

Daily Flash

Asia

Decisions on new central bank chiefs in Japan, China, and Indonesia dominated the news flow today. In Japan, reports have all but confirmed that Asian Development Bank President Haruhiko Kuroda will be nominated as the next Bank of Japan chief (subject to Parliamentary approval). Together with Kuroda's "weak yen credentials" from his stint as Japan's Vice Minister of Finance for International Affairs from 1999-2003, the news was enough to push the yen back to around 94/USD and the Nikkei up by 2.4% on the day. Meanwhile, in a surprise move, Indonesia's President has reportedly nominated the current Minister of Finance, Agus Martowardojo, as the next Bank Indonesia Governor (see below).

China flash PMI disappoints, but should be discounted on CNY distortion

China's February HSBC flash manufacturing PMI fell to 50.4% from a two-year high of 52.3 in January. However, the outturn was heavily distorted by the Chinese New Year (CNY) timing, and as such there was little if any negative market reaction (the Shanghai Composite finished up by 0.5% on the day). The official PMI will be released on March 1, and we await a more significant batch of data on March 9 when combined January/February activity indicators will be released. In the meantime, we believe that growth momentum continues to pick up, in line with our 8.0% GDP growth projection for 2013.

Indonesia's President nominates new central bank chief

Indonesia's President Susilo Yudhoyono announced on Saturday that he will nominate Agus Martowardojo, the current Minister of Finance, as Bank Indonesia's next Governor, replacing Darmin Nasution, whose term expires in May. The nomination is subject to Parliamentary approval (Agus was turned down by Parliament for the post once before, in 2008), and raises questions about his replacement at the Ministry of Finance. On balance, Agus is well respected by the market for his leadership at the Ministry and sound budget management, and is an experienced banker, having served as the Presidents of Bank Permata (2002-05) and Bank Mandiri (2005-10).

Korea inaugurates new President, policies likely to focus on growth

Ms. Park Geun-hye was inaugurated today as Korea's eleventh President, following the outgoing Lee Myung-bak, who was President since 2008. Ms. Park's economic policies are expected to focus on job creation and benefits for the elderly. It remains to be seen whether Ms. Park will tackle the thorny issue of Korean conglomerates, or "chaebols," whose influence in Korea's economy has become a controversial topic among entrepreneurs and the youth.

Annual Party meeting in China begins with selection of key posts

Over the weekend it was announced that the annual Communist Party meeting will take place from February 26-27. The outcome will set the tone for the forthcoming National People's Congress in March (no specific date has yet been set). Of particular interest is the selection of key policymakers, including the Governor of the central bank, the Minister of Finance, and the Chairman of National Development and Reform Commission. It has been rumored that the incumbent governor of the PBoC, Mr. Zhou Xiaochuan, will retain his post for two more years, sending a signal of policy continuity.

India issues new bank guidelines on bank licenses

On Friday, the Reserve Bank of India (RBI) released long its long-awaited guidelines for issuing bank licenses in the domestic private sector. Eligible entities may apply before July 1, 2013, provided they meet the 'fit and proper' criteria. We believe the RBI will be cautious in issuing new bank licenses. More important for foreign investors will be pending guidelines due out next month from the RBI on bank licenses for foreign banks through the wholly-owned

subsidiary route.

Briefly noted:

- **Singapore announced its 2013/14 budget today**, which focused on addressing growing income disparity and limits on foreign workers. Also today, Singapore reported January inflation of 3.6% (consensus: 4.0%) from 4.3% the prior month, on lower food prices.
- **Vietnam announced its February CPI over the weekend, which eased slightly to 7.0% y/y from January's 7.1%** on weaker domestic demand after a slowdown in credit growth. Also, exports were \$7.5 billion in February, down from January's \$11.5 billion.

Stephen Schwartz
Chief Economist for Asia
stephen.schwartz@bbva.com.hk
+852 2582 3218

