

Daily Flash

Asia

More monetary easing by the Bank of Japan

At the conclusion of its two-day monetary policy meeting today, the Bank of Japan announced an expansion of its asset purchase program by ¥10trn, to ¥101trn yen, as had been widely been expected. The BoJ has now expanded its asset purchase program 5 times this year, most recently in October. It also signalled today that it will discuss its inflation target in January, with the BoJ under pressure from incoming Prime Minister Shinzo Abe to raise the target from 1% at present to 2%. The market, perhaps expecting more aggressive easing today, responded negatively, with the Nikkei index declining 1.2%; the yen, which has weakened in recent weeks on expectations of monetary easing, rose 0.5% to 83.98/USD. Looking ahead, under pressure from the new government, we expect more aggressive easing from the BoJ to stem deflation and reinvigorate growth.

Korea elects conservative candidate Park Geun-hye as President

Conservative candidate Park Geun-hye was elected Korea's next President, a result that was received well by the markets for its implication that Korea's current set of policies will broadly remain stable. Ms. Park received 51.6% of the votes cast, while her challenger, liberal Moon Jae-in, received 48.0%. Regarding the economy, the win is likely positive for areas like construction and other consumer-related industries, based on Ms. Park's campaign pledges to focus on domestic demand. Ms. Park's approach toward North Korea—to resume a dialogue with the North while pressing for the elimination of its nuclear program—is also expected to keep relations with Washington on an even keel. On the day, the Kospi rose by 0.3%, and is now up by 9.5% for 2012.

Australia announces that budget surplus will be hard to achieve in 2012/13

Australia's Treasury today said it is unlikely to fulfil the Prime Minister's election pledge to achieve a small budget surplus in the 2012/13 fiscal year (ending in June), on lower than expected tax revenues from weaker commodity prices and the strong Aussie dollar. In September, the Treasury had said it would aim for a surplus of 0.1% of GDP in the current year. We view the issue as largely symbolic given Australia's low public debt level (15.7% of GDP as of Q2 2012) and sound public finances. Australia continues to enjoy a AAA sovereign credit, which is unlikely to be affected according to a statement today by S&P.

Briefly noted:

- **Taiwan's export orders increased notably in November, by 11.1% y/y**, beating expectations (BBVA: 2.4% and consensus: 3.8%), and up from 3.2% y/y the previous month. The improvement in orders was broad based across major export destinations, thanks to strong demand for information and communication products (including smartphones and notebooks).
- **Hong Kong's inflation remained at 3.7% y/y in November (consensus: 3.8% y/y), the same as in October.** We expect price pressures to remain for Hong Kong in the coming months due to a tight labor market.

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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%	3.70%
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	¥953.4B
Merchnds Trade Exports YoY	19-Dec	Nov	-6.5	-5.5	-4.1
All Industry Activity Index (MoM)	19-Dec	Oct	-0.30%	0.20%	0.20%
Malaysia	Date	Period	Prior	Cons.	Actual
CPI YoY	19-Dec	Nov	1.30%	1.40%	1.30%
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	--	\$2161M
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%	3.85%	11.12%

Calendar Events

Japan - General Election, December 16

India - Repo Cutoff Yield, December 18

We expected the benchmark rate to remain unchanged

Current	Consensus	New
8.00%	8.00%	8.00%

South Korea - Presidential Election, December 19

Taiwan - Benchmark Interest Rate, December 19

We expected the benchmark rate to remain unchanged

Current	Consensus	New
1.88%	1.88%	1.88%

Japan - Benchmark Interest Rate, December 20

We expected further unconventional easing

Current	Consensus	New
0.10%	0.10%	0.10%

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.	2168.4	0.3	5.2	-1.4	-2.1
Hong Kong - Hang Seng	22659.8	0.2	1.0	22.9	25.3	
Taiwan - Weighted	7595.5	-1.1	-2.1	7.4	14.0	
Japan - Nikkei 225	10039.3	-1.2	3.0	18.7	20.4	
Korea - Kospi	1999.5	0.3	1.2	9.5	12.5	
India - Sensex 30	19451.3	-0.1	1.2	25.9	28.2	
Australia - SPX/ASX 200	4634.1	0.4	1.1	14.2	14.3	
Singapore - Strait Times	3172.4	0.4	0.5	19.9	21.3	
Indonesia - Jakarta Comp	4254.8	-0.5	-1.5	11.3	13.4	
Thailand - SET	1373.8	-0.3	1.5	34.0	32.9	
Malaysia - KLCI	1670.6	0.3	1.1	9.1	14.0	
Philippines - Manila Comp.	5797.7	0.8	0.2	32.6	33.5	

