

# Asia Flash

## Asia

*Asian equities fell for a second straight day on expectations that the US budget deal announced yesterday may lead to an early QE tapering by the Fed. Today's declines were led by the Philippines (-2.1%), Indonesia (-1.4%) and India (-1.2%); currencies also weakened, especially in the latter two. In other market developments, the outcomes of all three monetary policy meetings held today – in Indonesia, Korea, and the Philippines – were as expected, with policymakers keeping interest rates on hold (see below).*

### Central banks stay on hold, as expected

Three central banks in the region held monthly policy meetings today: Indonesia, Korea, and the Philippines. While current macro conditions differ significantly across these three economies, the outcomes were all the same, with all three keeping rates on hold. After raising rates by 25bp last month, and by a cumulative 175bp since June, Bank Indonesia left rates on hold at 7.50% on evidence that inflation is declining (8.37% y/y in November) and the current account deficit, after reaching 3.8% of GDP in Q3, is narrowing. With growth slowing, we expect BI to stay on hold in the coming months, despite ongoing depreciation pressures on the rupiah (which weakened to 12,023 per USD today). In Korea, where inflation remains very low (0.9% y/y in November), the BOK kept its policy rate unchanged at 2.50% for a seventh month in a row since its last cut in May, judging “the economic recovery to be continuing in line with the trend of growth...” And finally, rates were kept on hold at 3.50% in the Philippines as inflation remains with the 3-5% target range (3.3% y/y in November), and as reconstruction gets underway after the devastating typhoon in November.

### Jobs posts strong gains in Australia despite uptick in unemployment rate

The economy generated a better-than-expected 21,000 new jobs in November. Nevertheless, the unemployment rate inched up to 5.8% from 5.7% in October on an increase in the number of job seekers. Australia GDP growth has been under pressures from weakening investment in the mining sector (Q3 GDP growth decelerated to 2.3% y/y from 2.4% in Q2). Nevertheless, the upbeat job creation figures may relieve some concern on the growth outlook, and reduces the likelihood of further monetary easing. The Reserve Bank of Australia has kept its policy rate unchanged at a record-low of 2.5% since August, saying in its recent monetary policy statement on December 5 that the past easing since November 2011 (225 bps in cumulative rate cuts), “has supported interest-sensitive spending and asset values...and the full effects are still coming through.” Looking ahead, we expect no rate change through 2014, in anticipation of improving growth thanks to the ongoing recovery in the global economy.

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

George Xu  
Economist  
george.xu@bbva.com.hk  
+852 2582 3121

With contributions from the BBVA Research Asia Team

## Calendar Indicators

<b>Australia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Unemployment Rate	12 Dec	Nov	5.70%	5.80%	5.80%
<b>China</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
CPI YoY	09 Dec	Nov	3.20%	3.10%	3.00%
PPI YoY	09 Dec	Nov	-1.50%	-1.50%	-1.40%
Industrial Production YoY	10 Dec	Nov	10.30%	10.10%	10.00%
Fixed Assets Ex Rural YTD YoY	10 Dec	Nov	20.10%	20.00%	19.90%
Retail Sales YoY	10 Dec	Nov	13.30%	13.20%	13.70%
New Yuan Loans	11 Dec	Nov	506.1B	580.0B	624.6B
Money Supply M2 YoY	11 Dec	Nov	14.30%	14.20%	14.20%
Aggregate Financing RMB	11 Dec	Nov	856.4B	920.0B	1230.0B
Foreign Direct Investment YoY	14-18 Dec	Nov	1.20%	1.10%	--
<b>Hong Kong</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Industrial Production YoY	12 Dec	3Q	0.30%	--	-0.90%
<b>India</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Exports YoY	11 Dec	Nov	13.50%	--	5.90%
CPI YoY	12 Dec	Nov	10.09%	10.00%	--
Industrial Production YoY	12 Dec	Oct	2.00%	-1.20%	--
<b>Japan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
GDP Annualized SA QoQ	09 Dec	3Q F	1.90%	1.60%	1.10%
GDP SA QoQ	09 Dec	3Q F	0.50%	0.40%	0.30%
Tertiary Industry Index MoM	10 Dec	Oct	0.00%	0.10%	-0.70
Machine Orders MoM	11 Dec	Oct	-2.10%	0.70%	0.60%
<b>Malaysia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Industrial Production YoY	11 Dec	Oct	1.00%	0.80%	1.70%
<b>Philippines</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Unemployment Rate	10 Dec	Oct	7.30%	--	6.50%
Exports YoY	10 Dec	Oct	5.10%	8.30%	14.00%
<b>Singapore</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Retail Sales YoY	13 Dec	Oct	-5.90%	-5.90%	--
Unemployment rate SA	13 Dec	3Q F	1.80%	--	--
<b>South Korea</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Unemployment rate SA	11 Dec	Nov	3.00%	3.00%	2.90%
<b>Taiwan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Exports YoY	09 Dec	Nov	-1.50%	2.00%	0.00%

