

Daily Flash

Asia

Asian stock markets were up today, led by gains in Japan with the Nikkei up by more than 2%, and closing above the 10,000 level for the first time since April. The Nikkei is now up by over 17% since its most recent low in mid-November, as the Yen's recent weakness boosts the outlook for exporters in the wake of last Sunday's election of incoming Prime Minister Shinzo Abe, who continues to pressure the Bank of Japan for more monetary easing. Meanwhile, Koreans are awaiting the results of today's Presidential election, with polls indicating a close race between the conservative Park Geun-hye and liberal Moon Jae-in.

India's policy reforms gain traction with banking and corporate amendments

India's new-found policy reform momentum continues to build as the government successfully cleared two bills - one related to banking, and the other for corporations. The newly amended corporate bill will improve governance and reduce red tape, while the banking bill will allow the RBI to issue bank licenses to eligible private Indian corporations, enhance regulatory powers of the RBI, raise voting rights for investors in banks, and allow state-owned banks to raise capital through rights issues. Passage of the new banking amendment bill opens the door for final guidelines by the RBI on issuance of new banking licenses for foreign banks, expected to be released in 1Q13.

Japan's trade deficit widens, as pressure mounts on the Bank of Japan

Japan's November trade deficit was -953.4bn yen (prior: -549.0bn yen, consensus: -1035.1bn yen) the fifth consecutive month of deficit. Exports contracted in November by -4.1% y/y (Prior: -6.5%, Consensus: -5.5%), as exports to China slumped by -14.5% y/y. Incoming Prime Minister Shinzo Abe is pressing the Bank of Japan to raise its 1% inflation target to a 2% target, adding pressure on the BOJ to increase its asset-purchase program during its monetary policy meeting, which concludes tomorrow.

Briefly noted:

- **Malaysia's inflation remained moderate at 1.3% y/y in November** (consensus: 1.4%). Despite relatively strong economic growth, inflationary pressures have been mitigated by productivity gains and capacity expansion. Subdued inflation should allow monetary policy to remain accommodative (the central bank has kept the interest rate steady at 3% for 9 straight meetings). The next MPC meeting will take place on Jan 30-31, 2013, where we expect no change in rates.
- **Taiwan's central bank stayed on hold** in its quarterly monetary policy meeting today, leaving rates at 1.875% for the fifth straight meeting, as expected. With the bottoming-out in China and a slightly better global environment, we expect Taiwan's central bank to leave interest rates unchanged in the coming quarters.

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Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Actual FDI (YoY)	14-18 DEC	Nov	-0.20%	-3.10%	--
China November Property Prices	18-Dec	Nov	--	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Unemployment Rate SA	18-Dec	Nov	3.40%	3.40%	3.40%
CPI - Composite Index (YoY)	20-Dec	Nov	3.80%	3.80%	--
India	Date	Period	Prior	Cons.	Actual
Cash Reserve Ratio	18-Dec	18-Dec	4.25%	4.00%	4.25%
Japan	Date	Period	Prior	Cons.	Actual
Merchnds Trade Balance Total	19-Dec	Nov	¥549.0B	¥1035.1B	¥953.4B
Merchnds Trade Exports YoY	19-Dec	Nov	-6.5	-5.5	-4.1
All Industry Activity Index (MoM)	19-Dec	Oct	-0.30%	0.20%	0.20%
Malaysia	Date	Period	Prior	Cons.	Actual
CPI YoY	19-Dec	Nov	1.30%	1.40%	1.30%
Philippines	Date	Period	Prior	Cons.	Actual
Overseas Remittances (YoY)	17-Dec	Oct	5.90%	6.00%	8.50%
Unemployment Rate	18-Dec	Oct	7.00%	--	6.80%
Balance of Payments	19-Dec	Nov	\$604M	--	\$2161M
Singapore	Date	Period	Prior	Cons.	Actual
Non-oil Domestic Exports (YoY)	17-Dec	Nov	7.90%	1.70%	-2.50%
Taiwan	Date	Period	Prior	Cons.	Actual
Export Orders (YoY)	20-Dec	Nov	3.16%	3.70%	--

Indicator of the Week

Taiwan: Export orders for November (December 20)

Forecast: 2.4% y/y

Consensus: 3.9% y/y

Prior: 3.2% y/y

Taiwan's export orders are closely watched as a leading indicator of regional export trends given the economy's position in the global supply chain. Export orders' upbeat reading in October reflected solid demand from the US and Europe, mainly due to the year-end holiday season. We expect such impact to moderate in the following month. On the other hand, China's recent activity indicators point to a rebound in the fourth quarter, which will partially support the orders performance. The risks from weak global demand remain, and the pace of recovery is expected to be mild and gradual. We also expect the central bank of Taiwan to keep the benchmark rate on hold during the upcoming policy meeting, given the abundant liquidity in the economy and improved growth outlook.