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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	0.00	0.03	6.30	6.32
Hong Kong (HKD/USD)	7.75	0.00	0.00	7.75	7.74	
Taiwan (TWD/USD)	29.1	-0.01	0.05	28.84	28.50	
Japan (JPY/USD)	83.95	0.55	-0.36	83.88	83.62	
Korea (KRW/USD)	1075	-0.22	-0.17	1079	1092	
India (INR/USD)	54.8	-0.37	-0.54	55.59	57.97	
Australia (USD/AUD)	1.05	0.13	-0.31	0.96	0.98	
Singapore (SGD/USD)	1.22	-0.07	0.17	1.22	1.22	
Indonesia (IDR/USD)	9655	0.37	0.35	9748	10080	
Thailand (THB/USD)	30.6	-0.10	0.03	30.77	31.19	
Malaysia (MYR/USD)	3.06	-0.03	-0.05	3.07	3.11	
Philippines (PHP/USD)	41.1	-0.13	-0.10	41.01	41.01	

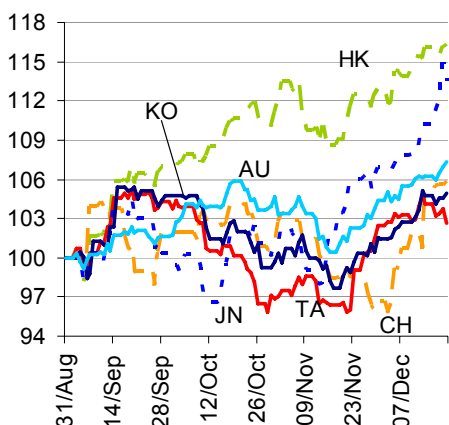
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.45	0.39	0.45	0.10
Hong Kong (HIBOR/1W)	0.13	0.00	0.00	0.00	
Taiwan (TAIBOR/1W)	0.57	0.00	-0.01	-0.02	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.79	0.00	0.00	0.01	
India (MIBOR/7D)	3.50	0.47	0.34	0.16	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	4.32	0.00	0.03	0.04	
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)	1.63	-0.06	2.06	-0.31	

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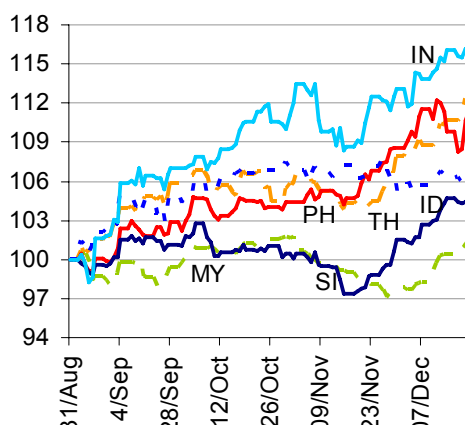
Charts

Chart 1
Stock Markets



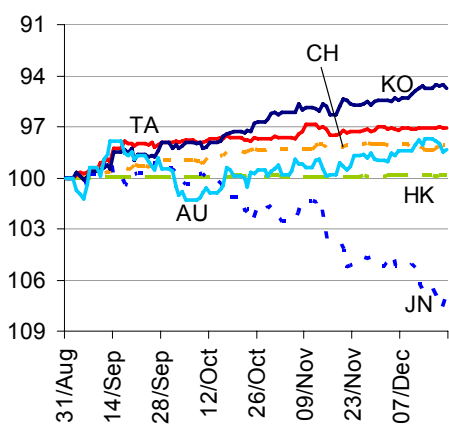
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



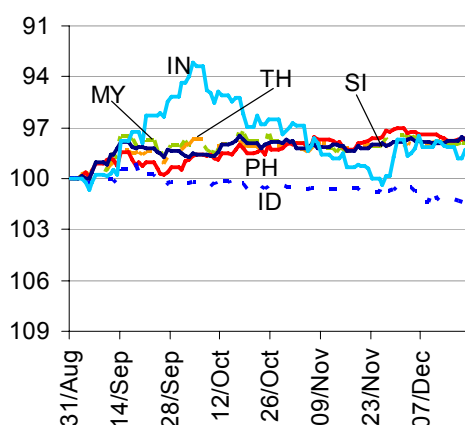
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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