

Daily Flash

Asia

Asian markets responded positively today to reported progress in the US fiscal cliff discussions (Korea: +0.5%, Nikkei: +1.0%). In currencies, the won was relatively flat (-0.1% to 1,073/USD) ahead of tomorrow's Presidential election, which is expected to be a tight race between candidates Ms. Park of the conservative Saenuri Party and Mr. Moon of the liberal Democratic Union Party; few differences are perceived in economic policies between the two candidates.

China reportedly sets 2013 growth and inflation targets of 7.5% and 3.5%

According to news reports, the 2013 growth target has been set in line with expectations (and unchanged from 2012), following the conclusion of last weekend's annual Central Economic Work Conference (CEWC). The inflation target of 3.5%, however, was below expectations of 4.0% (the level set for 2012). Growth outturns typically exceed the official targets (we expect growth to rise to around 8% in 2013).

China's housing prices rise in November for a sixth consecutive month

The latest data from the National Bureau of Statistics (NBS) shows that China's housing prices accelerated to 0.3% m/m in November (compared to 0.1% in October), the sixth consecutive month prices have risen on a sequential basis. Together with other housing market data released earlier this month, the data point to signs that China's real estate market is stabilizing. The recent CEWC conveyed that authorities will seek to balance the rebound with maintaining housing affordability.

Reforms to facilitate urbanization as a driver of China's growth

Fresh on the heels of the CEWC concluded last weekend, in which urbanization was emphasized as a key priority, the National Development and Reform Commission (NDRC) today called for an acceleration of reforms to the "Hukou system" (a registration system that effectively prevents rural workers from access to public services in cities). Such reforms would accelerate urbanization trends, a key driver of income and GDP growth in the years ahead. At the same time, however, it may also increase the demand for public services and add new fiscal pressures on local governments.

India's central bank holds rates as expected, but signals easing in 2013

The Reserve Bank of India (RBI) left interest rates unchanged today at 8.0%, but signalled its intention to re-commence a rate cutting cycle in 1Q13, noting that despite signs of a pick up, growth remains significantly below trend. The RBI also cautioned about upside risks to WPI inflation in the short term, but that demand compression, excess capacity and easing commodity prices should lead to a steady moderation of inflation in 2013. Looking ahead, with monetary policy increasingly shifting focus on boosting growth, we expect the RBI to ease the repo rate by 25bps in its next policy meeting on January 30th, 2013 and by a cumulative 125bps over the coming year.

Briefly noted:

- **The Reserve Bank of Australia today released minutes from its monetary policy meeting held on December 4th**, when it cut interest rates by 25bps to 3.0%. According to the minutes, the "inflation outlook still afforded the Board some scope to provide additional support to demand." The minutes gave few hints as to future rate moves, but we expect the RBA to remain on hold for the foreseeable future, despite market expectations to the contrary.

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Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Actual FDI (YoY)	14-18 DEC	Nov	-0.20%	-3.10%	--
China November Property Prices	18-Dec	Nov	--	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Unemployment Rate SA	18-Dec	Nov	3.40%	3.40%	3.40%
CPI - Composite Index (YoY)	20-Dec	Nov	3.80%	3.80%	--
India	Date	Period	Prior	Cons.	Actual
Cash Reserve Ratio	18-Dec	18-Dec	4.25%	4.00%	4.25%
Japan	Date	Period	Prior	Cons.	Actual
Merchnds Trade Balance Total	19-Dec	Nov	¥549.0B	¥1035.1B	--
Merchnds Trade Exports YoY	19-Dec	Nov	-6.5	-5.5	--
All Industry Activity Index (MoM)	19-Dec	Oct	-0.30%	0.20%	--
Malaysia	Date	Period	Prior	Cons.	Actual
CPI YoY	19-Dec	Nov	1.30%	1.40%	--
Philippines	Date	Period	Prior	Cons.	Actual
Overseas Remittances (YoY)	17-Dec	Oct	5.90%	6.00%	8.50%
Unemployment Rate	18-Dec	Oct	7.00%	--	6.80%
Balance of Payments	19-Dec	Nov	\$604M	--	--
Singapore	Date	Period	Prior	Cons.	Actual
Non-oil Domestic Exports (YoY)	17-Dec	Nov	7.90%	1.70%	-2.50%
Taiwan	Date	Period	Prior	Cons.	Actual
Export Orders (YoY)	20-Dec	Nov	3.16%	3.70%	--

Indicator of the Week

Taiwan: Export orders for November (December 20)

Forecast: 2.4% y/y

Consensus: 3.9% y/y

Prior: 3.2% y/y

Taiwan's export orders are closely watched as a leading indicator of regional export trends given the economy's position in the global supply chain. Export orders' upbeat reading in October reflected solid demand from the US and Europe, mainly due to the year-end holiday season. We expect such impact to moderate in the following month. On the other hand, China's recent activity indicators point to a rebound in the fourth quarter, which will partially support the orders performance. The risks from weak global demand remain, and the pace of recovery is expected to be mild and gradual. We also expect the central bank of Taiwan to keep the benchmark rate on hold during the upcoming policy meeting, given the abundant liquidity in the economy and improved growth outlook.