Jeffrey Cantwell, CFA
Economist
jeffrey.cantwell@bbva.com.hk
+852 2582 3173

Weiwei Liu
Economist
carrie.liu@bbva.com.hk
+852 2582 3243

With contributions from the BBVA Research Asia Team

Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
AiG Performance of Mfg Index	01 Mar	Feb	40.2	--	--
China	Date	Period	Prior	Cons.	Actual
Manufacturing PMI	01 Mar	Feb	50.4	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Exports YoY%	25 Feb	Jan	14.40%	19.20%	17.60%
GDP (YoY)	27 Feb	4Q	1.30%	2.50%	--
Indonesia	Date	Period	Prior	Cons.	Actual
Inflation (YoY)	01 Mar	Feb	4.57%	--	--
Exports (YoY)	01 Mar	Jan	-9.80%	--	--
India	Date	Period	Prior	Cons.	Actual
Qtrly GDP YoY%	28 Feb	4Q	5.30%	4.90%	--
February Markit Manufacturing PMI	01 Mar	Feb	--	--	--
Japan	Date	Period	Prior	Cons.	Actual
Retail Trade YoY	27 Feb	Jan	0.30%	-1.60%	--
Industrial Production YoY	28 Feb	Jan P	-7.90%	-4.80%	--
Jobless Rate	01 Mar	Jan	4.20%	4.20%	--
Natl CPI YoY	01 Mar	Jan	-0.10%	-0.20%	--
Tokyo CPI YoY	01 Mar	Feb	-0.60%	-0.60%	--
Malaysia	Date	Period	Prior	Cons.	Actual
Unemployment Rate	28 Feb	4Q	3.00%	--	--
Singapore	Date	Period	Prior	Cons.	Actual
CPI (YoY)	25 Feb	Jan	4.30%	4.00%	3.60%
Industrial Production YoY	26 Feb	Jan	-0.60%	5.90%	--
Korea	Date	Period	Prior	Cons.	Actual
Industrial Production (YoY)	28 Feb	Jan	0.80%	5.80%	--
Ext Trade - Export (YoY)	01 Mar	Feb	10.80%	-9.40%	--
Taiwan	Date	Period	Prior	Cons.	Actual
Unemployment Rate - sa	26 Feb	Jan	4.22%	4.20%	--
Export Orders (YoY)	26 Feb	Jan	8.50%	18.40%	--
Industrial Production (YoY)	27 Feb	Jan	2.39%	17.57%	--
Commercial Sales (YoY)	27 Feb	Jan	1.74%	7.78%	--
HSBC Manufacturing PMI	01 Mar	Feb	51.5	--	--
Thailand	Date	Period	Prior	Cons.	Actual
Customs Exports (YoY)	27 FEB	Jan	13.45%	13.20%	--
Consumer Price Index (YoY)	01 Mar	Feb	3.39%	3.30%	--
Vietnam	Date	Period	Prior	Cons.	Actual
Exports YTD (YoY)	25 FEB	Feb	43.20%	--	23.9%
Retail Sales YTD (YoY)	25-28 FEB	Feb	8.10%	--	--
Industrial Production Index YoY	25-28 FEB	Feb	21.10%	--	--
HSBC Manufacturing PMI	01 Mar	Feb	50.1	--	--

Calendar Events

There are no calendar events scheduled for the week

Indicator of the Week

India: Q4 2012 GDP Growth (February 28)

Forecast: 5.6% y/y

Consensus: 4.9% y/y

Prior: 5.3% y/y

India's economic growth likely slowed to a decade low in 2012, amidst concerns about the slowing momentum of reforms, high and sticky inflation, and twin deficits on the current and fiscal accounts. Nevertheless, there are signs of optimism given recent trends of moderating inflation, lower interest rates and financial conditions and renewed policy efforts. Against this backdrop, the fourth quarter GDP outturn will be watched for signs of an improving growth outlook. Consumption and investment indicators suggest that the economy is gradually bottoming out although limited fiscal support and a high trade deficit would likely weigh. The latest growth outturn together with the FY14 central government budget to be released on the same day will be key inputs for the RBI at its March 19th policy meeting where we expect another rate cut, following the 25bp cut in January. We expect India's GDP growth to improve from 5.4% y/y for full year 2012 to 6.5% y/y in 2013.

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.	2325.8	0.5	-4.0	2.5	-4.7
Hong Kong - Hang Seng	22820.1	0.2	-2.4	0.7	6.6	
Taiwan - Weighted	7947.7	-0.5	-0.2	3.2	-0.1	
Japan - Nikkei 225	11662.5	2.4	2.2	12.2	20.9	
Korea - Kospi	2009.5	-0.5	1.4	0.6	-0.5	
India - Sensex 30	19373.2	0.3	-0.7	-0.3	8.1	
Australia - SPX/ASX 200	5055.8	0.7	-0.2	8.8	17.4	
Singapore - Strait Times	3293.0	0.1	0.1	4.0	10.6	
Indonesia - Jakarta Comp	4696.1	1.0	1.8	8.8	20.6	
Thailand - SET	1540.1	0.7	1.2	10.6	34.4	
Malaysia - KLCI	1627.4	0.3	0.4	-3.6	4.4	
Philippines - Manila Comp.	6721.3	0.8	2.4	15.6	37.4	

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	0.09	0.15	6.30	6.32
Hong Kong (HKD/USD)	7.76	0.00	-0.03	7.75	7.75	
Taiwan (TWD/USD)	29.7	-0.15	0.03	29.59	29.27	
Japan (JPY/USD)	93.89	-0.50	0.07	93.83	93.51	
Korea (KRW/USD)	1086	-0.15	-0.39	1091	1104	
India (INR/USD)	54.0	0.39	0.42	54.90	57.36	
Australia (USD/AUD)	1.03	-0.26	-0.13	0.98	1.00	
Singapore (SGD/USD)	1.24	-0.07	0.17	1.24	1.24	
Indonesia (IDR/USD)	9703	0.04	-0.19	9777	10124	
Thailand (THB/USD)	29.8	0.00	0.23	29.96	30.31	
Malaysia (MYR/USD)	3.10	0.11	0.03	3.12	3.16	
Philippines (PHP/USD)	40.7	0.10	-0.10	40.62	40.51	

