

Daily Flash

Asia

Korea holds rates, as expected...

The Bank of Korea (BOK) left interest rates unchanged at 2.75% at its meeting today, as expected, six days ahead of the Presidential Election on December 19th. The BOK has cut rates twice this year for a combined 50 bps, the last time in October. In its statement, the BOK noted that the economy is still weak primarily due to sluggish domestic demand, and that the negative output gap is unlikely to close soon, while "inflation will remain low for the time being". On the other hand, the BOK mentions the favorable trends in exports and employment. The BOK also cites the appreciation in the won -which has strengthened by more than 8% against the USD in 2012, the top performing currency in Asia- and ends the statement saying that they will "closely monitor external risk factors and the consequent changes in financial and economic conditions" in order to conduct monetary policy. Looking forward, we expect the BOK to remain on hold in the coming months.

...while the Philippines also keeps rates unchanged at record-low of 3.5%

The Philippines also held the benchmark interest rate unchanged at 3.5% today (consensus: 3.5%) after cutting to the current record-low level in the last meeting in October and a total of 100 bps in cuts in 2012. The third quarter GDP data released two weeks ago surprised to the upside, as the Philippines is showing robust growth momentum on "strong domestic demand and buoyant business sentiment", according to the central bank's statement. Proactive government spending and aggressive monetary easing are also acting in support of the economy. The central bank therefore judged its current monetary stance remains appropriate as the interest cuts continue to work its way through the economy, while inflation is expected to stay "manageable".

Briefly noted:

- **The Hong Kong government agreed to increase the minimum hourly wages by 7%**, effective since May 2013. The new threshold will apply to 10% of the city's labor force. Higher wages could also lead to more operating cost for the employers, in turn causing layoffs in related industries. The move may put upward pressure in inflation, already at 3.8% y/y (October).

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Calendar Indicators

| China | Date | Period | Prior | Cons. | Actual |
|--------------------------------------|-------------|---------------|--------------|--------------|---------------|
| Consumer Price Index (YoY) | 09-Dec | Nov | 1.70% | 2.10% | 2.00% |
| Producer Price Index (YoY) | 09-Dec | Nov | -2.80% | -2.00% | -2.20% |
| Industrial Production (YoY) | 09-Dec | Nov | 9.60% | 9.80% | 10.10% |
| Industrial Production YTD YoY | 09-Dec | Nov | 10.00% | 10.00% | 10.00% |
| Fixed Assets Inv Excl. Rural YTD YoY | 09-Dec | Nov | 20.70% | 20.90% | 20.70% |
| Retail Sales (YoY) | 09-Dec | Nov | 14.50% | 14.60% | 14.90% |
| Trade Balance (USD) | 10-Dec | Nov | \$31.99B | \$26.85B | \$19.63B |
| Exports YoY% | 10-Dec | Nov | 11.60% | 9.00% | 2.90% |
| Imports YoY% | 10-Dec | Nov | 2.40% | 2.00% | 0.00% |
| New Yuan Loans | 11-Dec | Nov | 505.2B | 550.0B | 552.9B |
| Money Supply - M2 (YoY) | 11-Dec | Nov | 14.10% | 14.10% | 13.90% |
| HSBC Flash Manufacturing PMI | 14-Dec | Dec | 50.5 | -- | -- |
| Hong Kong | Date | Period | Prior | Cons. | Actual |
| Industrial Production (YoY) | 13-Dec | 3Q | -2.90% | -- | -0.10% |
| India | Date | Period | Prior | Cons. | Actual |
| Exports YoY% | 11-Dec | Nov | -1.60% | -- | -4.20% |
| Industrial Production YoY | 12-Dec | Oct | -0.40% | 5.10% | 8.20% |
| CPI (YoY) | 12-Dec | Nov | 9.75% | -- | 9.90% |
| Monthly Wholesale Prices YoY% | 14-Dec | Nov | 7.45% | 7.62% | -- |
| Japan | Date | Period | Prior | Cons. | Actual |
| Gross Domestic Product (QoQ) | 10-Dec | 3Q F | -0.90% | -0.80% | -0.90% |
| GDP Annualized | 10-Dec | 3Q F | -3.50% | -3.30% | -3.50% |
| Current Account Total | 10-Dec | Oct | ¥503.6B | ¥230.9B | ¥376.9B |
| Trade Balance - BOP Basis | 10-Dec | Oct | ¥471.3B | ¥450.0B | ¥450.3B |
| Machine Orders (MoM) | 12-Dec | Oct | -4.30% | 3.00% | 2.60% |
| Machine Orders YOY% | 12-Dec | Oct | -7.80% | -5.00% | 1.20% |
| Tertiary Industry Index (MoM) | 12-Dec | Oct | 0.30% | -0.40% | -0.10% |
| Tankan Lge Manufacturers Index | 14-Dec | 4Q | -3 | -- | -- |
| Tankan Large All Indust Capex | 14-Dec | 4Q | 6.40% | -- | -- |
| Malaysia | Date | Period | Prior | Cons. | Actual |
| Industrial Production YoY | 11-Dec | Oct | 4.90% | 2.60% | 5.80% |
| Philippines | Date | Period | Prior | Cons. | Actual |
| Total Exports (YoY) | 11-Dec | Oct | 22.80% | 10.50% | 6.10% |
| Singapore | Date | Period | Prior | Cons. | Actual |
| Unemployment Rate (sa) | 14-Dec | 3Q F | 1.90% | -- | -- |
| Retail Sales (YoY) | 14-Dec | Oct | 2.50% | -- | -- |
| South Korea | Date | Period | Prior | Cons. | Actual |
| Unemployment Rate (SA) | 12-Dec | Nov | 3.00% | 3.10% | 3.00% |