Calendar Events

Japan - General Election, December 16

India - Repo Cutoff Yield, December 18

We expected the benchmark rate to remain unchanged

Current

8.00%

Consensus

8.00%

New

8.00%

South Korea - Presidential Election, December 19

Taiwan - Benchmark Interest Rate, December 19

We expect the benchmark rate to remain unchanged

Current

1.88%

Consensus

1.88%

New

--

Japan - Benchmark Interest Rate, December 20

We expect further unconventional easing

Current

0.10%

Consensus

0.10%

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.	2162.5	0.1	4.2	-1.7	-2.8
Hong Kong - Hang Seng	22494.7	-0.1	0.8	22.0	23.0	
Taiwan - Weighted	7643.7	0.2	0.4	8.1	12.7	
Japan - Nikkei 225	9923.0	1.0	4.2	17.4	18.1	
Korea - Kospi	1993.1	0.5	1.4	9.2	8.3	
India - Sensex 30	19345.1	0.5	-0.2	25.2	24.9	
Australia - SPX/ASX 200	4595.2	0.5	0.4	13.3	10.5	
Singapore - Strait Times	3163.5	0.2	1.4	19.5	19.0	
Indonesia - Jakarta Comp	4291.0	-0.6	-0.6	12.3	13.9	
Thailand - SET	1356.3	-0.2	1.1	32.3	31.2	
Malaysia - KLCI	1656.8	0.5	0.9	8.2	13.0	
Philippines - Manila Comp.	5636.6	0.2	-3.3	28.9	30.9	

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)	6.23	0.07	0.20	6.29	6.31
Hong Kong (HKD/USD)	7.75	0.00	-0.01	7.75	7.75	
Taiwan (TWD/USD)	29.0	0.07	0.17	28.82	28.48	
Japan (JPY/USD)	83.90	-0.01	-1.64	83.84	83.57	
Korea (KRW/USD)	1073	-0.07	0.32	1079	1092	
India (INR/USD)	54.9	-0.13	-1.18	55.74	58.09	
Australia (USD/AUD)	1.05	-0.13	0.10	0.96	0.97	
Singapore (SGD/USD)	1.22	0.01	0.16	1.22	1.22	
Indonesia (IDR/USD)	9706	-0.07	-0.11	9774	10106	
Thailand (THB/USD)	30.6	-0.03	0.10	30.73	31.15	
Malaysia (MYR/USD)	3.05	0.09	0.10	3.07	3.11	
Philippines (PHP/USD)	41.1	-0.05	-0.34	41.01	41.03	

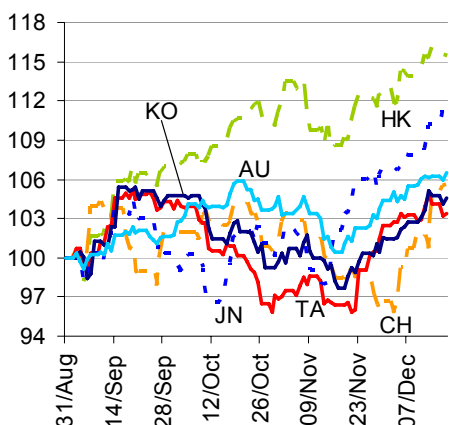
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.00	-0.06	0.34	0.08
Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.00	
Taiwan (TAIBOR/1W)	0.57	0.00	0.00	-0.02	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.79	0.00	0.01	0.01	
India (MIBOR/7D)	3.00	-0.36	-0.41	0.10	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	4.31	0.01	0.03	0.03	
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)	1.56	1.00	2.25	-0.81	

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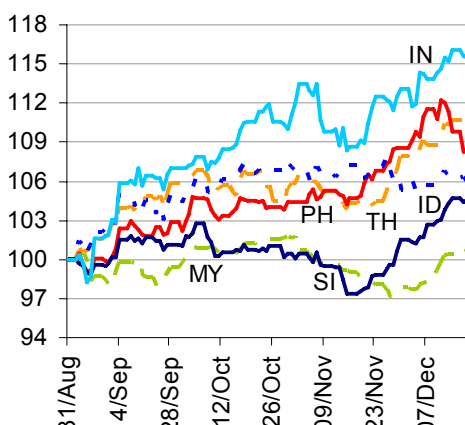
Charts

Chart 1
Stock Markets



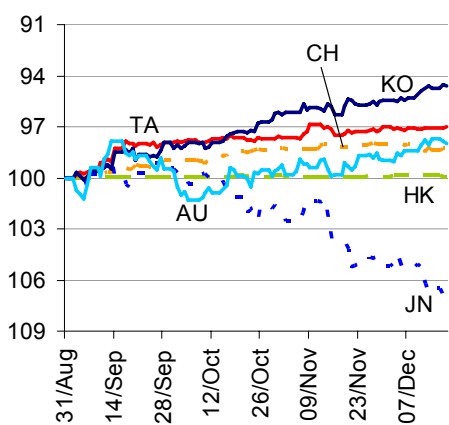
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



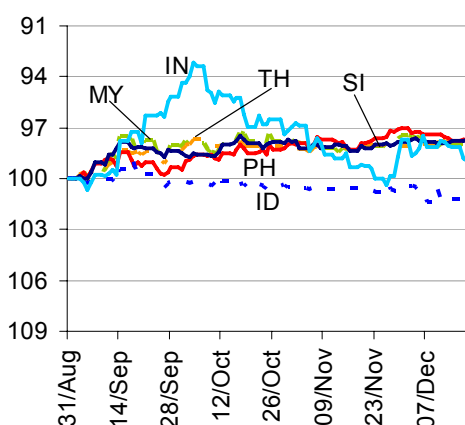
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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