

Daily Flash

Asia

Monetary policy meetings were in focus today. As Europe set its sights on the ECB and Bank of England, here in Asia investors watched the Bank of Japan as outgoing Governor Masaaki Shirakawa held his last policy meeting, in which, as expected, he announced no changes to interest rates or the current asset purchasing program (see below). Meanwhile, Bank Indonesia also kept policy rates on hold, as expected, as did Malaysia (see below). The Nikkei pared gains after the BoJ's decision but still finished higher by 0.3%, while the Chinese and Korean indices were lower by -1.0% and -0.8%, respectively. Tomorrow, the market's focus will be China's February exports, which we expect to rise by 14.5% y/y (see Indicator below).

Bank of Japan keeps policy on hold

Outgoing Governor Masaaki Shirakawa and his board kept the size of its asset purchase program at 101tn yen and the policy rate unchanged at 0-0.1% at the conclusion of its policy meeting today. It did, however, upgrade the outlook for the domestic economy, which it now says "has stopped weakening," as exports and industrial production appear to be stabilizing. Meanwhile, the nomination of Haruhiko Kuroda as the new BoJ Governor is likely to be approved soon; Kuroda has advocated a more aggressive approach to monetary easing, in line with the views of Prime Minister Abe. Expectations are running high that the BoJ may announce additional easing measures at its April meeting, which could include the purchase of longer maturity government bonds (from 3 years at present), buying foreign bonds, and/or bringing forward the open-ended asset purchase program now set to start from 2014.

Bank Indonesia stays the course

As expected, Indonesia's central bank kept interest rates on hold for a 13th straight meeting, at 5.75%. In its statement, BI said the inflation outlook is consistent with the 3.5% - 5.5% target, that the economy continues to perform well despite some signs of cooling investment, and that currency depreciation pressures have subsided. Inflation rose in February to a higher-than-expected 5.3% y/y due to rising food prices and utility tariff adjustments. With growth expected to stay strong on robust domestic demand, risks to the inflation outlook (BBVA: 5.1%) are to the upside.

Weak exports in Taiwan could signal easing external demand

Taiwan's exports declined by 15.8% y/y in February, below market expectations (consensus: -8.1% y/y). However, taking a look at the first two months of 2013 combined, exports rose by 2.0% y/y, indicating that external demand, while weakening, is relatively stable. Intra-regional exports are a growing source of demand, especially from China & Hong Kong (4.3%) and ASEAN (6.9%). Demand from the Europe and US improved, but still remained weak. Recent improvement in business and consumer sentiment should bode well for further economic recovery, albeit at a mild pace.

Briefly noted:

The central bank of Malaysia announced today that it was maintaining its overnight policy rate at 3.0% for an 11th consecutive meeting. Malaysia expanded by 5.6% in 2012, supported by strong domestic consumption and investment activity, while inflation remained modest at 1.7%. The next MPC will be held on May 9th, which is the last meeting before the general election.

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
Retail Sales s.a. (MoM)	05 Mar	Jan	-0.40%	0.40%	0.90%
Gross Domestic Product (YoY)	06 Mar	4Q	3.10%	3.00%	3.10%
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	--	51.2
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%	3.40%
Singapore	Date	Period	Prior	Cons.	Actual
Purchasing Managers Index	04 Mar	Feb	50.2	50.3	49.4
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	1.13%	2.80%	2.97%
Total Exports (YoY)	07 Mar	Feb	21.60%	-8.10%	-15.80%

Calendar Events

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

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	% change				
		Last price	over a day	over a week	Year to date	over 1 Y
	China - Shanghai Comp.	2324.3	-1.0	-1.7	2.4	-2.9
	Hong Kong - Hang Seng	22771.4	0.0	-1.1	0.5	10.4
	Taiwan - Weighted	7960.5	0.1	0.8	3.4	0.7
	Japan - Nikkei 225	11968.1	0.3	3.5	15.1	25.0
	Korea - Kospi	2004.4	-0.8	0.0	0.4	1.1
	India - Sensex 30	19339.0	0.4	2.5	-0.5	12.8
	Australia - SPX/ASX 200	5109.2	-0.1	0.1	9.9	23.3
	Singapore - Strait Times	3295.9	0.1	0.8	4.1	13.1
	Indonesia - Jakarta Comp	4848.3	0.5	1.1	12.3	23.0
	Thailand - SET	1561.3	0.1	1.3	12.2	35.4
	Malaysia - KLCI	1650.9	-0.1	0.8	-2.3	4.8
	Philippines - Manila Comp.	6725.1	-1.6	0.1	15.7	36.7

