

Daily Flash

Asia

Japan's Abe takes over as new PM, eyes aggressive stimulus package

Shinzo Abe was formally appointed as Japan's Prime Minister on Dec. 26, becoming Japan's seventh PM in six years. Mr. Abe has called for aggressive monetary policy and large fiscal stimulus to defeat deflation and boost economic growth. On the monetary front, Mr. Abe has explicitly asked the Bank of Japan to introduce a 2% inflation target at its January policy meeting and threatened to revise laws governing the central bank if it refuses. On the fiscal front, Mr. Abe has called for large-scale spending on public works, and signalled the government will borrow to boost the economy. In the market, the Nikkei 225 has increased by over 5% and the currency has depreciated by 2.3% since the Abe-led LDP won the election on December 17. That said, we remain cautious regarding Japan's economic outlook - we expect the economy to contract further in Q4 and growth to decelerate to about 1% in 2013, from about 2% in 2012.

Philippines announces measures to counter recent peso appreciation

According to Bloomberg, in a move similar to one made by South Korea in November, the Philippines central bank announced today it will impose a ceiling on non-deliverable currency forwards for local lenders at 20% of capital, and 100% for foreign entities. The peso has appreciated by more than 6% versus the US dollar this year as the Philippines economy has remained strong (Q3 growth accelerated to 7.1% y/y from 5.9% y/y in Q2) - but today's move was seen as necessary to stem the rise in the peso, which may negatively affect the country's exporters. We think growth will remain robust in the Philippines, putting the country on track to eventually receive an investment grade rating.

India's Planning Commission lowers growth expectations

Citing macroeconomic headwinds and policy bottlenecks, India's Planning Commission lowered its average growth scenario for its 12th five year plan (2013 to 2017) to 8.0% y/y from 8.2% previously. In a word of caution, India's Prime Minister Dr Manmohan Singh noted that the revised 8% growth target looked ambitious given critical resource constraints faced by the economy. In this context, Dr Singh highlighted the need to control subsidies, raise the tax-to-GDP ratio, and boost manufacturing growth.

Briefly noted:

- **South Korea's Finance Ministry lowered its growth forecast for Korea in 2013 to 3.0% y/y (BBVA: 2.9% y/y), from 4.0% y/y previously.** Despite some signs of a rebound, we think exports will remain under pressure given the still-weak global environment, while domestic demand is also likely to remain subdued.
- **China's industrial profits accelerated in November for a third month, rising by 22.8% y/y from 20.5% in October.** The upbeat industrial profits add further to signs China's economy has been rebounding in the fourth quarter. We expect the economy to accelerate to 7.5-8% in the fourth quarter on improving domestic demand, posing an upside risk to our 7.6% annual forecast for 2012.
- **Vietnam's announced 4Q GDP growth of 5.4% y/y, resulting in a full-year growth rate for 2012 of 5.0%.** The outturn narrowly missed the government's target of 5.2% for 2012, mainly due to weak domestic demand and a troubled banking system. Exports gained 18.3% while imports advanced 7.1%, resulting in a trade surplus for 2012 of \$284 million.

Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Industrial Profits YTD YoY	27-Dec	Nov	0.50%	--	3.00%
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%	3.80%	3.60%
Industrial Production YoY	26-Dec	Nov	-2.10%	4.80%	3.10%
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%	4.27%
Industrial Production (YoY)	24-Dec	Nov	4.56%	5.40%	5.85%
Thailand	Date	Period	Prior	Cons.	Actual
Customs Exports (YoY)	26-Dec	Nov	15.57%	26.35%	26.86%
Mfg. Production Index ISIC NSA (YoY)	28-Dec	Nov	36.12%	68.00%	83.30%
Vietnam	Date	Period	Prior	Cons.	Actual
CPI (YoY)	24-Dec	Dec	7.08%	7.40%	6.81%
Exports YTD (YoY)	24-31 DEC	Dec	18.40%	--	18.30%
GDP Constant Prices YTD (YoY)	25-31 DEC	4Q	4.70%	--	5.00%

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
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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

There are no calendar events scheduled for this week.

