

**BBVA**

RESEARCH

Economic Analysis
21 December 2012

Daily Flash

Asia

Asian equities ended the week on a negative note on news of the lack of progress in US fiscal cliff negotiations, ending a week in which market performance was broadly mixed. The export-dependent region would be significantly affected by a slowdown in the US if the fiscal cliff is not avoided. All major Asian stock markets were lower today (Nikkei: -1.0%; Kospi: -1.0%). For the coming week, countries releasing important economic indicators include Japan (IP and CPI, both on December 28), Singapore (CPI on December 24 and IP on December 26), and Vietnam (Q4 GDP).

Japan economic report conveys ongoing weakness

Japan's government assessed the current economic situation in its December Economic Report, saying the weakness observed in recent months would remain in the short-term, but that a recovery can be expected thereafter as an improvement in the global economy should boost exports, while ongoing reconstruction from the March 2011 earthquake props up domestic demand. The report also stated "the government strongly expects the Bank of Japan to continue easing until the exit from deflation is ensured while working closely with the government," putting renewed pressure on the BoJ, which yesterday expanded its asset purchase program and indicated its willingness to consider a higher inflation target (to 2% from 1% at present). The Nikkei declined by about 1.0% to 9,940 on increasing concerns regarding the US fiscal cliff, while the yen was up slightly by 0.4% to 84.05/USD.

BBVA Research releases annual China Real Estate Outlook

We released our annual *China Real Estate Outlook* today. We estimate that national housing price levels are, on average, now broadly in line with underlying fundamentals due to price moderation since early 2011, although pockets of overvaluation remain. While government cooling measures remain in place, market activity and prices have picked up since mid-2012 on easing credit policies and a firming economic outlook. Consequently, the near-term outlook has improved, although a sharp rebound is unlikely given the authorities' resolve to contain the market and prevent price bubbles.

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

Jeffrey Cantwell, CFA
Economist
jeffrey.cantwell@bbva.com.hk
+852 2582 3173

William Fitchett
Economist
william.fitchett@bbva.com.hk
+852 2582 3246

With contributions from the BBVA Research Asia Team

Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Actual FDI (YoY)	14-18 DEC	Nov	-0.20%	-3.10%	-5.40%
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%	3.70%
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%	3.85%	11.12%

Indicator of the Week

Japan: IP for November (December 28th)

Forecast: -3.5% y/y

Consensus: -4.6% y/y

Prior: -4.5% y/y

Japan's industrial production is likely to fall for a sixth consecutive month, as the economy continues to be dragged down by global headwinds and weak domestic sentiment. The latest quarterly Tankan survey (released last week) points to pessimistic business sentiment in the further quarter, although the election of a new government, has boosted expectations of further stimulus measures, including by the Bank of Japan.

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 expected further unconventional easing

