

Daily Flash

Asia

Asian stock markets were lower today, marked most notably by a pullback in Japan's Nikkei (-2.6%) following its recent surge; at the same time, the yen appreciated for a second day, to 88.1/USD, as traders unwind positions on speculation that the currency's recent depreciation (-13% against the USD since November) may be overdone in the short run. Markets now await the Bank of Japan's January 21-22 policy meeting, where we expect further easing under the BoJ's asset purchase program and an increase in the inflation target to 2%, as widely discussed.

Hong Kong annual policy address emphasizes housing affordability issues

Hong Kong's Chief Executive, CY Leung today delivered his first policy speech to the Legislative Council since taking office last July. In line with expectations, much of the speech addressed housing policies to ensure affordability amidst an ongoing surge in prices, including plans to boost land supply and accelerate public housing construction. The speech also hinted that recent policies implemented in order to restrain demand may remain in place. On other economic policies, the speech emphasized Hong Kong's position as the premier RMB offshore center, regional shipping center, and international legal services hub, as well as ongoing efforts to strengthen economic ties with the Mainland. The budget spending details will be announced on February 27th in the annual budget speech. In the market, the Hang Seng was down slightly (-0.1%), but the property sector sub-index was up by a little over 1%, perhaps because of relief that no further demands were made on developers.

Japan machine orders suggest improving prospects

Japan's November machine orders rose by more than expected (3.9% m/m vs. consensus: 0.3%), suggesting some improvement in business sentiment despite a deteriorating economic outlook (just yesterday the BoJ downgraded its economic assessment for 8 out of Japan's 9 regions due to a sluggish external environment and weaker exports) following the announcement of government stimulus measures this past week, and the yen's depreciation.

China's inward FDI declines in 2012

China's Ministry of Commerce today released data showing a decline in inward FDI of -4.5% y/y in December 2012 (consensus: -2.0%), resulting in a full year decline of -3.7% y/y. The outturn follows a 9.7% gain in 2011. By country, FDI from the US and Japan increased by 4.5% y/y and 16.3% y/y respectively (despite the robust outturn, the latter is likely to have declined late in the year due to the ongoing diplomatic spat between China and Japan). FDI from the EU fell by 3.8%. Meanwhile, China's outward FDI rose in 2012 (by 12.6% y/y) as cash-rich Chinese companies take advantage of low asset prices offshore.

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Calendar Indicators

| Australia | Date | Period | Prior | Cons. | Actual |
|--------------------------------------|-------------|---------------|--------------|--------------|---------------|
| Unemployment Rate | 17 Jan | Dec | 5.20% | 5.40% | -- |
| China | Date | Period | Prior | Cons. | Actual |
| China December Property Prices | 18 Jan | Dec | -- | -- | -- |
| Real GDP (YoY) | 18 Jan | 4Q | 7.40% | 7.80% | -- |
| Industrial Production (YoY) | 18 Jan | Dec | 10.10% | 10.20% | -- |
| Fixed Assets Inv Excl. Rural YTD YoY | 18 Jan | Dec | 20.70% | 20.70% | -- |
| Retail Sales (YoY) | 18 Jan | Dec | 14.90% | 15.00% | -- |
| Hong Kong | Date | Period | Prior | Cons. | Actual |
| Unemployment Rate SA | 17 Jan | Dec | 3.40% | 3.40% | -- |
| Composite Interest Rate | 17 Jan | Dec | 0.34% | -- | -- |
| India | Date | Period | Prior | Cons. | Actual |
| WPI YoY% | 14 Jan | Dec | 7.24% | 7.37% | 7.18% |
| Japan | Date | Period | Prior | Cons. | Actual |
| Japan Money Stock M2 YoY | 15 Jan | Dec | 2.10% | 2.10% | 2.60% |
| Machine Orders YOY% | 16 Jan | Nov | 1.20% | -7.30% | 0.30% |
| Tertiary Industry Index (MoM) | 17 Jan | Nov | -0.10% | 0.10% | -- |
| Industrial Production YOY% | 18 Jan | Nov F | -5.80% | -- | -- |
| Philippines | Date | Period | Prior | Cons. | Actual |
| Overseas Remittances (YoY) | 15 Jan | Nov | 8.50% | 5.00% | 7.60% |
| Balance of Payments | 18 Jan | Dec | \$2161M | -- | -- |
| Singapore | Date | Period | Prior | Cons. | Actual |
| Retail Sales (YoY) | 15 Jan | Nov | -1.00% | -0.30% | -1.10% |
| Non-oil Domestic Exports (YoY) | 17 Jan | Dec | -2.50% | -7.60% | -- |

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. | 2309.5 | -0.7 | 1.5 | 1.8 | 4.7 |
| Hong Kong - Hang Seng | 23357.0 | -0.1 | 0.6 | 3.1 | 22.9 | |
| Taiwan - Weighted | 7700.4 | -0.8 | -0.5 | 0.0 | 8.4 | |
| Japan - Nikkei 225 | 10600.4 | -2.6 | 0.9 | 2.0 | 26.5 | |
| Korea - Kospi | 1977.5 | -0.3 | -0.7 | -1.0 | 6.4 | |
| India - Sensex 30 | 19930.3 | -0.3 | 1.3 | 2.6 | 23.1 | |
| Australia - SPX/ASX 200 | 4738.4 | 0.5 | 0.6 | 1.9 | 14.3 | |
| Singapore - Strait Times | 3205.7 | 0.3 | -0.5 | 1.2 | 16.3 | |
| Indonesia - Jakarta Comp | 4411.0 | 0.2 | 1.1 | 2.2 | 12.8 | |
| Thailand - SET | 1422.1 | -0.1 | -0.1 | 2.2 | 37.1 | |
| Malaysia - KLCI | 1682.1 | -0.2 | -0.5 | -0.4 | 11.5 | |
| Philippines - Manila Comp. | 6047.5 | -0.7 | -0.7 | 4.0 | 32.1 | |

