

Daily Flash

Asia

China and Hong Kong equity markets were down sharply today (Shanghai -1.6%; Hang Seng -1.0%), apparently on rumors of new property tightening measures (see below). Elsewhere, comments by Japan's Finance Minister threw cold water on plans for European bond purchases (which some have interpreted as currency intervention to weaken the yen) and caused the yen to appreciate slightly, to 93.5/USD. The focus tomorrow will be on Japan's January trade data for any signs of improvement in exports (consensus: 5.8%) and the trade balance (consensus: -1,384bn yen).

RBA minutes reduce likelihood of near-term rate cuts

The Reserve Bank of Australia released the monetary policy minutes of its February 5 meeting, when it kept rates unchanged at 3.0%. Though market interpretations vary, we view the minutes as diminishing the likelihood of further rate cuts in the near term (in line with our baseline, as discussed in our latest *Asia Outlook*). The minutes stress that the RBA's 175 basis points in cumulative rate cuts since November 2011 had left policy "accommodative," and it repeated its previous evaluation of an improving global economy, especially in China. The currency held steady today at around USD 1.03 against the Aussie.

Fresh tightening measures for China's housing market?

Rumors of new policy curbs in China's property market circulated in social media sites today. Housing prices have recently rebounded under looser credit conditions and improving market sentiment. NBS monthly property data will be released on Friday; in the meantime, we estimate that average nation-wide prices have risen by a modest 1.0% since May 2012. If confirmed (which we think unlikely), new measures could include increases in down-payment requirements on second home purchases, (currently 60%) and/or increases in mortgage rates (currently not allowed to be set more than 110% below the benchmark lending rate). The last significant round of such tightening measures occurred in January 2011. In response to the rumors, the Shanghai property index fell by -4.6% today.

Briefly noted:

- **Japan's Finance Minister, Taro Aso, said today the government does not intend to buy foreign bonds through the Bank of Japan**, contradicting Prime Minister Shinzo Abe's remark to the upper house Budget Committee on Monday that the bank has the option of buying overseas bonds as part of its monetary easing. Although the G20 didn't criticize Japan for the rapid decline of yen, it has prevented Japan government from intervening in the FX market.
- **The PBoC withdrew RMB 30bn through repo issuance today** to unwind abundant liquidity pumped into the banking system prior to the week-long Chinese New Year holiday that began on February 10. Money market rates remained steady.

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With contributions from the BBVA Research Asia Team

Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Actual FDI (YoY)	19-20 FEB	Jan	-4.50%	-4.20%	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Composite Interest Rate	19 Feb	Jan	0.32%	--	0.28%
Unemployment Rate SA	21 Feb	Jan	3.30%	3.30%	--
CPI - Composite Index (YoY)	22 Feb	Jan	3.70%	3.20%	--
Japan	Date	Period	Prior	Cons.	Actual
Merchnds Trade Balance Total	20 Feb	Jan	-¥643.3B	-¥1384.0B	--
Merchnds Trade Exports YoY	20 Feb	Jan	-5.8	5.8	--
Merchnds Trade Imports YoY	20 Feb	Jan	1.9	2.2	--
Malaysia	Date	Period	Prior	Cons.	Actual
CPI YoY	20 Feb	Jan	1.20%	1.20%	--
GDP YoY%	20 Feb	4Q	5.20%	5.50%	--
Singapore	Date	Period	Prior	Cons.	Actual
Non-oil Domestic Exports (YoY)	18 Feb	Jan	-16.30%	3.00%	0.50%
GDP (YoY)	22 Feb	4Q F	1.10%	1.20%	--
Taiwan	Date	Period	Prior	Cons.	Actual
GDP - Constant Prices (YoY)	22 Feb	4Q F	3.42%	--	--
Thailand	Date	Period	Prior	Cons.	Actual
Gross Domestic Product (YoY)	18 Feb	4Q	3.10%	15.30%	18.90%
Foreign Reserves	22 Feb	15-Feb	\$180.9B	--	--

Calendar Events

Thailand - Benchmark Interest Rate, Feb 20

We expect the benchmark rate to remain unchanged

Current

2.75%

Cons.

