

Asia Flash

Asia

Note to readers: in light of the coming holidays, this will be our last Asia Flash until the week of January 6. We wish you a happy holiday season.

RBA minutes signal that rate cut remains an option

The Reserve Bank of Australia today released the minutes from its December 3 policy meeting, at which it kept interest rates unchanged at record low 2.50% for a fourth straight month. The RBA had cut rates by a cumulative 225 bps from November 2011 to August 2013 to support the domestic economy as the mining boom wanes. The minutes were marginally more upbeat than previous policy statements about the outlook for growth, pointing to improvements in business investment, commodity exports, and interest-sensitive sectors such as dwelling investment and consumption spending. On the inflation front, the RBA expects sluggish employment and wage growth will help to keep inflation in line with the medium-term target of 2-3%, providing scope for further easing if needed. On the currency front, the minutes reiterated the RBA's view that the AUD has been "uncomfortably high" and that "a lower level would likely be needed to achieve balanced growth in the economy". The AUD has weakened by about 8% against the USD since its recent peak during the third week of October to stand at 0.89 per USD. While it remains a possibility, our baseline anticipates no further rate cuts in the coming year given expectations of a recovery in external demand and gradual pickup in growth to 2.8% in 2014.

Australia government announces less optimistic fiscal outlook

The Australian Treasury today released its Mid-Year Economic and Fiscal Update, in which it lowered its growth projection for the coming four fiscal years (to 2.5%, 2.5%, 3.0%, and 3.0% for 2013/14 to 2016/17 respectively). With fiscal revenues expected to be lower than previously forecast, the Treasury expects a persistent fiscal deficit through 2023/24, in contrast with expectations from the previous government that Australia's fiscal balance would turn to surplus by 2016/17, and be sustained at 1% of GDP over the medium term. Nevertheless, Australia's central government public debt remains very low at around 20% of GDP, so there is certainly room for a looser fiscal stance if needed.

Briefly noted:

Singapore exports (NODX) unexpectedly fall in November

Non-oil domestic exports contracted by -8.8% y/y (consensus: +4.3%; October: 2.8%) on weaker exports of both electronics and non-electronic products. On a sequential basis after seasonal adjustment, NODX fell even more strongly by 9.3% m/m sa, ending solid expansions in the previous two months (3.2% m/m sa for October). However, Singapore's monthly exports are notoriously volatile, so we would not read too much into the data. An improving external outlook is likely to support Singapore's growth in the year ahead.

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Calendar Indicators

| China | Date | Period | Prior | Cons. | Actual |
|---------------------------------|-----------|--------|-------|--------|--------|
| Foreign Direct Investment YoY | 17-18 Dec | Nov | 1.20% | 1.10% | -- |
| HSBC/Markit Flash Mfg PMI | 16 Dec | Dec | 50.8 | 50.9 | 50.5 |
| China November Property Prices | 18 Dec | -- | -- | -- | -- |
| Hong Kong | Date | Period | Prior | Cons. | Actual |
| Unemployment Rate SA | 17 Dec | Nov | 3.30% | 3.30% | -- |
| India | Date | Period | Prior | Cons. | Actual |
| Wholesale Prices YoY | 16 Dec | Nov | 7.00% | 7.00% | 7.52% |
| Japan | Date | Period | Prior | Cons. | Actual |
| Machine Tool Orders YoY | 17 Dec | Nov F | 15.4% | -- | -- |
| Exports YoY | 18 Dec | Nov | 18.6% | 18.0% | -- |
| All Industry Activity Index MoM | 19 Dec | Oct | 0.40% | -0.30% | -- |
| Malaysia | Date | Period | Prior | Cons. | Actual |
| CPI YoY | 18 Dec | Nov | 2.80% | 2.90% | -- |
| Philippines | Date | Period | Prior | Cons. | Actual |
| Overseas Remittances YoY | 16 Dec | Oct | 5.30% | 5.30% | 7.00% |
| Singapore | Date | Period | Prior | Cons. | Actual |
| Non-oil Domestic Exports YoY | 17 Dec | Nov | 2.80% | 4.30% | -8.80% |
| Taiwan | Date | Period | Prior | Cons. | Actual |
| Export Orders YoY | 20 Dec | Nov | 3.20% | -1.20% | -- |

Calendar Events

| | | | |
|--|----------------|--------------|------------|
| India – RBI Repurchase Rate, Dec 18 | Current | Cons. | New |
| We expect the benchmark rate to remain unchanged | 7.75% | 8.00% | -- |
| India – RBI Cash Reserve Ratio, Dec 18 | Current | Cons. | New |
| We expect the benchmark rate to remain unchanged | 4.00% | 4.00% | -- |

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. | 2151.1 | -0.5 | -3.9 | -5.2 | -0.4 |
| | Hong Kong – Hang Seng | 23069.2 | -0.2 | -2.8 | 1.8 | 2.5 |
| | Taiwan – TAIEX | 8352.9 | 0.5 | -1.1 | 8.5 | 9.5 |
| | Japan – Nikkei 225 | 15278.6 | 0.8 | -2.1 | 47.0 | 55.4 |
| | Korea – Kospi | 1965.7 | 0.2 | -1.4 | -1.6 | -0.9 |
| | India – Sensex 30 * | 20612.1 | -0.2 | -3.0 | 6.1 | 7.1 |
| | Australia – SPX/ASX 200 | 5103.2 | 0.3 | -0.8 | 9.8 | 11.6 |
| | Singapore – Strait Times | 3067.6 | 0.5 | -0.5 | -3.1 | -2.9 |
| | Indonesia – Jakarta Comp | 4182.3 | 1.4 | -2.2 | -3.1 | -3.1 |
| | Thailand – SET | 1337.2 | 0.7 | -2.2 | -3.9 | -1.6 |
| | Malaysia – KLCI | 1850.9 | 0.7 | 0.4 | 9.6 | 12.3 |
| | Philippines – Manila Comp. | 5929.0 | 2.0 | 0.7 | 2.0 | 5.4 |

