployment Rate SA	21 Feb	Jan	3.30%	3.30%	3.40%
CPI - Composite Index (YoY)	22 Feb	Jan	3.70%	3.20%	--
Japan	Date	Period	Prior	Cons.	Actual
Merchnds Trade Balance Total	20 Feb	Jan	-¥643.3B	-¥1379.6B	-¥1629.4B
Merchnds Trade Exports YoY	20 Feb	Jan	-5.8	5.6	6.4
Merchnds Trade Imports YoY	20 Feb	Jan	1.9	2.1	7.3
Malaysia	Date	Period	Prior	Cons.	Actual
CPI YoY	20 Feb	Jan	1.20%	1.20%	1.30%
GDP YoY%	20 Feb	4Q	5.20%	5.50%	6.40%
Singapore	Date	Period	Prior	Cons.	Actual
Non-oil Domestic Exports (YoY)	18 Feb	Jan	-16.30%	3.00%	0.50%
GDP (YoY)	22 Feb	4Q F	1.10%	1.20%	--
Taiwan	Date	Period	Prior	Cons.	Actual
GDP - Constant Prices (YoY)	22 Feb	4Q F	3.42%	--	--
Thailand	Date	Period	Prior	Cons.	Actual
Gross Domestic Product (YoY)	18 Feb	4Q	3.10%	15.30%	18.90%
Foreign Reserves	22 Feb	15-Feb	\$180.9B	--	--

Calendar Events

Thailand - Benchmark Interest Rate, Feb 20
We expect the benchmark rate to remain unchanged

Current	Cons.	New
2.75%	2.75%	2.75%

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.	2326.0	-3.0	-3.8	2.5	-2.3
	Hong Kong - Hang Seng	22906.7	-1.7	-2.2	1.1	6.6
	Taiwan - Weighted	7957.5	-0.9	0.9	3.4	0.5
	Japan - Nikkei 225	11309.1	-1.4	0.0	8.8	19.5
	Korea - Kospi	2015.2	-0.5	1.8	0.9	-0.4
	India - Sensex 30	19357.4	-1.5	-0.7	-0.4	5.0
	Australia - SPX/ASX 200	4980.1	-2.3	-1.1	7.1	16.1
	Singapore - Strait Times	3281.8	-0.8	-0.3	3.6	8.5
	Indonesia - Jakarta Comp	4632.4	0.0	1.0	7.3	15.7
	Thailand - SET	1535.5	-0.7	0.6	10.3	34.7
	Malaysia - KLCI	1614.1	0.0	-1.0	-4.4	3.2
	Philippines - Manila Comp.	6667.4	0.3	2.4	14.7	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)	6.24	-0.03	-0.12	6.30	6.33
	Hong Kong (HKD/USD)	7.76	-0.02	-0.02	7.75	7.75
	Taiwan (TWD/USD)	29.6	-0.28	0.10	29.60	29.29
	Japan (JPY/USD)	93.36	0.22	-0.51	93.30	92.98
	Korea (KRW/USD)	1086	-0.73	-0.24	1093	1105
	India (INR/USD)	54.6	-0.97	-1.22	55.60	58.09
	Australia (USD/AUD)	1.02	-0.22	-1.22	0.98	1.00
	Singapore (SGD/USD)	1.24	-0.17	-0.55	1.24	1.24
	Indonesia (IDR/USD)	9723	-0.40	-0.69	9809	10138
	Thailand (THB/USD)	29.9	-0.07	-0.13	30.00	30.35
	Malaysia (MYR/USD)	3.11	-0.45	-0.68	3.13	3.17
	Philippines (PHP/USD)	40.8	-0.36	-0.34	40.70	40.61

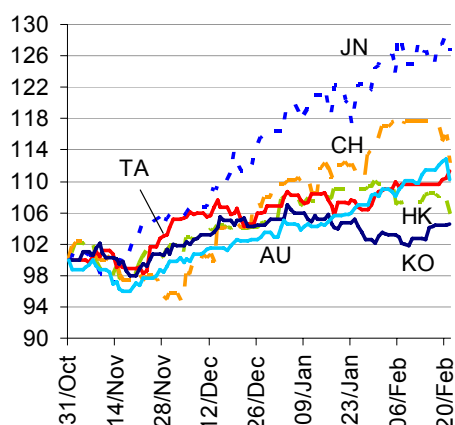
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.00	0.05	-0.65	0.00
	Hong Kong (HIBOR/1W)	0.10	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.56	0.00	0.00	0.00
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	2.77	0.00	0.00	-0.01
	India (MIBOR/7D)	3.00	-0.45	-1.45	-0.05
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.28	0.00	0.00	-0.01
	Thailand (BIBOR/1W)	2.77	0.00	0.00	-0.01
	Malaysia (KLIBOR/1W)	2.90	0.00	0.00	0.00
	Philippines (PHIBOR/1W)	1.25	-0.06	0.38	0.06

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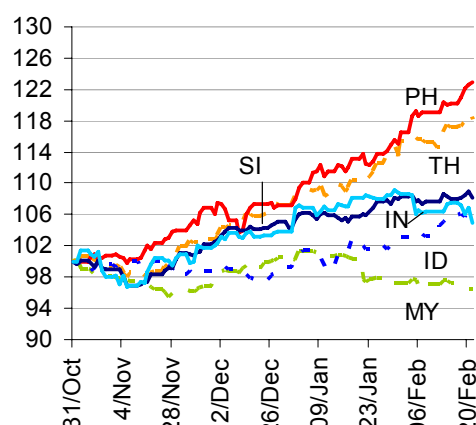
Charts

Chart 1
Stock Markets



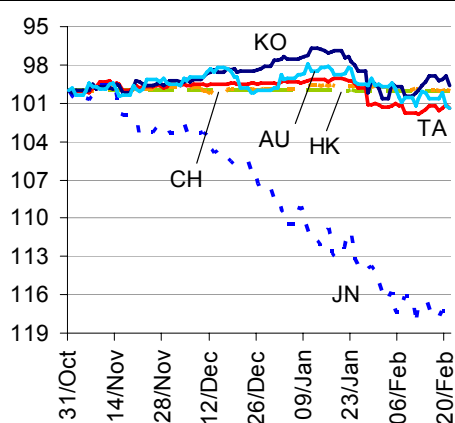
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



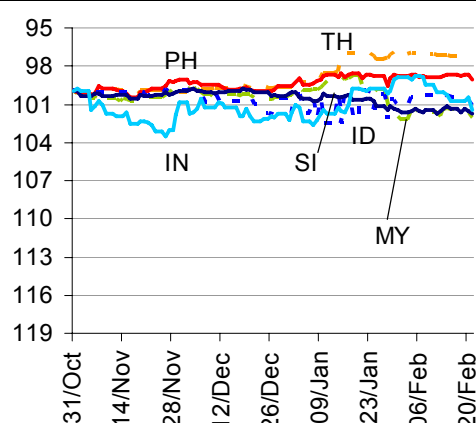
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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