

Daily Flash

Asia

Following the release of positive PMI data in China over the past few days, Australia became the focus today, as the Reserve Bank of Australia delivered a 25bps interest cut, bringing the policy rate to its lowest level since the 2008-09 global financial crisis (see below). Australian third quarter GDP will be released tomorrow followed by the monthly (November) unemployment rate (Thursday) and October trade balance (Friday). Asian equities were mixed, with the biggest movement being a rebound in the Shanghai Composite (+0.8%; 1,975 points).

RBA cuts interest rates as economy looks to stabilize

As widely anticipated by markets (though not in our baseline), the Reserve Bank of Australia cut rates by 25bps to 3.00%, the lowest level since the 2008 financial crisis. This was the sixth rate cut since the easing cycle began in November 2011. In its statement, the RBA noted that "recent data confirm that the peak in resource investment is approaching. As it does, there will be more scope for some other areas of demand to strengthen." In the meantime "available information suggests that the near-term outlook for ... outside the resources sector remains relatively subdued." The statement provided little guidance on the future course of interest rates, with many analysts believing the door remains open to further rate cuts in 2013 if the non-mining sector fails to respond sufficiently to the RBA's previous rate cuts. The next scheduled policy meeting is on February 5. After today's decision, the AUD rose by 0.5% to 1.047/USD.

Korea and China plan to tap bilateral currency swap arrangement

South Korea's central bank announced it will begin utilizing an existing bilateral currency swap agreement with China, in order to facilitate trade settlement between the countries in both won and yuan. The pre-existing swap agreement was originally signed in December of 2008 and was worth up to US\$26.3bn, then was extended in October 2011 to its current US\$57bn. Today's announcement was made by the Bank of Korea and Korea's Ministry of Strategy and Finance, along with the People's Bank of China, and will further both countries' aims to deepen liquidity in their domestic currencies through gradual liberalization, while also promoting easier trade between Asia's largest and fourth-largest economies.

Briefly noted:

- **Also today, the Bank of Japan and the Reserve Bank of India concluded a bilateral swap arrangement** that will enable both countries to swap their local currencies against the US dollar for an amount up to US\$15bn, in the aim to support short-term liquidity. Today's announcement marked a renewal of ties, after an initial 3-year bilateral accord for \$3 billion had expired in 2011.
- **Moody's announced today that its outlook for India's sovereign rating is stable**, deeming its economic strengths as outweighing its weaknesses. The rating company's positive statement contrasts with recent warnings from S&P and Fitch that India's sovereign rating may be lowered to below investment grade (S&P warned last month that India faces a 'one-in-three' chance of losing its investment grade rating, and Fitch warned yesterday that India's credit rating could be downgraded due to 'fiscal slippages'). Moody's, however, also affirmed its negative outlook on the Indian banking sector today given a backdrop of low growth, high inflation and high interest rates. Given these factors, Moody's stated it expects this 'to lead to a further deterioration in asset quality, an increase in provisioning costs, and a fall in profitability.'

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With contributions from the BBVA Research Asia Team

Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Retail Sales s.a. (MoM)	03-Dec	Oct	0.50%	0.40%	0.00%
Current Account Balance	04-Dec	3Q	-11801M	-14550M	-14900M
Australia Net Exports of GDP	04-Dec	3Q	0.30%	0.00%	0.10%
Gross Domestic Product (QoQ)	05-Dec	3Q	0.60%	0.60%	--
Gross Domestic Product (YoY)	05-Dec	3Q	3.70%	3.10%	--
Unemployment Rate	06-Dec	Nov	5.40%	5.50%	--
Trade Balance	07-Dec	Oct	-1456M	-2200M	--
China	Date	Period	Prior	Cons.	Actual
Manufacturing PMI	01-Dec	Nov	50.2	50.8	50.6
Non-manufacturing PMI	03-Dec	Nov	55.5	--	55.6
HSBC Manufacturing PMI	03-Dec	Nov	49.5	50.4	50.5
HSBC Services PMI	05-Dec	Nov	53.5	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Purchasing Managers Index	05-Dec	Nov	50.5	--	--
Indonesia	Date	Period	Prior	Cons.	Actual
Inflation (YoY)	03-Dec	Nov	4.61%	4.57%	4.32%
Inflation NSA (MoM)	03-Dec	Nov	0.16%	0.30%	0.07%
Core Inflation (YoY)	03-Dec	Nov	4.59%	4.60%	4.40%
Exports (YoY)	03-Dec	Oct	-9.40%	-4.60%	-7.60%
Malaysia	Date	Period	Prior	Cons.	Actual
Exports YoY%	07-Dec	Oct	2.60%	-1.70%	--
Philippines	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	05-Dec	Nov	3.10%	3.00%	--
Singapore	Date	Period	Prior	Cons.	Actual
Purchasing Managers Index	04-Dec	Nov	48.3	49.0	--
South Korea	Date	Period	Prior	Cons.	Actual
Ext Trade - Export (YoY)	01-Dec	Nov	1.20%	1.60%	3.90%
Consumer Price Index (MoM)	03-Dec	Nov	-0.10%	0.00%	-0.40%
Consumer Price Index (YoY)	03-Dec	Nov	2.10%	2.00%	1.60%
GDP (QoQ)	06-Dec	3Q F	0.20%	--	--
GDP (YoY)	06-Dec	3Q F	1.60%	--	--
Taiwan	Date	Period	Prior	Cons.	Actual
CPI YoY%	05-Dec	Nov	2.36%	2.00%	--
Total Exports (YoY)	07-Dec	Nov	-1.90%	7.60%	--
Thailand	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	03-Dec	Nov	3.32%	3.20%	2.74%
Core CPI (YoY)	03-Dec	Nov	1.83%	1.90%	1.85%