Last update: today, 17:00 Hong Kong time

FOREIGN EXCHANGE MARKETS	CURRENCY	% change				
		Spot	over a day	over a week	Forward 3-month	Forward 12-month
	China (CNY/USD)	6.22	-0.03	0.03	6.28	6.32
	Hong Kong (HKD/USD)	7.76	-0.01	-0.02	7.75	7.75
	Taiwan (TWD/USD)	29.6	-0.05	-0.01	29.56	29.25
	Japan (JPY/USD)	93.99	0.09	-1.52	93.93	93.63
	Korea (KRW/USD)	1087	-0.41	-0.38	1092	1105
	India (INR/USD)	54.6	0.29	-0.37	55.57	58.05
	Australia (USD/AUD)	1.03	0.35	0.53	0.98	1.00
	Singapore (SGD/USD)	1.25	0.10	-0.71	1.25	1.25
	Indonesia (IDR/USD)	9695	-0.02	-0.27	9779	10136
	Thailand (THB/USD)	29.7	0.20	0.17	29.88	30.21
	Malaysia (MYR/USD)	3.11	-0.10	-0.57	3.13	3.17
	Philippines (PHP/USD)	40.8	-0.09	-0.25	40.73	40.67

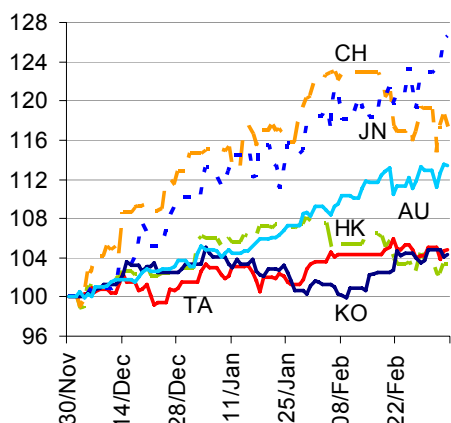
Last update: today, 17:00 Hong Kong time.

INTERBANK RATES	INDEX	net change			
		Rate	over a day	over a week	over a month
	China (SHIBOR/7D)	2.55	-0.45	-1.95	-1.55
	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	0.00	-0.02
	India (MIBOR/7D)	3.01	-0.04	-3.09	-1.44
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.28	0.00	-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)	0.75	-0.13	-0.31	-0.31

Last update: today, 17:00 Hong Kong time

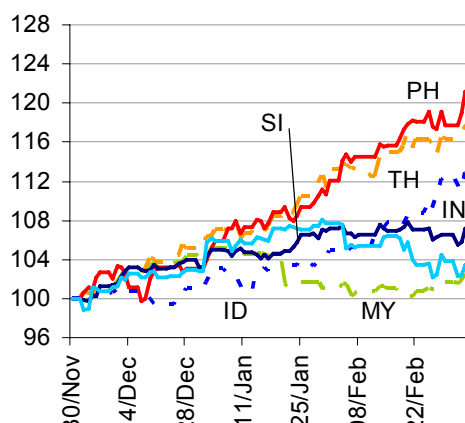
Charts

Chart 1
Stock Markets



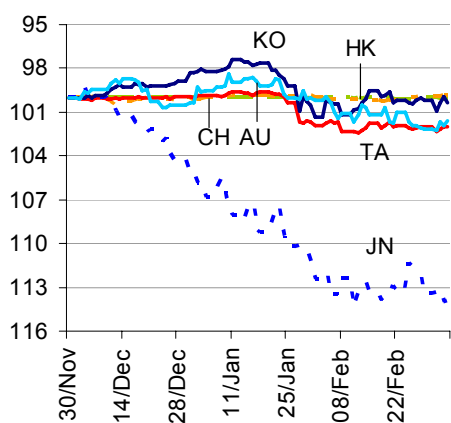
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



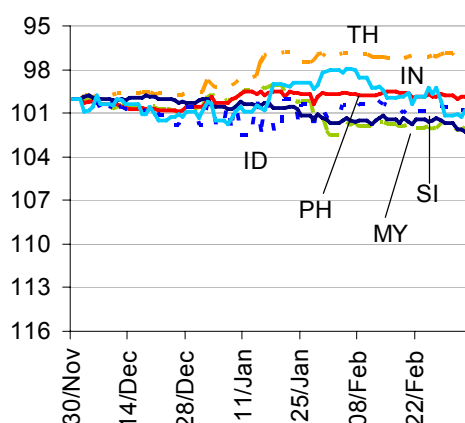
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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.