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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) | 6.22 | -0.04 | 0.12 | 6.28 | 6.29 |
| Hong Kong (HKD/USD) | 7.75 | -0.01 | -0.01 | 7.75 | 7.74 | |
| Taiwan (TWD/USD) | 29.0 | -0.18 | -0.01 | 28.88 | 28.56 | |
| Japan (JPY/USD) | 87.93 | 0.98 | -0.06 | 87.86 | 87.57 | |
| Korea (KRW/USD) | 1059 | -0.21 | 0.27 | 1065 | 1078 | |
| India (INR/USD) | 54.8 | -0.27 | -0.04 | 55.67 | 58.05 | |
| Australia (USD/AUD) | 1.05 | -0.24 | 0.25 | 0.96 | 0.97 | |
| Singapore (SGD/USD) | 1.22 | 0.11 | 0.17 | 1.22 | 1.22 | |
| Indonesia (IDR/USD) | 9668 | 2.07 | -0.05 | 9758 | 10093 | |
| Thailand (THB/USD) | 29.8 | 0.34 | 1.81 | 29.95 | 30.35 | |
| Malaysia (MYR/USD) | 3.02 | -0.30 | 0.62 | 3.03 | 3.07 | |
| Philippines (PHP/USD) | 40.7 | -0.28 | 0.22 | 40.51 | 40.38 | |

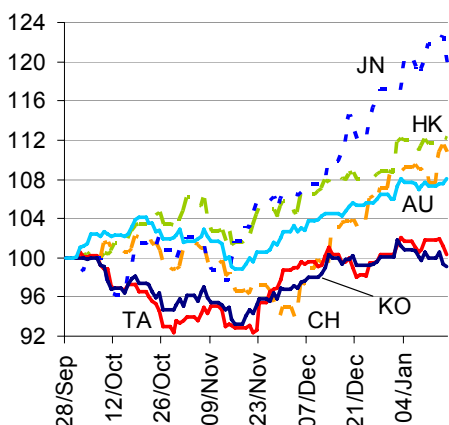
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| INTERBANK RATES | INDEX | Rate | net change over a day | net change over a week | net change over a month |
|-------------------------|-------------------|-------|-----------------------|------------------------|-------------------------|
| | China (SHIBOR/7D) | 2.82 | 0.02 | 0.07 | -0.18 |
| Hong Kong (HIBOR/1W) | 0.10 | 0.00 | -0.03 | -0.03 | |
| 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) | 2.78 | 0.00 | -0.01 | -0.01 | |
| India (MIBOR/7D) | 2.79 | -0.09 | -0.06 | -0.21 | |
| Singapore (SIBOR/1W) | 0.25 | 0.00 | 0.00 | 0.00 | |
| Indonesia (JIBOR/1W) | 4.29 | 0.00 | 0.00 | -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) | 0.63 | 0.00 | 0.25 | 0.38 | |

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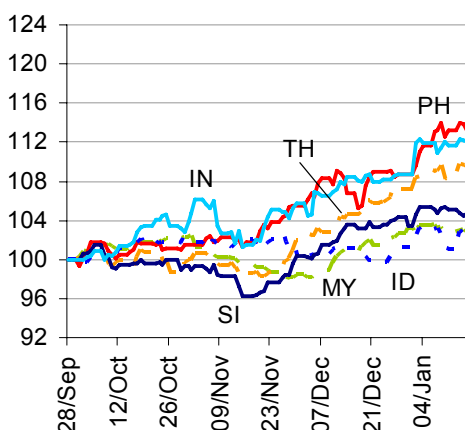
Charts

Chart 1
Stock Markets



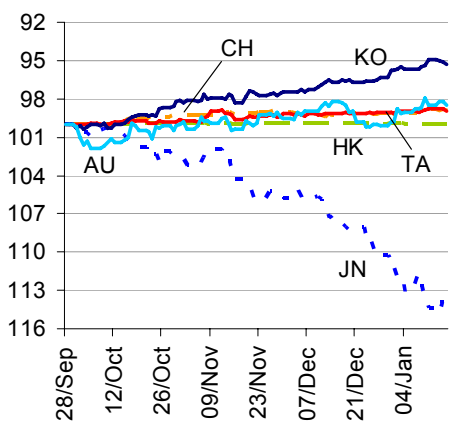
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



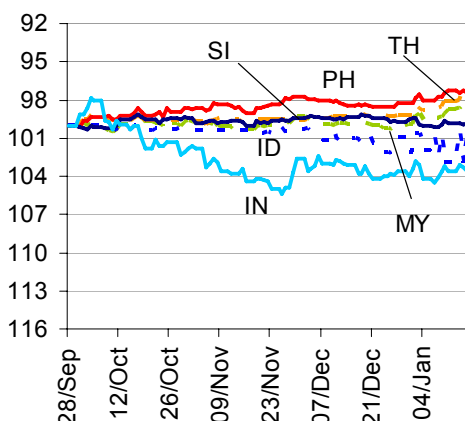
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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