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.	2205.9	-0.6	1.7	0.3	1.8
	Hong Kong - Hang Seng	22619.8	0.3	0.6	22.7	21.4
	Taiwan - Weighted	7648.4	0.2	1.7	8.1	8.0
	Japan - Nikkei 225	10323.0	0.9	1.6	22.1	22.3
	Korea - Kospi	1987.4	0.3	-0.3	8.9	7.9
	India - Sensex 30	19414.6	0.0	-0.3	25.6	22.3
	Australia - SPX/ASX 200	4648.0	0.3	1.1	14.6	12.3
	Singapore - Strait Times	3188.2	0.2	0.9	20.5	19.2
	Indonesia - Jakarta Comp	4279.9	0.1	-0.5	12.0	12.9
	Thailand - SET	1390.2	0.6	0.9	35.6	35.2
	Malaysia - KLCI	1675.7	0.2	0.6	9.5	11.6
	Philippines - Manila Comp.	5794.9	-0.7	2.8	32.5	32.9

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)	6.24	-0.03	-0.11	6.32	6.34
	Hong Kong (HKD/USD)	7.75	-0.01	-0.01	7.75	7.75
	Taiwan (TWD/USD)	29.0	0.11	0.07	28.78	28.42
	Japan (JPY/USD)	85.63	0.00	-1.45	85.57	85.30
	Korea (KRW/USD)	1072	0.10	0.25	1077	1090
	India (INR/USD)	54.9	-0.03	-0.01	55.70	58.10
	Australia (USD/AUD)	1.04	-0.01	-1.01	0.97	0.99
	Singapore (SGD/USD)	1.22	0.16	-0.32	1.22	1.22
	Indonesia (IDR/USD)	9683	1.20	-0.29	9771	10108
	Thailand (THB/USD)	30.7	-0.03	-0.03	30.79	31.18
	Malaysia (MYR/USD)	3.06	0.20	-0.20	3.08	3.11
	Philippines (PHP/USD)	41.1	0.06	-0.07	40.95	40.93

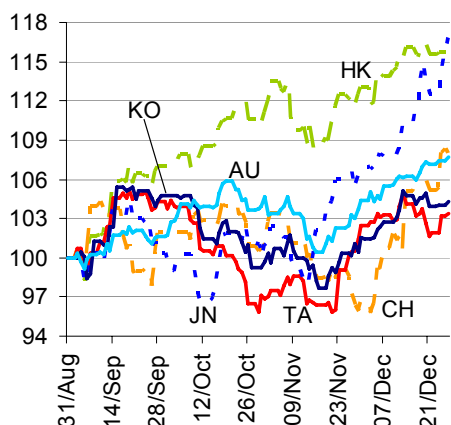
Last update: today, 16.00 Hong Kong time.

INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	4.00	0.00	0.60	1.12
	Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.57	0.00	0.00	-0.01
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	2.80	0.01	0.01	0.02
	India (MIBOR/7D)	4.05	0.06	0.55	1.18
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.42	0.06	0.10	0.13
	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)	-0.06	2.75	-1.69	-0.13

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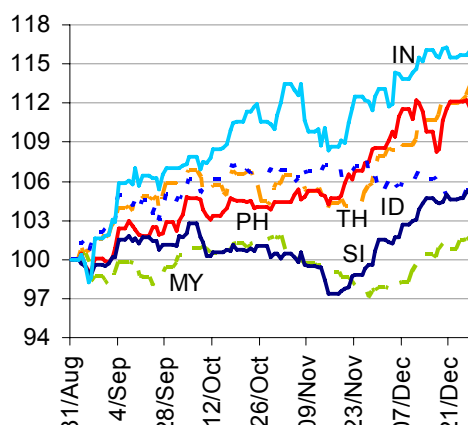
Charts

Chart 1
Stock Markets



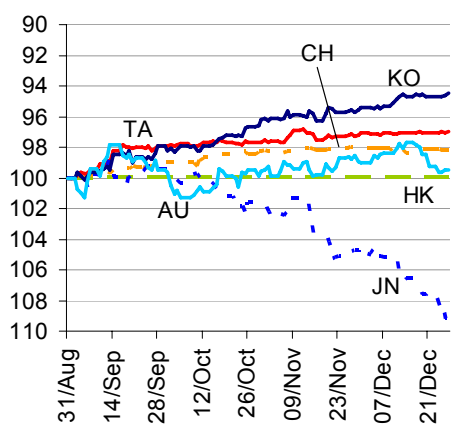
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



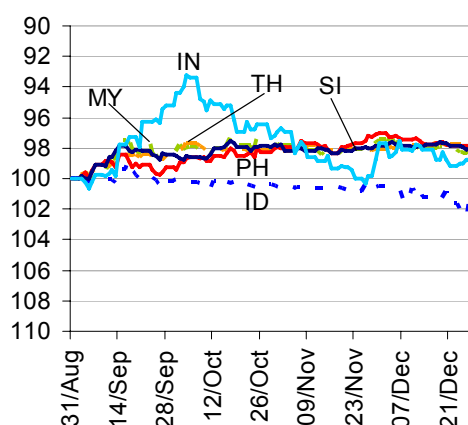
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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