Calendar Events

Australia - RBA Cash Target, December 4 We expected the benchmark rate to remain unchanged	Current 3.25%	Consensus 3.00%	New 3.00%
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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.	1975.1	0.8	-0.8	-10.2	-16.3
	Hong Kong - Hang Seng	21800.0	0.1	-0.2	18.3	14.5
	Taiwan - Weighted	7601.0	0.0	2.3	7.5	6.4
	Japan - Nikkei 225	9432.5	-0.3	0.1	11.6	9.1
	Korea - Kospi	1935.2	-0.2	0.5	6.0	1.0
	India - Sensex 30	19322.1	0.1	4.2	25.0	14.7
	Australia - SPX/ASX 200	4503.6	-0.6	1.0	11.0	5.0
	Singapore - Strait Times	3059.0	-0.2	1.6	15.6	10.3
	Indonesia - Jakarta Comp	4254.2	-1.1	-1.9	11.3	12.6
	Thailand - SET	1327.6	-0.4	2.4	29.5	29.0
	Malaysia - KLCI	1606.3	-0.1	0.5	4.9	7.9
	Philippines - Manila Comp.	5706.3	0.6	2.3	30.5	33.0

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	0.05	-0.05	6.28	6.32
	Hong Kong (HKD/USD)	7.75	0.00	0.00	7.75	7.75
	Taiwan (TWD/USD)	29.1	0.06	0.06	28.96	28.67
	Japan (JPY/USD)	81.97	0.34	0.22	81.91	81.62
	Korea (KRW/USD)	1083	-0.04	0.06	1088	1100
	India (INR/USD)	54.7	0.13	1.39	55.50	57.80
	Australia (USD/AUD)	1.05	0.42	0.18	0.96	0.98
	Singapore (SGD/USD)	1.22	0.01	0.35	1.22	1.22
	Indonesia (IDR/USD)	9626	-0.12	0.14	9694	10021
	Thailand (THB/USD)	30.7	-0.13	0.00	30.83	31.23
	Malaysia (MYR/USD)	3.04	-0.03	0.02	3.06	3.09
	Philippines (PHP/USD)	40.9	0.02	-0.12	40.86	40.83

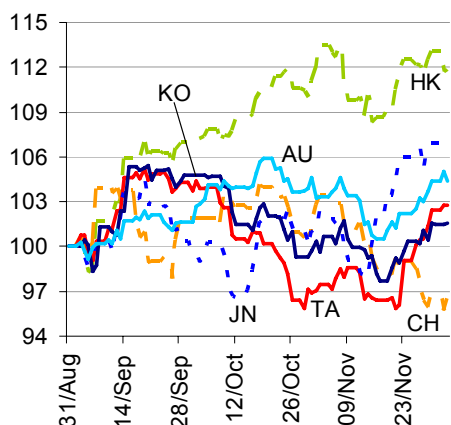
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	2.88	-0.45	-0.46	-0.55
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.58	0.00	0.00	-0.02
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	2.78	0.00	0.00	0.00
	India (MIBOR/7D)	3.08	-0.27	0.21	-0.36
	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)	0.88	1.81	0.81	-0.75

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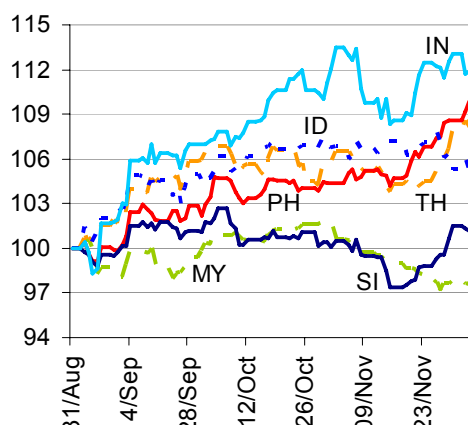
Charts

Chart 1
Stock Markets



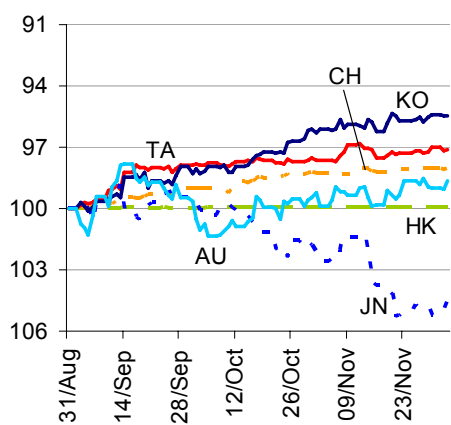
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



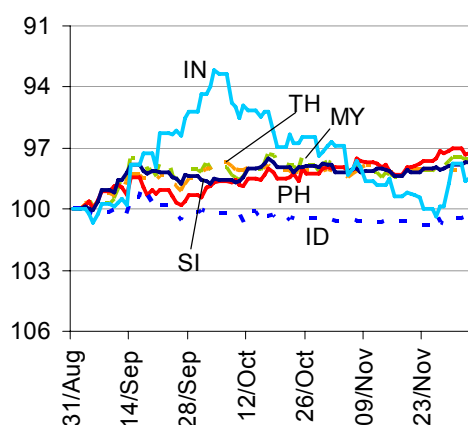
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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