2.75%

New

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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.	2382.9	-1.6	-2.1	5.0	1.1
Hong Kong - Hang Seng	23143.9	-1.0	-0.1	2.1	7.7	
Taiwan - Weighted	7960.9	0.2	1.3	3.4	0.8	
Japan - Nikkei 225	11372.3	-0.3	0.0	9.4	21.2	
Korea - Kospi	1985.8	0.2	2.1	-0.6	-1.9	
India - Sensex 30	19539.5	0.2	-0.1	0.6	6.8	
Australia - SPX/ASX 200	5081.9	0.4	2.5	9.3	21.1	
Singapore - Strait Times	3291.8	0.1	0.7	3.9	9.7	
Indonesia - Jakarta Comp	4602.1	-0.2	1.2	6.6	15.7	
Thailand - SET	1532.0	0.6	2.9	10.1	35.6	
Malaysia - KLCI	1615.1	-0.4	-0.5	-4.4	3.7	
Philippines - Manila Comp.	6620.7	0.8	2.5	13.9	35.7	

Last update: today, 17:00 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	-0.20	6.30	6.33
Hong Kong (HKD/USD)	7.76	-0.01	0.00	7.75	7.74	
Taiwan (TWD/USD)	29.6	0.18	0.48	29.56	29.25	
Japan (JPY/USD)	93.44	0.56	0.04	93.38	93.06	
Korea (KRW/USD)	1081	0.10	0.89	1086	1099	
India (INR/USD)	54.2	0.05	-0.64	55.24	57.74	
Australia (USD/AUD)	1.03	0.30	0.31	0.97	0.99	
Singapore (SGD/USD)	1.24	0.14	0.02	1.24	1.24	
Indonesia (IDR/USD)	9709	-0.25	-0.87	9795	10125	
Thailand (THB/USD)	29.9	0.07	-0.13	30.01	30.36	
Malaysia (MYR/USD)	3.10	-0.03	0.24	3.12	3.16	
Philippines (PHP/USD)	40.6	0.02	0.17	40.55	40.43	

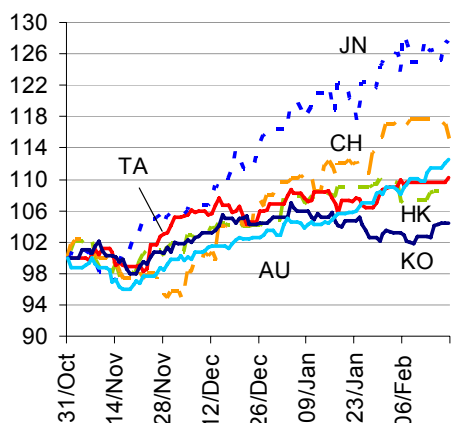
Last update: today, 17:00 Hong Kong time.

INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	2.95	0.01	-0.70	0.05
Hong Kong (HIBOR/1W)	0.10	0.00	0.00	0.00	
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)	2.77	0.00	0.00	-0.01	
India (MIBOR/7D)	2.97	0.05	-1.03	0.02	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	4.28	0.00	0.00	-0.01	
Thailand (BIBOR/1W)	2.77	0.00	0.00	-0.01	
Malaysia (KLIBOR/1W)	2.90	0.00	0.00	0.00	
Philippines (PHIBOR/1W)	1.13	0.19	-0.50	-0.25	

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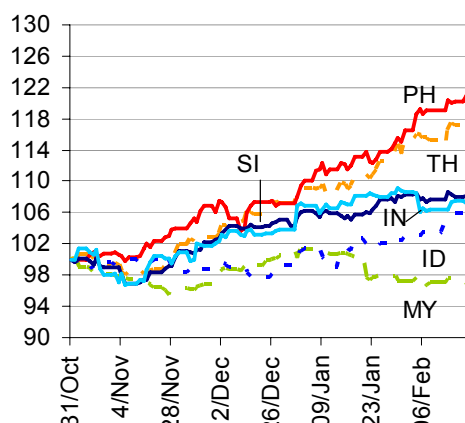
Charts

Chart 1
Stock Markets



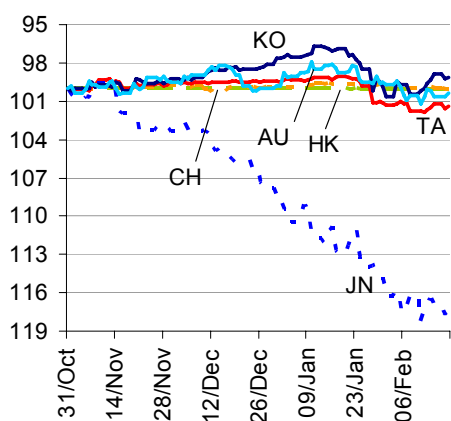
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



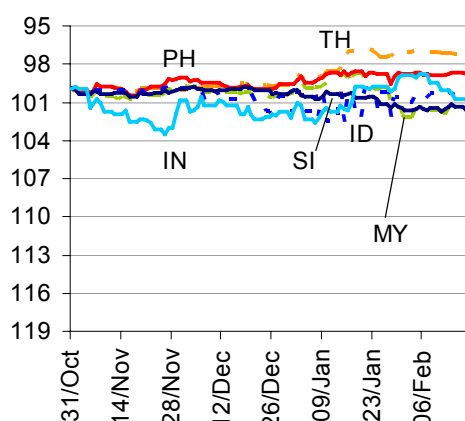
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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