Calendar Events

Japan - General Election, December 16

India - Repo Cutoff Yield, December 18

We expected the benchmark rate to remain unchanged

Current

8.00%

Consensus

8.00%

New

8.00%

South Korea - Presidential Election, December 19

Taiwan - Benchmark Interest Rate, December 19

We expected the benchmark rate to remain unchanged

Current

1.88%

Consensus

1.88%

New

1.88%

Japan - Benchmark Interest Rate, December 20

We expect further unconventional easing

Current

0.10%

Consensus

0.10%

New

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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.	21622	0.0	3.8	-1.7	-2.5
Hong Kong - Hang Seng	22623.4	0.6	0.5	22.7	25.2	
Taiwan - Weighted	7677.5	0.4	-0.2	8.6	15.7	
Japan - Nikkei 225	10160.4	2.4	6.0	20.2	22.5	
Korea - Kospi	1993.1	0.5	1.4	9.2	12.2	
India - Sensex 30	19470.5	0.5	0.6	26.0	26.6	
Australia - SPX/ASX 200	4617.8	0.5	0.7	13.8	13.7	
Singapore - Strait Times	3158.6	0.1	0.5	19.4	20.6	
Indonesia - Jakarta Comp	4275.9	-0.6	-1.4	11.9	13.4	
Thailand - SET	1374.6	0.9	1.5	34.1	33.0	
Malaysia - KLCI	1665.6	0.4	1.0	8.8	12.7	
Philippines - Manila Comp.	5752.4	2.1	-1.2	31.6	33.2	

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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	0.03	0.33	6.29	6.31
Hong Kong (HKD/USD)	7.75	0.00	0.00	7.75	7.75	
Taiwan (TWD/USD)	29.1	-0.05	0.02	28.84	28.50	
Japan (JPY/USD)	84.33	-0.14	-1.27	84.26	83.99	
Korea (KRW/USD)	1072	0.07	0.23	1076	1090	
India (INR/USD)	54.6	0.54	-0.43	55.40	57.76	
Australia (USD/AUD)	1.05	-0.09	-0.28	0.96	0.98	
Singapore (SGD/USD)	1.22	-0.18	0.14	1.22	1.22	
Indonesia (IDR/USD)	9691	0.15	-0.22	9784	10111	
Thailand (THB/USD)	30.6	-0.07	0.07	30.74	31.15	
Malaysia (MYR/USD)	3.06	-0.02	-0.08	3.07	3.11	
Philippines (PHP/USD)	41.0	0.10	-0.07	40.93	40.93	

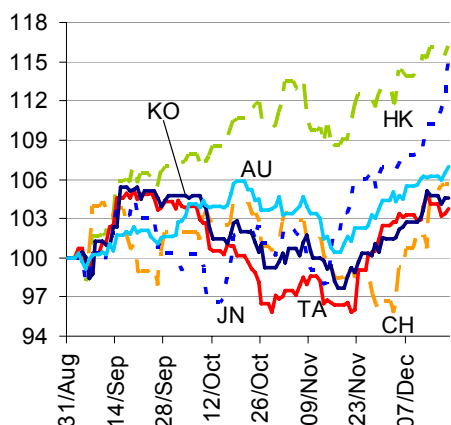
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.06	0.06	0.06	-0.20
Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.00	
Taiwan (TAIBOR/1W)	0.57	0.00	-0.01	-0.02	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.79	0.00	0.01	0.01	
India (MIBOR/7D)	3.03	0.03	-0.18	-0.22	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	4.32	0.01	0.02	0.03	
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)	1.69	0.13	2.00	-0.75	

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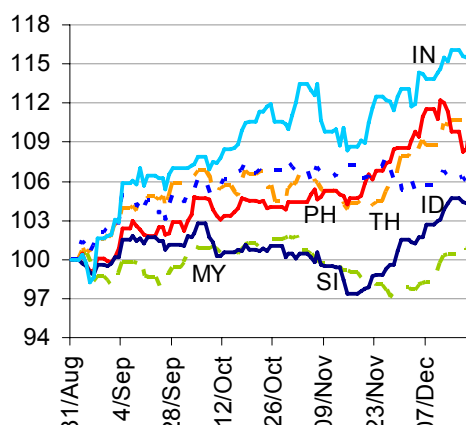
Charts

Chart 1
Stock Markets



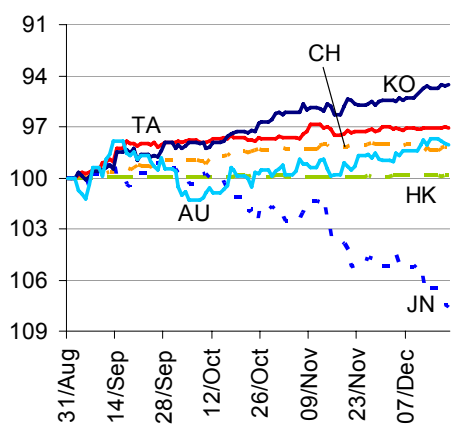
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



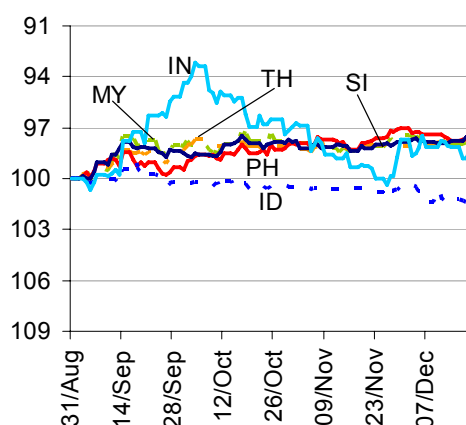
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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