

Daily Flash

Asia

Equity markets in Japan and Mainland China reopened today after being closed since Monday for the holidays. The former rose strongly on the day (Nikkei: +2.8%) while the latter finished up slightly after having been down for most of the trading session (Shanghai Composite: +0.3%). Looking ahead after a rather light day of news, next week in Asia the main focus will be the release of a number of economic indicators in China for the last month of 2012, including inflation and exports, as well as three monetary policy meetings in the region (Thailand, Indonesia and South Korea).

India's service sector PMI picks up in December

India's service sector PMI rose to a three month high in December, to 55.6 from 52.1 in November, led by a pick up in new business flows. Stronger December PMI outturns, both in services as well as manufacturing, alongside signs of moderating inflation underpin an improving growth outlook in India, which could be further supported by monetary policy easing by the central bank, as we expect the RBI to lower the repo rate by 25bps at its January 29th policy meeting.

Inflation in the Philippines edges up in December

The Philippines reported that inflation rose to 2.9% y/y in December (consensus: 3.1% y/y) from 2.8% y/y in November, resulting in average inflation of 3.2% for all of 2012 - at the low end of policymakers' 3%-5% target range. While we expect inflation to rise for the Philippines in 2013 (BBVA forecast: 3.9% y/y), it will likely remain comfortably within the target range set by policymakers. Therefore, we believe monetary policy will continue to remain accommodative (the central bank lowered the policy rate to a record low of 3.5% this year in order to support growth) despite recent signs of a pickup in the region's growth momentum.

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Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
HSBC Manufacturing PMI	31-Dec	Dec	50.5	50.9	51.5
Manufacturing PMI	01-Jan	Dec	50.6	51	50.6
Hong Kong	Date	Period	Prior	Cons.	Actual
Retail Sales - Value (YoY)	03-Jan	Nov	4.00%	4.20%	9.50%
Purchasing Managers Index	04-Jan	Dec	52.2	--	51.7
Indonesia	Date	Period	Prior	Cons.	Actual
Inflation NSA (MoM)	02-Jan	Dec	0.07%	0.54%	0.54%
Inflation (YoY)	02-Jan	Dec	4.32%	4.20%	4.30%
Exports (YoY)	02-Jan	Nov	-7.60%	-7.00%	-4.60%
Core Inflation (YoY)	02-Jan	Dec	4.40%	4.39%	4.40%
Philippines	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	04-Jan	Dec	2.80%	3.10%	2.90%
Singapore	Date	Period	Prior	Cons.	Actual
GDP (annualized) (QoQ)	02-Jan	4Q A	-5.90%	1.60%	1.80%
GDP (YoY)	02-Jan	4Q A	0.30%	1.40%	1.10%
South Korea	Date	Period	Prior	Cons.	Actual
Consumer Price Index (MoM)	31-Dec	Dec	-0.40%	0.20%	0.20%
Consumer Price Index (YoY)	31-Dec	Dec	1.60%	1.50%	1.40%
Ext Trade - Export (YoY)	01-Jan	Dec	3.90%	0.80%	-5.50%
Ext Trade - Imports (YoY)	01-Jan	Dec	0.70%	-2.20%	-5.30%
HSBC Manufacturing PMI	02-Jan	Dec	48.2	--	50.1
Thailand	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	02-Jan	Dec	2.74%	3.22%	3.63%
Core CPI (YoY)	02-Jan	Dec	1.85%	1.80%	1.78%

Indicator of the Week

China: CPI Inflation for December (January 11)

Forecast: 2.3% y/y

Consensus: 2.4% y/y

Prior: 2.0% y/y

China's December inflation will likely show an increase from the prior month due to strengthening domestic demand as well as rising food prices. Recent economic indicators (including December PMI) have pointed to an ongoing rebound in China's growth momentum, driven by an increase in domestic demand, lending support to the prices of raw materials and other commodities. Meanwhile, food prices continue to increase prior to the Chinese New Year. Looking ahead, inflation is expected to rise further in 2013, averaging 3.3% in 2013, up from 2.6% in 2012. That said, the general inflation outlook is expected to remain relatively benign given the government's stated targets of 4% and 3.5%, respectively, for 2012 and 2013, providing room for further monetary easing in H1 2013 if the external environment deteriorates.