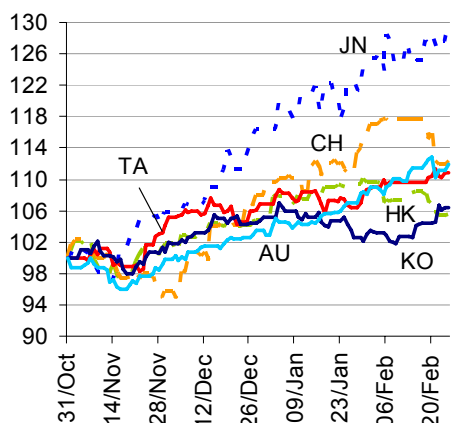
Last update: today, 17:00 Hong Kong time.

INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.33	0.23	0.38	0.33
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)	2.76	-0.01	-0.01	-0.02	
India (MIBOR/7D)	3.10	0.10	0.18	0.26	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	4.28	0.00	0.00	-0.02	
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)	1.31	0.06	0.38	0.00	

Last update: today, 17:00 Hong Kong time

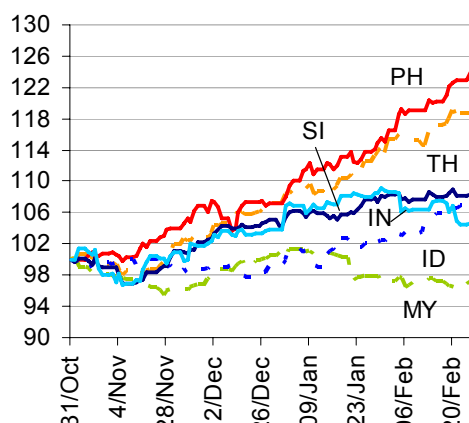
Charts

Chart 1
Stock Markets



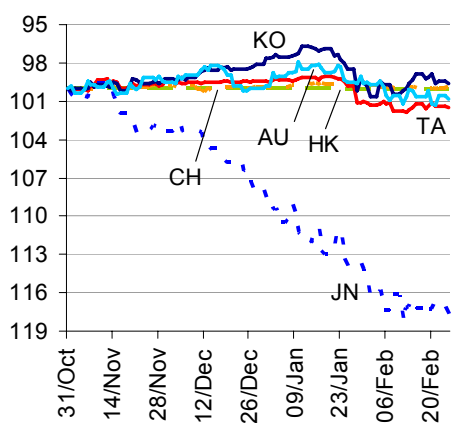
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



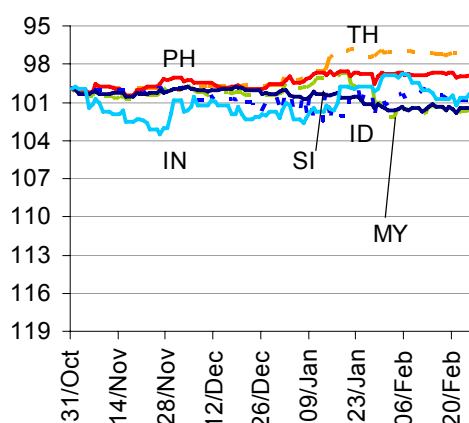
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Stephen Schwartz
Chief Economist for Asia
stephen.schwartz@bbva.com.hk

Fielding Chen
Senior Economist
fielding.chen@bbva.com.hk

Le Xia
Senior Economist (China)
xia.le@bbva.com.hk

Sumedh Deorukhkar
Senior Economist (India, Mumbai)
sumedh.deorukhkar@grupobbva.com

Jeffrey Cantwell, CFA
Economist
jeffrey.cantwell@bbva.com.hk

George Xu
Economist
george.xu@bbva.com.hk

Weiwei Liu
Economist
carrie.liu@bbva.com

Edward Wu
Economist
edward.wu@bbva.com

BBVA | RESEARCH  | 10/F., Two IFC, 8 Finance Street, Central, Hong Kong | Tel.: +852 2582 3111 | www.bbva.com.hk

Before you print this message please consider if it is really necessary.

This email and its attachments are subject to the confidentiality terms established in the corresponding regulations and are intended for the sole use of the person or persons indicated in the header. They are for internal use only and cannot be distributed, copied, conveyed or furnished to third parties without prior written consent from BBVA. If this message has been received erroneously, it is forbidden to read, use or copy any of the contents and you are asked to inform BBVA immediately by forwarding the email to the sender and eliminating it thereafter.

BBVA will continue to provide our readers up-to-date reports by emails, but you can also register directly on our website where you can find a full list of our latest reports & presentations <http://serviciodeestudios.bbva.com/KETD/ketd/ing/index.jsp>

If you wish to be excluded from this mailing list, please write to us on research.emergingmarkets@bbva.com.hk and we shall immediately take you off the list.