

# Daily Flash

## Asia

Most Asian markets rose today on spillovers from recent positive US economic data and Shinzo Abe's nomination of Haruhiko Kuroda, president of the Asian Development bank, for Japan's central bank governor (see below). Japan's Nikkei soared by 2.7% in response, while the yen depreciated by -0.1%, closing at 92.1/USD. Elsewhere in the region, the Shanghai Composite gained 2.3% and the Hang Seng index climbed 2.0%. The one exception today was India's Sensex, which fell by -1.3% prior to tonight's release of Q4 GDP on a negative response to the announcement of the Union Budget (see below). Tomorrow, the market focus will turn to China's manufacturing PMI (BBVA forecast: 50.5), Japan's CPI (consensus: -0.2% y/y) and Korea's exports (consensus: -9.2% y/y) – the region's first monthly outturn for February.

### India's FY14 Union Budget – credible and pragmatic

India's new budget for FY14 (year ending March 2014), presented today, delivered on three counts: 1) it delivered a credible fiscal consolidation path, 2) it focused on the quality of deficit reduction and 3) it balanced austerity with populism without undermining economic growth. However, the lack of focus on key structural tax measures such as a firm roadmap for implementing the Goods and Services Tax (GST) and the Direct Tax Code, which aim to widen the tax base and improve tax buoyancy, remains an issue. For further details, please see our *India Flash*.

### Japan's industrial output picks up sequentially, but remains subdued

Japan's industrial production declined by -5.1% y/y (prior: -7.9%, consensus: -4.9%) in January, though on a monthly basis IP rose by a seasonally adjusted 1.0% from December. The sequential increase was mainly driven by the auto sector (+6.8% m/m) on strong exports to the U.S. Meanwhile, as was widely expected, today Prime Minister Shinzo Abe nominated Asian Development Bank President Haruhiko Kuroda as the next BoJ governor, along with two others. Mr. Kuroda is widely expected to become the next BoJ governor, which will likely pave the way for further monetary easing.

### Korea's January IP improves on manufacturing and automobile production

Korea reported that industrial production rose by 7.3% y/y in January after having posted a contraction of -0.5% y/y in December, as manufacturing and automobile production improved. Korea has been battling a sluggish economy, though a gradual rebound in growth is expected over the course of 2013 on an improving global environment.

### HK government reforms land supply policies to cool property market

On the heels of increasing the Stamp Duty rates for property transactions last Friday, the Hong Kong government today announced the suspending of the Application List system starting in April. Under the Application List system, the government only puts a piece of land on sale if real estate developers show interest in it and offer a 'guaranteed' bid price. The system was introduced in 1999 to restore people's confidence in the property market following the Asian Financial Crisis, but it has come under increasing criticism as housing prices have skyrocketed. In its stead, the government will increase the land supply through active auctions, regardless of whether there is preliminary interest.

### Briefly noted:

- **Malaysia announced its unemployment rate was 3.1% y/y in Q4 2012**, slightly up from 3.0% in Q3. Full year unemployment was 3.0%.

## Calendar Indicators

<b>Australia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
AiG Performance of Mfg Index	01 Mar	Feb	40.2	--	--
<b>China</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Manufacturing PMI	01 Mar	Feb	50.4	--	--
<b>Hong Kong</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Exports YoY%	25 Feb	Jan	14.40%	19.20%	17.60%
GDP (YoY)	27 Feb	4Q	1.40%	2.40%	2.50%
<b>Indonesia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Inflation (YoY)	01 Mar	Feb	4.57%	--	--
Exports (YoY)	01 Mar	Jan	-9.80%	--	--
<b>India</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Qtrly GDP YoY%	28 Feb	4Q	5.30%	4.90%	--
February Markit Manufacturing PMI	01 Mar	Feb	--	--	--
<b>Japan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Retail Trade YoY	27 Feb	Jan	0.30%	-1.50%	-1.10%
Industrial Production YoY	28 Feb	Jan P	-7.90%	-4.90%	-5.10%
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%	--
<b>Malaysia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Unemployment Rate	28 Feb	4Q	3.00%	--	3.10%
<b>Singapore</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
CPI (YoY)	25 Feb	Jan	4.30%	4.00%	3.60%
Industrial Production YoY	26 Feb	Jan	-0.60%	5.20%	-0.40%
<b>Korea</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Industrial Production (YoY)	28 Feb	Jan	-0.50%	5.00%	7.30%
Ext Trade - Export (YoY)	01 Mar	Feb	10.80%	-9.40%	--
<b>Taiwan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Unemployment Rate - sa	26 Feb	Jan	4.21%	4.20%	4.20%
Export Orders (YoY)	26 Feb	Jan	8.50%	17.60%	18.00%
Industrial Production (YoY)	27 Feb	Jan	2.05%	16.80%	19.17%
Commercial Sales (YoY)	27 Feb	Jan	1.49%	7.78%	7.71%
HSBC Manufacturing PMI	01 Mar	Feb	51.5	--	--
<b>Thailand</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Customs Exports (YoY)	27 Feb	Jan	13.45%	13.40%	16.09%
Consumer Price Index (YoY)	01 Mar	Feb	3.39%	3.30%	--
<b>Vietnam</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Exports YTD (YoY)	25 Feb	Feb	43.20%	--	23.9%
Retail Sales YTD (YoY)	26 Feb	Feb	8.10%	--	10.90%
Industrial Production Index YoY	26 Feb	Feb	21.10%	--	-10.10%
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
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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.	2365.6	2.3	1.7	4.3	-2.6
	Hong Kong - Hang Seng	23020.3	2.0	0.5	1.6	6.2
	Taiwan - Weighted	7898.0	0.2	-1.6	2.6	-2.8
	Japan - Nikkei 225	11559.4	2.7	2.2	11.2	18.9
	Korea - Kospi	2026.5	1.1	0.6	1.5	-0.2
	India - Sensex 30	18991.2	-0.8	-1.7	-2.2	7.0
	Australia - SPX/ASX 200	5104.1	1.3	2.5	9.8	18.7
	Singapore - Strait Times	3270.0	0.3	-0.5	3.2	9.2
	Indonesia - Jakarta Comp	4795.8	1.7	3.5	11.1	20.3
	Thailand - SET	1538.1	1.3	-0.6	10.5	32.5
	Malaysia - KLCI	1637.6	0.8	1.5	-3.0	4.3
	Philippines - Manila Comp.	6721.5	1.6	0.8	15.6	37.2