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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 | 0.02 | 0.00 | 6.11 | 6.13 |
| | Hong Kong (HKD/USD) | 7.75 | 0.01 | 0.01 | 7.75 | 7.75 |
| | Taiwan (TWD/USD) | 29.7 | 0.00 | -0.23 | 29.48 | 29.24 |
| | Japan (JPY/USD) | 102.96 | 0.06 | -0.11 | 102.90 | 102.66 |
| | Korea (KRW/USD) | 1051 | 0.04 | 0.10 | 1058 | 1070 |
| | India (INR/USD) | 62.0 | -0.41 | -1.55 | 63.19 | 67.14 |
| | Australia (USD/AUD) | 0.89 | -0.23 | -2.45 | 1.13 | 1.15 |
| | Singapore (SGD/USD) | 1.26 | -0.23 | -0.74 | 1.26 | 1.26 |
| | Indonesia (IDR/USD) | 12125 | -0.16 | -1.69 | 12474 | 13284 |
| | Thailand (THB/USD) | 32.1 | -0.28 | -0.14 | 32.36 | 32.88 |
| | Malaysia (MYR/USD) | 3.25 | -0.26 | -1.22 | 3.26 | 3.31 |
| | Philippines (PHP/USD) | 44.2 | -0.10 | 0.20 | 44.20 | 44.09 |

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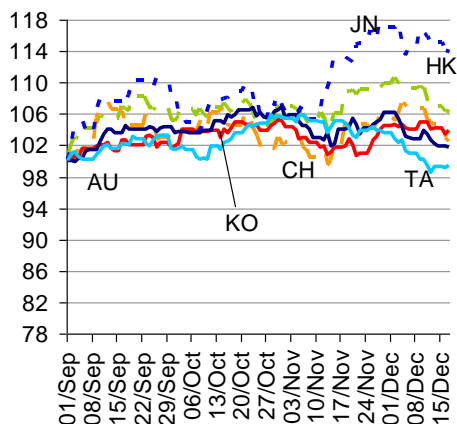
| INTERBANK RATES | INDEX | Rate | net change over a day | net change over a week | net change over a month |
|-----------------|-------------------------|------|-----------------------|------------------------|-------------------------|
| | China (SHIBOR/7D) | 4.45 | 0.10 | 0.15 | -0.83 |
| | Hong Kong (HIBOR/1W) | 0.13 | -0.01 | -0.01 | 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) | 4.46 | 0.00 | 0.56 | -1.04 |
| | Singapore (SIBOR/1W) | 0.25 | 0.00 | 0.00 | 0.00 |
| | Indonesia (JIBOR/1W) | 6.45 | 0.00 | -0.01 | 0.08 |
| | 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

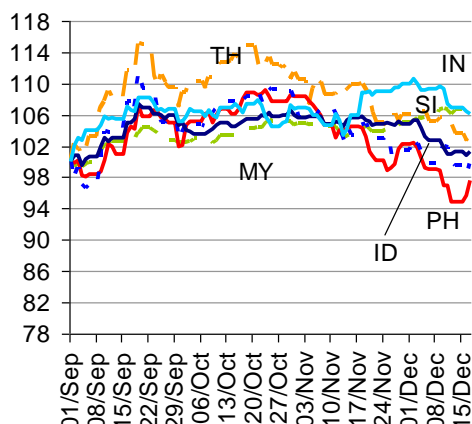
Stock Markets



Source: BBVA Research and Bloomberg

Chart 2

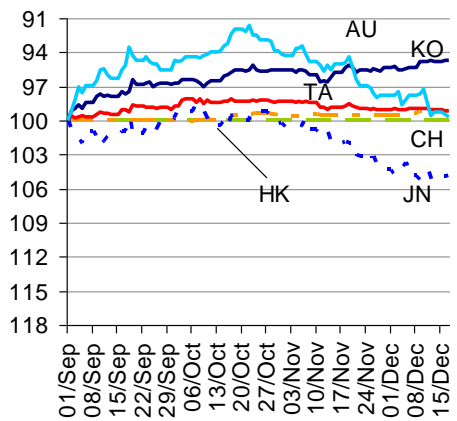
Stock Markets



Source: BBVA Research and Bloomberg

Chart 3

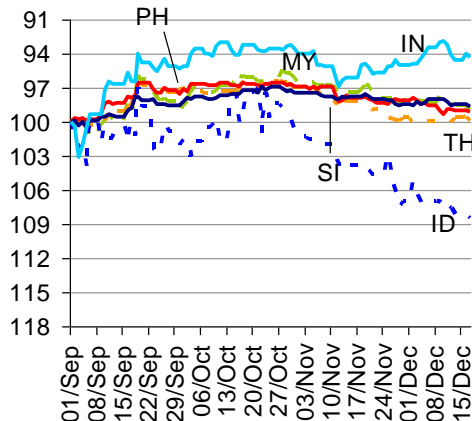
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4

Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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