

Daily Flash

Asia

Property tightening measures announced by China's State Council after the market's close on Friday sent shares on the Shanghai Composite sharply lower today (-3.7%) led by declines in the property sector. Together with the weaker-than-expected PMI outturns (50.1 and 54.5 for the manufacturing and non-manufacturing sectors respectively), regional market sentiment was also down, with the exception being Japan (Nikkei +0.4%) on comments by presumptive BoJ Governor Haruhiko Kuroda, who said he would do 'whatever it takes' to end deflation (sound familiar?).

China's property measures and weak PMI cause shares to tumble

The State Council late on Friday intensified measures to curtail rising property prices, including instructions for local authorities to strictly implement an existing 20% capital gains tax on secondary home transactions. Other measures include the implementation of local government price targets, expansion of housing purchase restrictions to all regions, and selective increases in down payment requirements for second unit home purchases. The measures weighed on market sentiment after the release of weaker-than-expected February official PMI outturns. All eyes are now on the annual National People's Congress, scheduled to begin tomorrow (March 5) and last for around ten days, during which time China's official growth and inflation targets will be released. The fiscal budget for 2013 will also be announced, as well as the new leaders for several key official institutions (PBoC, MOF, and NDRC).

Strong 2012 banking indicators, but profits are set to decline

As reported in our *China Banking Flash* today, the China Banking Regulatory Commission (CBRC) released its annual set of banking indicators last Friday, showing overall profit growth of 19% for the banking system. While profit growth was down from a record 39% the previous year, it still exceeded our expectations (about 9%) by a wide margin due to better-than-expected NPLs. However, given an expected further tightening of interest margins and regulations, we maintain our projection of slowing profit growth in the coming years.

Korean inflation falls, raising expectations of another BoK rate cut

Korea's headline inflation fell in February to 1.4% (consensus: 1.6%) from 1.5% in January, due to a strong won and weak domestic demand. With inflation below the 2.5%-3.5% official target, the outturn adds pressure on the BoK to ease interest rates at its next policy meeting on March 14. Korea has kept rates on hold for the past four months at 2.75%, after 50bps in cuts in 2012.

Briefly noted:

Hong Kong's retail sales growth accelerated to 10.5% y/y (consensus: 9.8% y/y) in January from 9.1% the previous month, driven by luxury goods. The outturn is consistent with other recent activity indicators (such as GDP growth and unemployment rate), suggesting that the economy has stabilized as external uncertainties have receded.

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With contributions from the BBVA Research Asia Team

Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Retail Sales s.a. (MoM)	05 Mar	Jan	-0.20%	0.40%	--
Gross Domestic Product (YoY)	06 Mar	4Q	3.10%	3.00%	--
China	Date	Period	Prior	Cons.	Actual
Non-manufacturing PMI	03 Mar	Feb	56.2	--	54.5
Exports YoY%	08 Mar	Feb	25.00%	7.60%	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Retail Sales - Value (YoY)	04 Mar	Jan	9.10%	9.80%	10.50%
Purchasing Managers Index	05 Mar	Feb	52.5	--	--
Japan	Date	Period	Prior	Cons.	Actual
GDP Annualized	08 Mar	4Q F	-0.40%	0.20%	--
Current Account Total	08 Mar	Jan	-¥264.1B	-¥626.0B	--
Philippines	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	05 Mar	Feb	3.00%	3.30%	--
Singapore	Date	Period	Prior	Cons.	Actual
Purchasing Managers Index	04 Mar	Feb	50.2	50.3	--
Korea	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	04 Mar	Feb	1.50%	1.60%	1.40%
HSBC Manufacturing PMI	04 Mar	Feb	49.9	49.4	50.9
Taiwan	Date	Period	Prior	Cons.	Actual
CPI YoY%	05 Mar	Feb	1.15%	2.70%	--
Total Exports (YoY)	07 Mar	Feb	21.80%	-8.10%	--

Calendar Events

Australia - RBA Cash Target, Mar 5 We expect the benchmark rate to remain unchanged	Current 3.00%	Cons. 3.00%	New --
Indonesia - Bank Indonesia Reference Rate, Mar 7 We expect the benchmark rate to remain unchanged	Current 5.75%	Cons. --	New --
Japan - BOJ Target Rate, Mar 7 We expect the benchmark rate to remain unchanged	Current 0.10%	Cons. 0.10%	New --
Malaysia - Overnight Rate, Mar 7 We expect the benchmark rate to remain unchanged	Current 3.00%	Cons. 3.00%	New --

Indicator of the Week

China: February Exports (March 8th)

Forecast: 14.5% y/y

Consensus: 7.10% y/y

Prior: 25.0% y/y

Year-over-year export growth is expected to fall sharply in February due to distortions from the timing of the Chinese New Year, which resulted in fewer working days for the month of February compared to last year (and vice versa for January). Given the distortions, a more meaningful gauge of export growth will be the average for January and February combined, which we expect to reach 20.0% y/y, on improving external demand from the US and other Asian economies (especially ASEAN), and also favorable base effects. An outturn in line with our forecast would point to an improving external environment and could boost confidence in the outlook for China's continued growth momentum. Nevertheless, Europe and Japan are likely to remain drags on the export environment in the coming months, and we remain cautious about the overall growth outlook for 2013, with a forecast of 8%. We expect total export growth of 10% (in US dollar terms), up from 8% in 2012.