Calendar Events

There are no calendar events scheduled for this week.

Upcoming Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Retail Sales s.a. (MoM)	09-Jan	Nov	0.00%	--	--
China	Date	Period	Prior	Cons.	Actual
New Yuan Loans	10-15 JAN	Dec	522.9B	600.0B	--
Money Supply - M2 (YoY)	10-15 JAN	Dec	13.90%	14.00%	--
Imports YoY%	10-13 JAN	Dec	0.00%	3.50%	--
Exports YoY%	10-13 JAN	Dec	2.90%	5.60%	--
Trade Balance (USD)	10-13 JAN	Dec	\$19.63B	\$20.60B	--
Consumer Price Index (YoY)	11-Jan	Dec	2.00%	2.40%	--
Producer Price Index (YoY)	11-Jan	Dec	-2.20%	-1.80%	--
India	Date	Period	Prior	Cons.	Actual
Imports YoY%	10-15 JAN	Dec	6.40%	--	--
Exports YoY%	10-15 JAN	Dec	-4.20%	--	--
Japan	Date	Period	Prior	Cons.	Actual
Current Account Total	11-Jan	Nov	¥376.9B	--	--
Trade Balance - BOP Basis	11-Jan	Nov	¥450.3B	--	--
Malaysia	Date	Period	Prior	Cons.	Actual
Exports YoY%	09-Jan	Nov	-3.20%	--	--
Industrial Production YoY	10-Jan	Nov	5.80%	--	--
Philippines	Date	Period	Prior	Cons.	Actual
Total Exports (YoY)	10-Jan	Nov	6.10%	--	--
South Korea	Date	Period	Prior	Cons.	Actual
Unemployment Rate (SA)	09-Jan	Dec	3.00%	--	--
Taiwan	Date	Period	Prior	Cons.	Actual
CPI YoY%	07-Jan	Dec	1.59%	1.41%	--
Total Exports (YoY)	07-Jan	Dec	0.90%	4.80%	--

Upcoming Calendar Events

Thailand - Benchmark Rate, January 9

We expect the benchmark rate to remain unchanged

Current	Consensus	New
2.75%	2.75%	--

Indonesia - BI Reference Rate, January 10

We expect the benchmark rate to remain unchanged

Current	Consensus	New
5.75%	--	--

South Korea - 7-Day Repo Rate, January 11

We expect the benchmark rate to remain unchanged

Current	Consensus	New
2.75%	2.75%	--

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.	2277.0	0.3	2.9	0.3	3.5
Hong Kong - Hang Seng	23331.1	-0.3	3.1	3.0	24.6	
Taiwan - Weighted	7806.0	-0.4	2.3	1.4	10.2	
Japan - Nikkei 225	10688.1	2.8	7.5	2.8	26.4	
Korea - Kospi	2011.9	-0.4	1.5	0.7	7.8	
India - Sensex 30	19744.3	-0.1	1.5	1.6	24.3	
Australia - SPX/ASX 200	4723.8	-0.4	1.6	1.6	12.8	
Singapore - Strait Times	3223.9	0.0	1.3	1.8	18.9	
Indonesia - Jakarta Comp	4410.0	0.2	3.2	2.2	12.9	
Thailand - SET	1414.3	0.4	2.3	1.6	36.5	
Malaysia - KLCI	1692.6	0.0	1.1	0.2	12.5	
Philippines - Manila Comp.	5971.5	0.6	2.4	2.7	33.1	

