

Daily Flash

Asia

As anticipated, at the conclusion of its monetary policy meeting today the Bank of Japan announced a new inflation target (see below) and further expansion in its asset purchase program, essentially committing it to unlimited easing beginning in 2014 until the target is met. Markets were disappointed by the lack of additional easing in 2013; the yen appreciated by 0.6% (to 89.08/USD) and the Nikkei fell by -0.4%, reversing early gains.

BoJ announces 2% inflation target and 'unlimited' policy easing in 2014

The Bank of Japan announced a 2% inflation target (up from the current 1%) and said it will conduct open-ended asset purchases to reach the target. In particular, the BoJ will begin buying ¥13trn (US\$145bn) in assets per month starting next January, including ¥2trn in government bonds and ¥10trn in treasury bills, until the inflation target is met. Japan's new government, which has been pressing the BoJ for bolder action to stem deflation praised the move, calling the decision 'a bold review of monetary policy, an epoch-making document.' The market response was muted, however, due to the timing of the planned easing, as some were hoping it would begin in 2013.

China sets 2013 target for bank loans at a higher level than last year

Caixin Magazine reports that this year's target for new bank loans in China has been set at RMB 9trn, higher than 2012's outturn of RMB 8.2trn (unannounced target in 2012: RMB 8-8.5 trillion). Those numbers have not been confirmed, and it is still too early to assess whether credit conditions in China will be tighter this year compared with last year, given that financial institutions have embraced various 'other' forms of credit expansion - for example, by buying corporate bonds. As highlighted by the PBoC's statistics for total social financing (TSF), only 52% of incremental credit increase in 2012 was issued through bank loans.

Indonesian inward FDI reaches record in 2012

Foreign direct investment surged to a record US\$23bn in 2012, after the country's investment board reported that direct investment rose by 22.9% y/y to US\$5.9bn in the fourth quarter. The investment largely focused on the mining, transport, and chemicals sectors. With interest in Indonesia's domestic demand story still strong, we think FDI will continue to grow in 2013, despite some signs of increasing nationalistic policies that has raised concerns among some investors. Indonesia is in need of FDI to help with critical infrastructure upgrades, as underscored by recent flooding in Jakarta which some estimates put total economic losses incurred at north of US\$100mn.

Indian authorities take steps to address current account deficit

In a move to reduce the current account deficit and contain external vulnerabilities, the Indian government yesterday made several changes to its policies related to gold, including hiking the gold import duty (oil and gold imports are a key drag on India's external balance, together accounting for virtually half of India's total imports). Going forward for 2013, we expect India's current account deficit to improve marginally to 4.6% of GDP (from an estimated 4.8% in 2012). We expect a higher oil import bill, coupled with greater interest outflows due to rising external debt, to partially offset an improved global demand outlook and a rise in nominal GDP.

Briefly noted:

Slowing tax revenues brought China's yearly fiscal deficit to 1.6% of GDP, slightly larger than the year's target of 1.5% and also higher than 2011's 1.1%.

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Consumer Prices (YoY)	23 Jan	4Q	2.00%	2.40%	--
China	Date	Period	Prior	Cons.	Actual
HSBC Flash Manufacturing PMI	24 Jan	Jan	51.5	51.8	--
Hong Kong	Date	Period	Prior	Cons.	Actual
CPI - Composite Index (YoY)	21 Jan	Dec	3.70%	3.70%	3.70%
Trade Balance	24 Jan	Dec	-44.1B	-50.4B	--
Exports YoY%	24 Jan	Dec	10.50%	10.50%	--
Japan	Date	Period	Prior	Cons.	Actual
Merchnds Trade Balance Total	24 Jan	Dec	-¥954.8B	-¥540.5B	--
Merchnds Trade Exports YoY	24 Jan	Dec	-4.10%	-4.00%	--
Natl CPI YoY	25 Jan	Dec	-0.20%	-0.20%	--
Tokyo CPI YoY	25 Jan	Jan	-0.60%	-0.60%	--
Malaysia	Date	Period	Prior	Cons.	Actual
CPI YoY	23 Jan	Dec	1.30%	1.40%	--
Philippines	Date	Period	Prior	Cons.	Actual
Trade Balance	25 Jan	Nov	-\$832M	--	--
Singapore	Date	Period	Prior	Cons.	Actual
CPI (YoY)	23 Jan	Dec	3.60%	3.80%	--
Industrial Production YoY	25 Jan	Dec	3.10%	-5.10%	--
South Korea	Date	Period	Prior	Cons.	Actual
GDP (YoY)	24 Jan	4Q P	1.50%	1.90%	--
Taiwan	Date	Period	Prior	Cons.	Actual
Export Orders (YoY)	21 Jan	Dec	11.10%	10.00%	8.51%
Unemployment Rate - sa	22 Jan	Dec	4.27%	4.25%	4.22%
Industrial Production (YoY)	23 Jan	Dec	5.85%	6.80%	--
Commercial Sales (YoY)	23 Jan	Dec	1.26%	1.43%	--
Thailand	Date	Period	Prior	Cons.	Actual
Customs Exports (YoY)	23 Jan	Dec	26.86%	21.40%	--
Vietnam	Date	Period	Prior	Cons.	Actual
CPI (YoY)	24 Jan	Jan	6.81%	7.00%	--
Exports YTD (YoY)	25-31 Jan	Jan	18.30%	--	--
Retail Sales YTD (YoY)	25-31 Jan	Jan	16.00%	--	--