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)	6.22	0.09	0.29	6.29	6.32
	Hong Kong (HKD/USD)	7.76	0.01	-0.01	7.75	7.75
	Taiwan (TWD/USD)	29.6	0.07	-0.02	29.56	29.25
	Japan (JPY/USD)	92.17	0.08	1.02	92.11	91.78
	Korea (KRW/USD)	1083	0.15	0.31	1090	1102
	India (INR/USD)	54.4	-1.04	0.08	55.50	57.97
	Australia (USD/AUD)	1.03	0.25	0.15	0.98	1.00
	Singapore (SGD/USD)	1.24	0.02	0.47	1.24	1.24
	Indonesia (IDR/USD)	9669	0.11	0.56	9735	10080
	Thailand (THB/USD)	29.8	0.27	0.24	29.88	30.21
	Malaysia (MYR/USD)	3.09	0.33	0.65	3.11	3.15
	Philippines (PHP/USD)	40.7	0.20	0.26	40.61	40.51

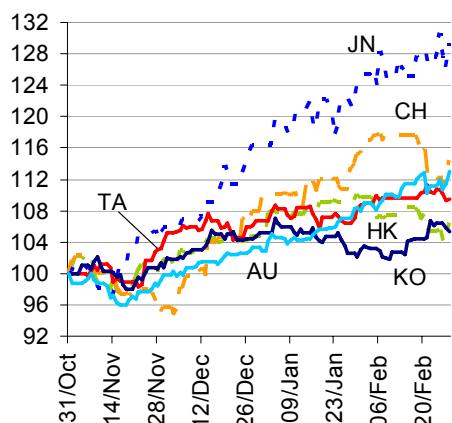
Last update: today, 17:00 Hong Kong time.

INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	4.30	-0.30	1.20	1.30
	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	0.00	-0.01	-0.02
	India (MIBOR/7D)	6.10	1.88	3.10	2.86
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.29	0.01	0.01	-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)	1.06	-0.63	-0.19	-0.31

Last update: today, 17:00 Hong Kong time

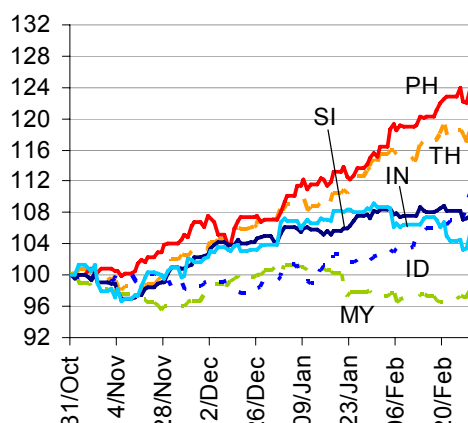
# Charts

Chart 1  
Stock Markets



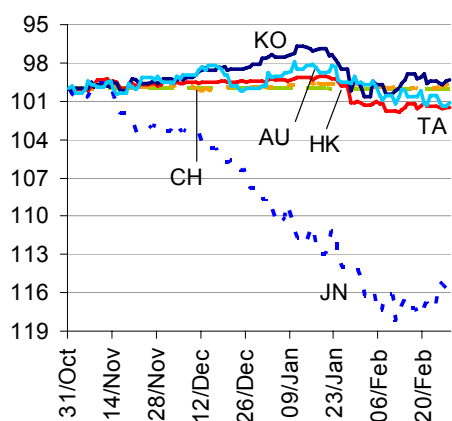
Source: BBVA Research and Bloomberg

Chart 2  
Stock Markets



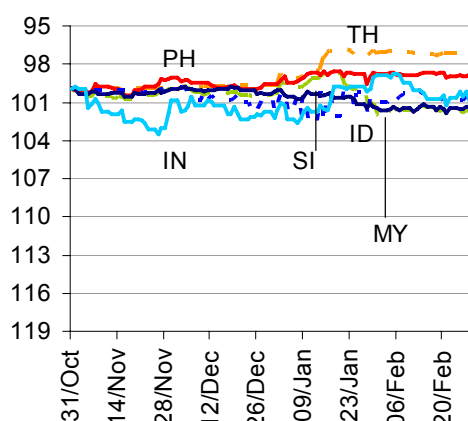
Source: BBVA Research and Bloomberg

Chart 3  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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