Calendar Events

Indonesia - BI Reference Rate, December 11

We expected the benchmark rate to remain unchanged

| Current | Consensus | New |
|----------------|------------------|------------|
| 5.75% | 5.75% | 5.75% |

South Korea - 7-Day Repo Rate, December 13

We expected the benchmark rate to remain unchanged

| Current | Consensus | New |
|----------------|------------------|------------|
| 2.75% | 2.75% | 2.75% |

Philippines - Overnight Borrowing Rate, December 13

We expected the benchmark rate to remain unchanged

| Current | Consensus | New |
|----------------|------------------|------------|
| 3.50% | 3.50% | 3.50% |

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. | 2061.5 | -1.0 | 1.6 | -6.3 | -8.3 |
| Hong Kong - Hang Seng | 22445.6 | -0.3 | 0.9 | 21.8 | 21.7 | |
| Taiwan - Weighted | 7757.1 | 0.9 | 1.8 | 9.7 | 12.5 | |
| Japan - Nikkei 225 | 9742.7 | 1.7 | 2.1 | 15.2 | 13.9 | |
| Korea - Kospi | 2002.8 | 1.4 | 2.7 | 9.7 | 7.4 | |
| India - Sensex 30 | 19229.3 | -0.7 | -1.3 | 24.4 | 20.2 | |
| Australia - SPX/ASX 200 | 4582.8 | 0.0 | 1.6 | 13.0 | 9.3 | |
| Singapore - Strait Times | 3156.6 | 0.5 | 2.5 | 19.3 | 17.5 | |
| Indonesia - Jakarta Comp | 4320.2 | -0.4 | 0.6 | 13.0 | 14.8 | |
| Thailand - SET | 1353.8 | -0.1 | 1.8 | 32.0 | 31.4 | |
| Malaysia - KLCI | 1652.8 | 0.2 | 2.3 | 8.0 | 12.8 | |
| Philippines - Manila Comp. | 5788.0 | -0.5 | 0.4 | 32.4 | 35.1 | |

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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) | 6.23 | 0.30 | -0.07 | 6.29 | 6.31 |
| Hong Kong (HKD/USD) | 7.75 | 0.00 | 0.00 | 7.75 | 7.75 | |
| Taiwan (TWD/USD) | 29.1 | -0.04 | 0.11 | 28.90 | 28.59 | |
| Japan (JPY/USD) | 83.40 | -0.17 | -1.20 | 83.33 | 83.04 | |
| Korea (KRW/USD) | 1073 | 0.18 | 0.94 | 1079 | 1092 | |
| India (INR/USD) | 54.4 | -0.19 | -0.53 | 55.29 | 57.64 | |
| Australia (USD/AUD) | 1.05 | -0.09 | 0.56 | 0.95 | 0.97 | |
| Singapore (SGD/USD) | 1.22 | 0.02 | -0.08 | 1.22 | 1.22 | |
| Indonesia (IDR/USD) | 9689 | -0.20 | -0.41 | 9758 | 10096 | |
| Thailand (THB/USD) | 30.6 | -0.07 | 0.07 | 30.80 | 31.20 | |
| Malaysia (MYR/USD) | 3.05 | -0.06 | -0.22 | 3.06 | 3.11 | |
| Philippines (PHP/USD) | 41.1 | -0.10 | -0.30 | 41.05 | 41.06 | |