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.	2273.4	-3.6	-2.3	0.2	-7.6
Hong Kong - Hang Seng	22537.8	-1.5	-1.2	-0.5	4.5	
Taiwan - Weighted	7867.3	-1.2	-1.5	2.2	-3.0	
Japan - Nikkei 225	11652.3	0.4	-0.1	12.1	19.2	
Korea - Kospi	2013.2	-0.7	-0.3	0.8	-0.8	
India - Sensex 30	18897.7	-0.1	-2.2	-2.7	7.1	
Australia - SPX/ASX 200	5010.5	-1.5	-0.9	7.8	17.3	
Singapore - Strait Times	3239.3	-0.9	-1.5	2.3	8.2	
Indonesia - Jakarta Comp	47615	-1.0	1.4	10.3	18.9	
Thailand - SET	1538.2	-0.1	-0.1	10.5	32.0	
Malaysia - KLCI	1636.0	-0.1	0.5	-3.1	3.3	
Philippines - Manila Comp.	6637.6	-0.1	-1.2	14.2	32.3	

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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	-0.03	0.13	6.29	6.33
Hong Kong (HKD/USD)	7.76	-0.02	0.00	7.75	7.75	
Taiwan (TWD/USD)	29.7	-0.32	-0.24	29.70	29.37	
Japan (JPY/USD)	93.63	-0.04	-1.93	93.57	93.23	
Korea (KRW/USD)	1093	-0.79	-0.63	1097	1109	
India (INR/USD)	54.9	-0.02	-1.89	55.96	58.48	
Australia (USD/AUD)	1.01	-0.66	-1.19	0.99	1.01	
Singapore (SGD/USD)	1.25	-0.52	-0.59	1.25	1.25	
Indonesia (IDR/USD)	9714	-0.33	-0.11	9792	10144	
Thailand (THB/USD)	29.8	-0.23	0.00	29.96	30.29	
Malaysia (MYR/USD)	3.11	-0.33	-0.29	3.12	3.17	
Philippines (PHP/USD)	40.8	-0.28	-0.29	40.77	40.67	

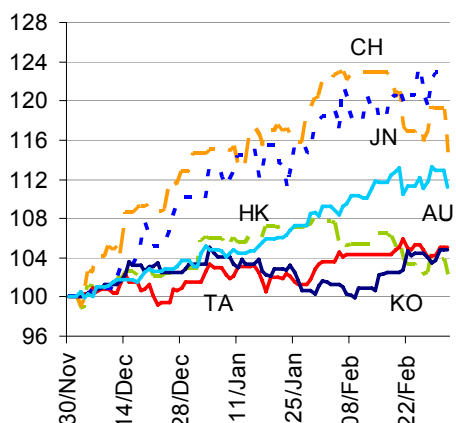
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	4.35	-0.15	-0.25	0.95
Hong Kong (HIBOR/1W)	0.10	0.00	0.00	0.00	
Taiwan (TAIBOR/1W)	0.56	0.00	0.00	0.00	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.76	0.00	-0.01	-0.02	
India (MIBOR/7D)	4.61	0.11	1.51	0.61	
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)	1.31	0.13	0.00	-0.38	

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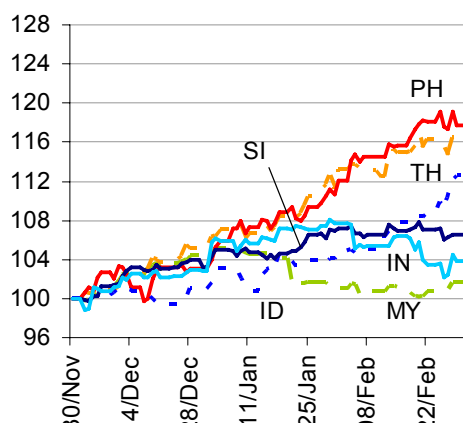
Charts

Chart 1
Stock Markets



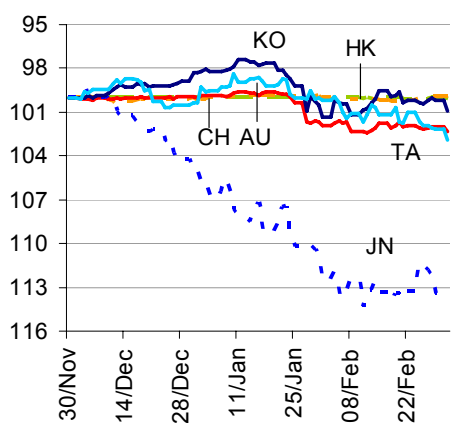
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



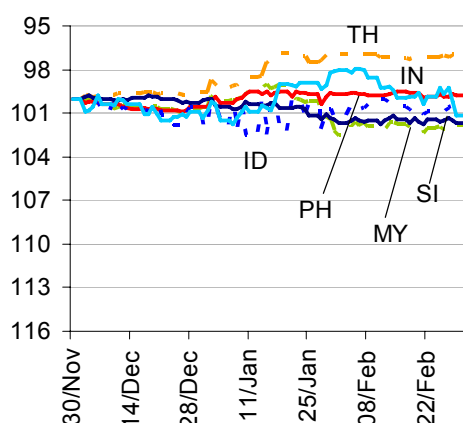
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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