## Calendar Events

<b>Indonesia – Bank Indonesia Reference Rate, Dec 12</b> We expect the benchmark rate to remain unchanged	<b>Current</b> 7.50%	<b>Cons.</b> 7.50%	<b>New</b> 7.50%
<b>Philippines – BSP Overnight Borrowing Rate, Dec 12</b> We expect the benchmark rate to remain unchanged	<b>Current</b> 3.50%	<b>Cons.</b> 3.50%	<b>New</b> 3.50%
<b>South Korea – BoK 7-Day Repo Rate, Dec 12</b> We expect the benchmark rate to remain unchanged	<b>Current</b> 2.50%	<b>Cons.</b> 2.50%	<b>New</b> 2.50%

## Indicator of the Week

India: Wholesale Prices Inflation for November (December 16<sup>th</sup>)

Forecast: 6.8% y/y

Consensus: 7.0% y/y

Prior: 7.0% y/y

India is one of the few economies in Asia struggling to keep inflation down (Indonesia is another). Recent months have seen a firming up of inflation pressures in India, led by the impact of weather related disruption in primary food supply, in particular for vegetables and fruits, and the pass through effect from currency depreciation. These forces have kept inflation elevated despite back-to-back policy rate hikes and slowing GDP growth. Against this backdrop, the November WPI inflation outturn will be a key input for the Reserve Bank of India in assessing the inflation outlook at its December 18 policy meeting, where we expect the RBI to stay on hold.

## 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.	2202.8	-0.1	-2.0	-2.9	5.8
Hong Kong – Hang Seng	23218.1	-0.5	-2.1	2.5	3.2	
Taiwan – TAIEX	8361.3	-0.9	-0.2	8.6	8.7	
Japan – Nikkei 225	15341.8	-1.1	1.1	47.6	60.1	
Korea – Kospi	1967.9	-0.5	-0.8	-1.5	-0.4	
India – Sensex 30 *	20925.6	-1.2	-0.2	7.7	8.1	
Australia – SPX/ASX 200	5062.5	-0.8	-2.6	8.9	10.4	
Singapore – Strait Times	3059.0	-0.1	-2.1	-3.4	-2.6	
Indonesia – Jakarta Comp	4212.2	-1.4	-0.1	-2.4	-2.9	
Thailand – SET	1356.2	-1.0	-2.0	-2.6	0.1	
Malaysia – KLCI	1833.9	-0.5	0.5	8.6	11.2	
Philippines – Manila Comp.	5762.5	-2.1	-4.5	-0.9	-1.0	

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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)	6.07	0.01	0.33	6.11	6.13
Hong Kong (HKD/USD)	7.75	0.01	0.00	7.75	7.75	
Taiwan (TWD/USD)	29.6	-0.09	0.05	29.44	29.20	
Japan (JPY/USD)	102.74	-0.31	-0.92	102.68	102.44	
Korea (KRW/USD)	1051	0.11	0.81	1057	1069	
India (INR/USD)	61.8	-0.81	0.02	63.10	66.93	
Australia (USD/AUD)	0.91	0.04	-0.12	1.11	1.13	
Singapore (SGD/USD)	1.25	-0.18	-0.06	1.25	1.25	
Indonesia (IDR/USD)	12023	-0.27	-0.48	12393	13233	
Thailand (THB/USD)	32.1	-0.02	0.35	32.36	32.84	
Malaysia (MYR/USD)	3.23	-0.41	-0.05	3.24	3.29	
Philippines (PHP/USD)	44.1	0.04	-0.56	44.10	44.00	