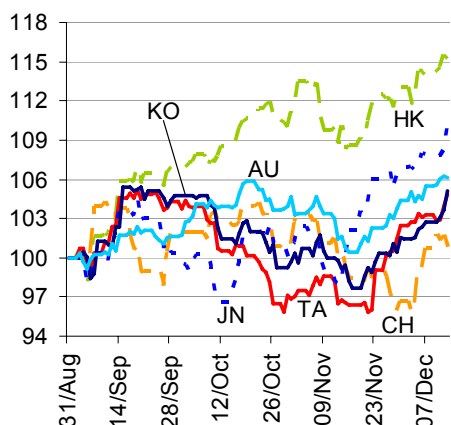
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| INTERBANK RATES | INDEX | Rate | net change over a day | net change over a week | net change over a month |
|-------------------------|-------------------|-------|-----------------------|------------------------|-------------------------|
| | China (SHIBOR/7D) | 2.66 | -0.36 | -0.42 | -0.48 |
| Hong Kong (HIBOR/1W) | 0.13 | 0.00 | 0.00 | 0.00 | |
| Taiwan (TAIBOR/1W) | 0.58 | 0.00 | 0.00 | -0.01 | |
| Japan (TIBOR/1Y) | 0.76 | 0.00 | 0.01 | 0.01 | |
| Korea (KORIBOR/1M) | 2.79 | 0.00 | 0.01 | 0.01 | |
| India (MIBOR/7D) | 3.16 | -0.05 | 0.28 | -0.09 | |
| Singapore (SIBOR/1W) | 0.25 | 0.00 | 0.00 | 0.00 | |
| Indonesia (JIBOR/1W) | 4.29 | 0.00 | 0.01 | 0.01 | |
| 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) | -0.44 | -0.13 | -1.13 | -1.94 | |

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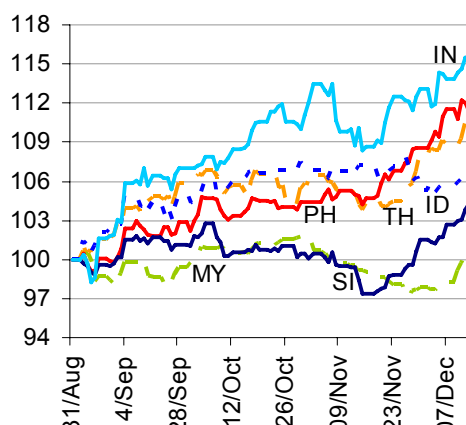
Charts

Chart 1
Stock Markets



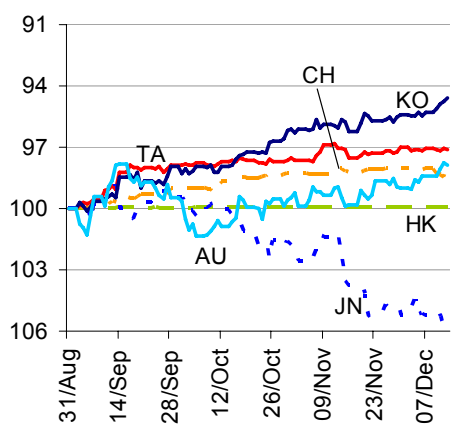
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



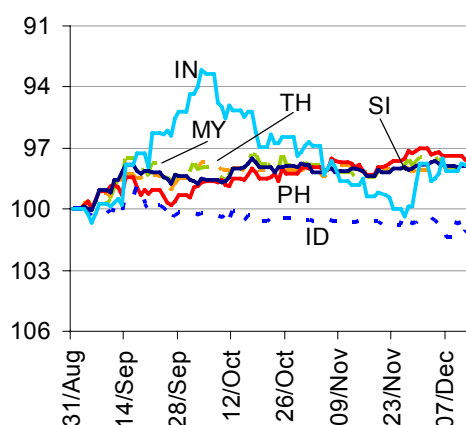
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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