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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	0.03	0.03	6.30	6.32
Hong Kong (HKD/USD)	7.75	-0.01	0.00	7.75	7.75	
Taiwan (TWD/USD)	29.0	-0.06	0.05	28.89	28.56	
Japan (JPY/USD)	88.31	-1.21	-2.66	88.25	87.99	
Korea (KRW/USD)	1064	-0.19	0.64	1070	1082	
India (INR/USD)	55.0	-0.89	-0.37	55.87	58.24	
Australia (USD/AUD)	1.04	-0.29	0.61	0.96	0.98	
Singapore (SGD/USD)	1.23	-0.24	-0.42	1.23	1.23	
Indonesia (IDR/USD)	9788	-1.38	-1.11	9855	10184	
Thailand (THB/USD)	30.5	-0.30	0.36	30.63	31.04	
Malaysia (MYR/USD)	3.05	-0.53	0.48	3.06	3.10	
Philippines (PHP/USD)	40.9	-0.46	0.20	40.75	40.69	

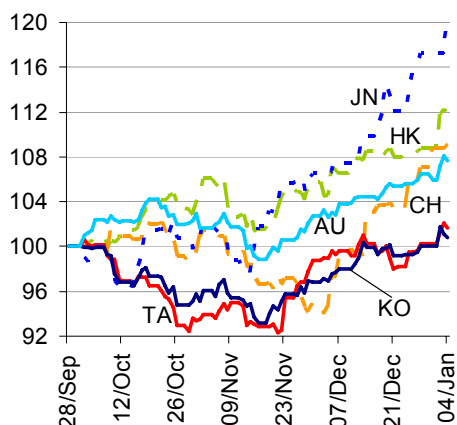
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	4.10	-0.50	0.02	1.22
Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.00	
Taiwan (TAIBOR/1W)	0.57	0.00	-0.01	-0.01	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.80	0.00	0.00	0.02	
India (MIBOR/7D)	4.00	0.00	0.00	0.92	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	4.29	-0.02	-0.19	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)	0.38	0.63	0.69	-0.50	

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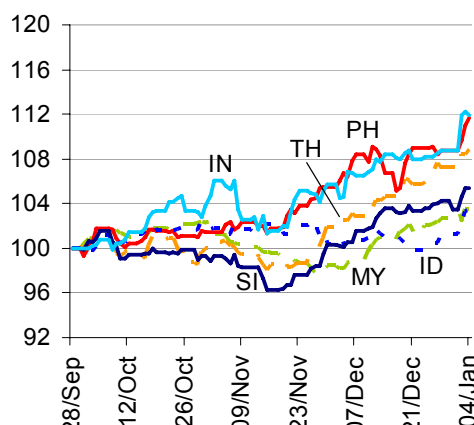
Charts

Chart 1
Stock Markets



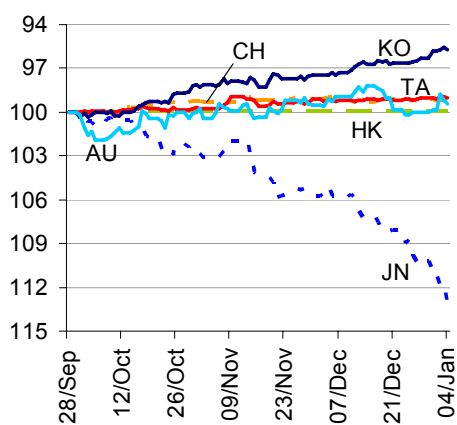
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



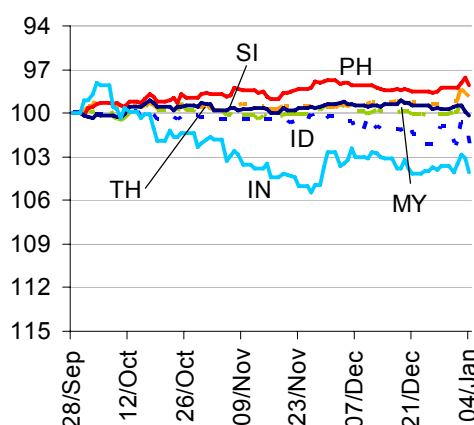
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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