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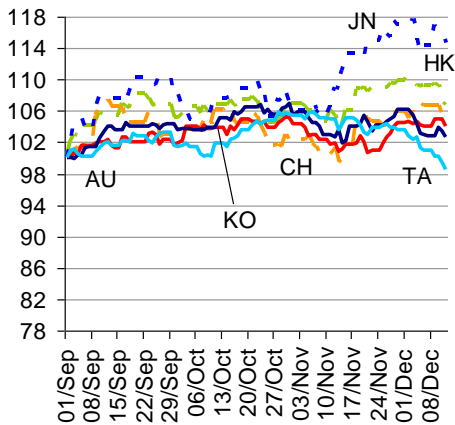
INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	4.30	0.00	-0.25	0.75
Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.00	
Taiwan (TAIBOR/1W)	0.51	0.00	0.00	0.00	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.56	0.00	0.00	0.00	
India (MIBOR/7D)	4.30	-0.03	-0.25	0.70	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	6.45	-0.01	-0.03	0.34	
Thailand (BIBOR/1W)	2.77	0.00	0.00	0.00	
Malaysia (KLIBOR/1W)	2.90	0.00	0.00	0.00	
Philippines (PHIBOR/1W)	1.25	0.00	-0.31	0.31	

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# Charts

Chart 1

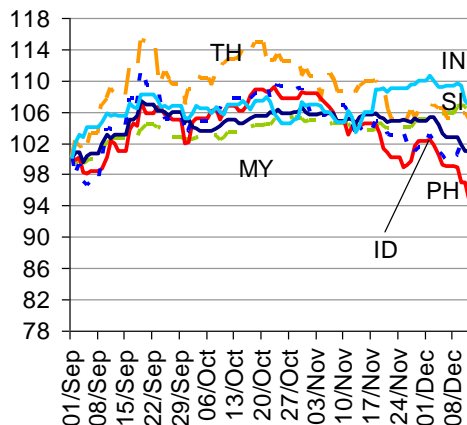
## Stock Markets



Source: BBVA Research and Bloomberg

Chart 2

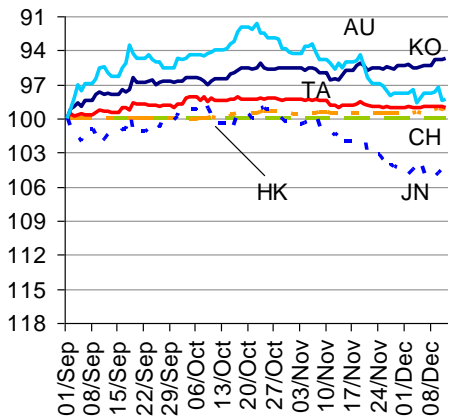
## Stock Markets



Source: BBVA Research and Bloomberg

Chart 3

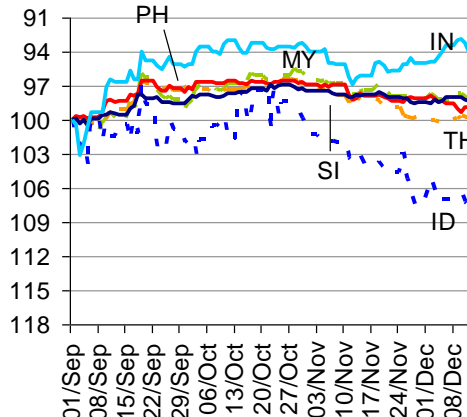
## Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4

## Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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

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

Le Xia  
Senior Economist  
xia.le@bbva.com.hk

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

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

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

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