Current

0.10%

Consensus

0.10%

New

0.10%

Upcoming Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Industrial Profits YTD YoY	27-Dec	Nov	0.50%	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Exports YoY%	27-Dec	Nov	-2.80%	2.20%	--
Imports YoY%	27-Dec	Nov	3.30%	1.70%	--
Japan	Date	Period	Prior	Cons.	Actual
Jobless Rate	28-Dec	Nov	4.20%	--	--
Natl CPI YoY	28-Dec	Nov	-0.40%	--	--
Natl CPI Ex-Fresh Food YoY	28-Dec	Nov	0.00%	--	--
Tokyo CPI Ex-Fresh Food YoY	28-Dec	Dec	-0.50%	--	--
Industrial Production (MoM)	28-Dec	Nov P	1.60%	--	--
Industrial Production YOY%	28-Dec	Nov P	-4.50%	--	--
Singapore	Date	Period	Prior	Cons.	Actual
CPI (YoY)	24-Dec	Nov	4.00%	3.90%	--
Industrial Production YoY	26-Dec	Nov	-2.10%	4.90%	--
South Korea	Date	Period	Prior	Cons.	Actual
Current Account in US\$ Million	28-Dec	Nov	\$5820.1M	--	--
Industrial Production (MoM)	28-Dec	Nov	0.60%	0.90%	--
Industrial Production (YoY)	28-Dec	Nov	-0.80%	0.60%	--
Taiwan	Date	Period	Prior	Cons.	Actual
Unemployment Rate - sa	24-Dec	Nov	4.30%	4.30%	--
Industrial Production (YoY)	24-Dec	Nov	4.56%	5.50%	--
Thailand	Date	Period	Prior	Cons.	Actual
Customs Exports (YoY)	26-Dec	Nov	15.57%	26.40%	--
Mfg. Production Index ISIC NSA (YoY)	28-Dec	Nov	36.12	68	--
Vietnam	Date	Period	Prior	Cons.	Actual
CPI (YoY)	24-Dec	Dec	7.08%	--	--
Exports YTD (YoY)	24-31 DEC	Dec	18.40%	--	--
GDP Constant Prices YTD (YoY)	25-31 DEC	4Q	4.70%	--	--

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.	2153.3	-0.7	0.1	-2.1	-1.7
	Hong Kong - Hang Seng	22479.1	-0.8	-0.6	21.9	22.1
	Taiwan - Weighted	7519.9	-1.0	-2.3	6.3	7.9
	Japan - Nikkei 225	9940.1	-1.0	2.1	17.6	17.5
	Korea - Kospi	1980.4	-1.0	-1.1	8.5	7.1
	India - Sensex 30	19300.5	-0.8	-0.1	24.9	23.0
	Australia - SPX/ASX 200	4623.6	-0.2	0.9	14.0	11.7
	Singapore - Strait Times	3163.7	-0.4	-0.2	19.5	18.3
	Indonesia - Jakarta Comp	4243.3	-0.3	-1.5	11.0	11.8
	Thailand - SET	1370.9	-0.5	0.9	33.7	31.3
	Malaysia - KLCI	1662.4	-0.5	0.6	8.6	11.9
	Philippines - Manila Comp.	5823.9	0.5	2.0	33.2	33.3

Last update: today, 16.00 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	0.02	0.27	6.31	6.33
	Hong Kong (HKD/USD)	7.75	0.00	0.00	7.75	7.74
	Taiwan (TWD/USD)	29.1	-0.02	-0.02	28.87	28.52
	Japan (JPY/USD)	84.01	0.45	-0.58	83.94	83.68
	Korea (KRW/USD)	1074	0.05	0.03	1080	1092
	India (INR/USD)	55.1	-0.52	-1.19	56.02	58.43
	Australia (USD/AUD)	1.04	-0.39	-1.17	0.96	0.98
	Singapore (SGD/USD)	1.22	-0.19	-0.11	1.22	1.22
	Indonesia (IDR/USD)	9799	-1.47	-1.07	9907	10244
	Thailand (THB/USD)	30.6	0.03	-0.03	30.77	31.17
	Malaysia (MYR/USD)	3.06	-0.20	-0.20	3.07	3.11
	Philippines (PHP/USD)	41.1	0.09	0.07	40.97	40.98

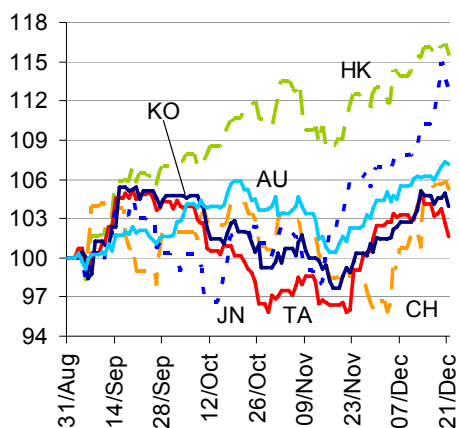
Last update: today, 16.00 Hong Kong time.

INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.40	-0.05	0.40	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	0.00	0.01
	India (MIBOR/7D)	3.43	-0.07	0.43	0.04
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.34	0.02	0.04	0.05
	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)	0.25	-1.38	0.00	-1.19

Last update: today, 16.00 Hong Kong time

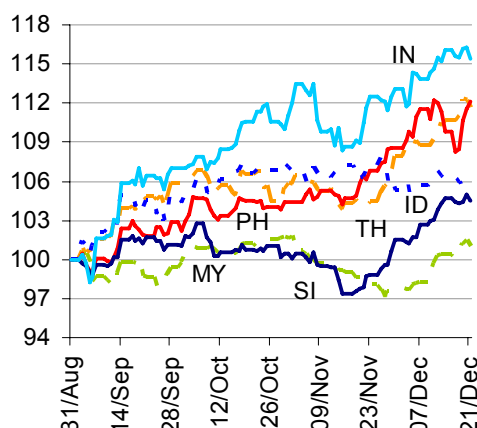
Charts

Chart 1
Stock Markets



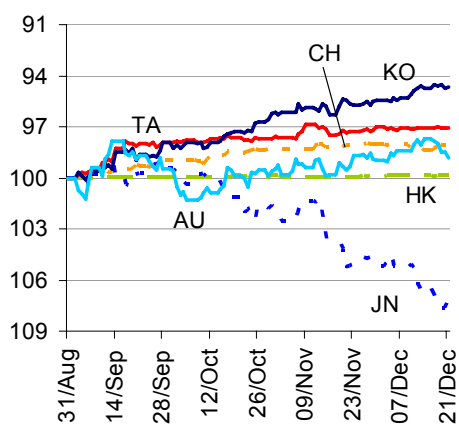
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



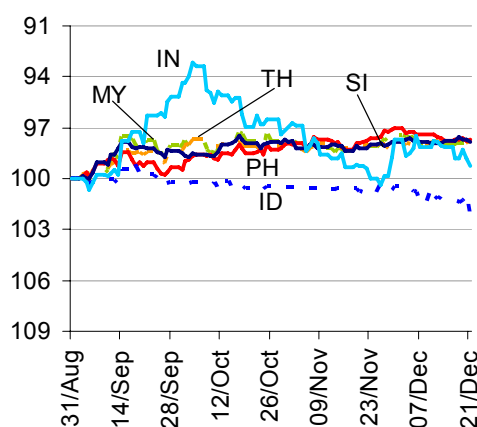
Source: BBVA Research and Bloomberg

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

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

William Fitchett
Economist
william.fitchett@bbva.com.hk

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

Jeffrey Cantwell, CFA
Economist
jeffrey.cantwell@bbva.com.hk

Carrie Liu
Economist
carrie.liu@bbva.com

Le Xia
Senior Economist (China)
xia.le@bbva.com.hk

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

Edward Wu
Economist
edward.wu@bbva.com



RESEARCH



10/F., Two IFC, 8 Finance Street, Central, Hong Kong | Tel.: +852 2582 3111 | www.bbva.com.hk

Before you print this message please consider if it is really necessary.

This email and its attachments are subject to the confidentiality terms established in the corresponding regulations and are intended for the sole use of the person or persons indicated in the header. They are for internal use only and cannot be distributed, copied, conveyed or furnished to third parties without prior written consent from BBVA. If this message has been received erroneously, it is forbidden to read, use or copy any of the contents and you are asked to inform BBVA immediately by forwarding the email to the sender and eliminating it thereafter.

BBVA will continue to provide our readers up-to-date reports by emails, but you can also register directly on our website where you can find a full list of our latest reports & presentations <http://serviciodeestudios.bbva.com/KETD/ketd/ing/index.jsp>

If you wish to be excluded from this mailing list, please write to us on research.emergingmarkets@bbva.com.hk and we shall immediately take you off the list.