Calendar Events

Japan - BOJ Target Rate, January 22

We expect the benchmark rate to remain unchanged

Current	Consensus	New
0.10%	0.10%	0.10%

Philippines -Overnight Borrowing Rate, January 24

We expect the benchmark rate to remain unchanged

Current	Consensus	New
3.50%	3.50%	--

Markets Data

STOCK MARKETS	INDEX	% change				
		Last price	over a day	over a week	Year to date	over 1 Y
	China - Shanghai Comp.	2315.1	-0.6	-0.5	2.0	-0.2
	Hong Kong - Hang Seng	23659.0	0.3	1.2	4.4	17.6
	Taiwan - Weighted	7759.1	0.4	-0.1	0.8	7.3
	Japan - Nikkei 225	10709.9	-0.4	-1.6	3.0	22.2
	Korea - Kospi	1996.5	0.5	0.6	0.0	2.4
	India - Sensex 30	19998.2	-0.5	0.1	2.9	19.5
	Australia - SPX/ASX 200	4779.1	0.0	1.3	2.8	12.7
	Singapore - Strait Times	3223.1	0.1	0.8	1.8	13.1
	Indonesia - Jakarta Comp	4416.5	-0.5	0.4	2.3	10.8
	Thailand - SET	1446.4	0.4	1.7	3.9	36.6
	Malaysia - KLCI	1627.3	-0.5	-3.5	-3.7	6.9
	Philippines - Manila Comp.	6104.9	-1.1	0.3	5.0	28.6

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FOREIGN EXCHANGE MARKETS	CURRENCY	% change				
		Spot	over a day	over a week	Forward 3-month	Forward 12-month
	China (CNY/USD)	6.22	0.02	-0.08	6.28	6.28
	Hong Kong (HKD/USD)	7.75	0.00	-0.02	7.75	7.75
	Taiwan (TWD/USD)	29.0	-0.10	-0.13	28.87	28.56
	Japan (JPY/USD)	88.82	0.88	-0.03	88.76	88.46
	Korea (KRW/USD)	1062	0.05	-0.54	1068	1080
	India (INR/USD)	53.7	0.06	1.68	54.50	56.84
	Australia (USD/AUD)	1.06	0.37	-0.09	0.95	0.97
	Singapore (SGD/USD)	1.23	0.09	-0.07	1.23	1.23
	Indonesia (IDR/USD)	9620	-0.02	2.58	9701	10043
	Thailand (THB/USD)	29.8	-0.03	0.64	29.87	30.25
	Malaysia (MYR/USD)	3.04	-0.15	-1.00	3.06	3.10
	Philippines (PHP/USD)	40.6	0.36	-0.05	40.44	40.29

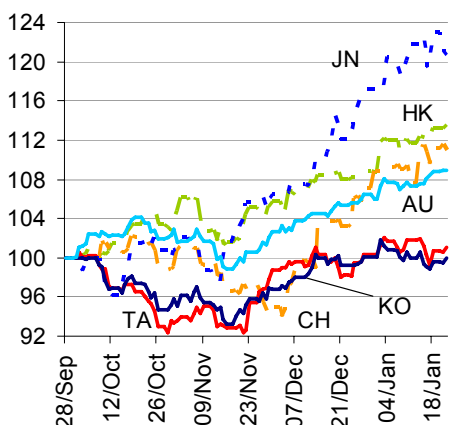
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INTERBANK RATES	INDEX	net change			
		Rate	over a day	over a week	over a month
	China (SHIBOR/7D)	3.00	0.00	0.70	-0.40
	Hong Kong (HIBOR/1W)	0.10	0.00	0.00	-0.03
	Taiwan (TAIBOR/1W)	0.56	0.00	0.00	0.00
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	2.78	0.00	0.00	-0.01
	India (MIBOR/7D)	3.15	0.10	0.27	-0.36
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.29	0.00	0.00	-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)	0.75	-0.44	0.13	0.50

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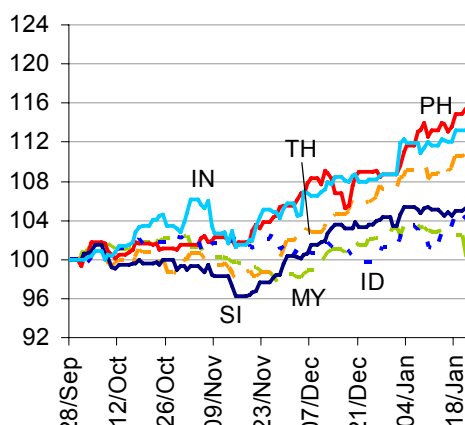
Charts

Chart 1
Stock Markets



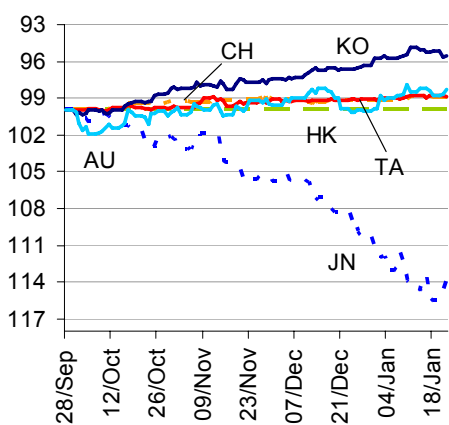
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



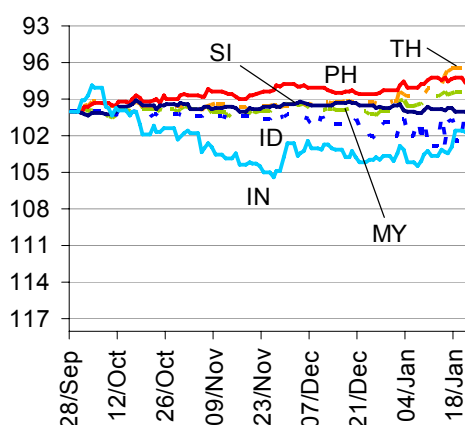
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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