

# Daily Flash

## Asia

*China's February exports (+21.8% y/y) were a big upside surprise today, boosting sentiment ahead of tomorrow's release of January/February activity indicators (see below and Weekly Indicator). Meanwhile, Japan's 'final' 4Q GDP was revised upward to +0.2%, from an initial estimate of a -0.4% contraction, signaling the end of its recession (see below), and further lifting confidence in "Abenomics." The yen's depreciation continued, breaking through the 95/USD level, while the Nikkei soared again today, by 2.6% (now up 18.2% since the start of the year).*

### China's export rebound points to improving external demand

February exports rose by a much stronger-than-expected 21.8% y/y (consensus: 8.1% y/y; BBVA: 14.5% y/y), with improvements across the board geographically. Exports to the US and EU (which together account for around 35% of total exports), rose by 16% y/y and 17% y/y respectively, while exports to ASEAN countries (accounting for 10% of total exports) surged by 28.0% y/y. On the other hand, imports decreased by -15.2% y/y (consensus: -8.5% y/y; BBVA: -7.5% y/y), bringing the trade surplus to 15.2bn USD in February (consensus: -6.9bn; BBVA: -3.9bn). Despite the unexpected surge, we remain cautious about the external outlook – February export outturns in Korea and Taiwan were disappointing - and we forecast yearly growth of 10% in 2013, only slightly higher than 8% in 2012.

### Japan's Q4 GDP revised upward, indicating an exit from recession

Fourth quarter GDP was revised upward to 0.2% q/q, saar compared to the preliminary estimate of -0.4%, ending Japan's technical recession after the previous two quarters' negative growth. Private consumption and public investment led the pickup. Today's data also showed that Japan recorded a third straight current account deficit of -¥364.8B (Prior: -¥264.1B, Consensus: -¥611.5B) as exports have yet to see a boost from the weakening yen. Yesterday, the Bank of Japan upgraded its economic outlook; we expect a further gradual increase in growth momentum as the easing policy stance boosts demand.

### China to ease restrictions on capital inflows through RQFII program

As reported in today's *Financial Times*, China's securities regulator (CSRC) announced late yesterday an easing of investment restrictions for the pilot RQFII (RMB Qualified Foreign Institutional Investors) program, which allows investment of offshore RMB funds in the domestic capital market, the latest step in China's gradual capital account liberalization process. In particular, effective immediately more financial institutions based in Hong Kong will be allowed to invest in Mainland capital markets including subsidiaries of Chinese commercial banks and insurance companies. Furthermore restrictions on portfolio allocations for RQFII participants will also be eased, allowing qualified institutional investors more choices for investment products, including stocks, listed options, index futures and bonds in the onshore interbank market. However, the new regulations also capped the share of any single foreign investor in each Chinese stock at 10%, with maximum ownership of different foreign investors at 30%.

### Briefly noted:

China and Singapore announced a doubling in the size of their currency swap agreement, to RMB 300bn, effective immediately.

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## 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%	8.10%	21.80%
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%	0.20%
Current Account Total	08 Mar	Jan	-¥264.1B	-¥611.5B	-¥364.8B
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

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

## Indicator of the Week

### China: February Industrial Production (ytd) (March 9<sup>th</sup>)

Forecast: 10.5% y/y

Consensus: 10.3% y/y

Prior: 10.3% y/y

An important set of activity indicators for January and February will be released tomorrow, March 9, including industrial production, retail sales, and inflation. The release of combined data for January and February is aimed at eliminating distortions from the Chinese New Year, which occurred in February this year (with a reduced number of working days) versus January last year. The data will be closely watched as a gauge of the momentum of the ongoing pickup in growth, especially after disappointing PMI figures in February (50.1 for the official index). With policy settings remaining growth supportive, and with external demand improving, especially after February exports (released on March 8) surprised to the upside (21.8% y/y vs. consensus: 8.1% y/y; BBVA: 14.5% y/y), we expect industrial production to have continued to trend up in January and February.

## Upcoming Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Unemployment Rate	14 Mar	Feb	5.40%	5.50%	--
China	Date	Period	Prior	Cons.	Actual
Retail Sales (YoY)	09 Mar	Feb	15.20%	15.20%	--
Industrial Production (YoY)	09 Mar	Feb	10.30%	10.30%	--
Consumer Price Index (YoY)	09 Mar	Feb	2.00%	3.00%	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Industrial Production (YoY)	14 Mar	4Q	-0.10%	--	--
Composite Interest Rate	15-19 MAR	Feb	0.28%	--	--
India	Date	Period	Prior	Cons.	Actual
Industrial Production YoY	12 Mar	Jan	-0.60%	--	--
Wholesale Prices YoY%	14 Mar	Feb	6.62%	--	--
Exports YoY%	11-15 MAR	Feb	0.80%	--	--
Japan	Date	Period	Prior	Cons.	Actual
Tertiary Industry Index (MoM)	12 Mar	Jan	1.40%	-0.20%	--
Industrial Production YOY%	14 Mar	Jan F	-5.10%	--	--
Malaysia	Date	Period	Prior	Cons.	Actual
Exports YoY%	11 Mar	Jan	-5.80%	1.50%	--
Industrial Production YoY	11 Mar	Jan	3.70%	5.50%	--
Philippines	Date	Period	Prior	Cons.	Actual
Total Exports (YoY)	12 Mar	Jan	16.50%	5.70%	--
Unemployment Rate	13 Mar	Jan	6.80%	--	--
Overseas Remittances (YoY)	15 Mar	Jan	9.70%	10.60%	--
Singapore	Date	Period	Prior	Cons.	Actual
Retail Sales (YoY)	15 Mar	Jan	-1.50%	--	--
Unemployment Rate (sa)	15 Mar	4Q F	1.80%	--	--
Korea	Date	Period	Prior	Cons.	Actual
Unemployment Rate (SA)	13 Mar	Feb	3.20%	3.20%	--

## Upcoming Calendar Events

<b>Philippines - Overnight Borrowing Rate, Mar 14</b> We expect the benchmark rate to remain unchanged	<b>Current</b> 3.50%	<b>Cons.</b> 3.50%	<b>New</b> --
<b>South Korea - 7-day Repo Rate, Mar 14</b> We expect the benchmark rate to remain unchanged	<b>Current</b> 2.75%	<b>Cons.</b> 2.75%	<b>New</b> --

## 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.	2318.6	-0.2	-1.7	2.2	-4.2
Hong Kong - Hang Seng	23092.0	1.4	0.9	1.9	10.5	
Taiwan - Weighted	8015.1	0.7	0.6	4.1	0.4	
Japan - Nikkei 225	12283.6	2.6	5.8	18.2	25.7	
Korea - Kospi	2006.0	0.1	-1.0	0.4	0.3	
India - Sensex 30	19647.5	1.2	3.9	1.1	14.6	
Australia - SPX/ASX 200	5123.4	0.3	0.7	10.2	22.8	
Singapore - Strait Times	3292.0	-0.2	0.7	3.9	10.8	
Indonesia - Jakarta Comp	4874.5	0.5	1.3	12.9	22.9	
Thailand - SET	1568.1	0.5	1.9	12.7	34.2	
Malaysia - KLCI	1654.0	0.2	1.0	-2.1	4.8	
Philippines - Manila Comp.	6833.8	1.6	2.9	17.6	37.9	

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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)	6.22	0.06	0.11	6.28	6.31
Hong Kong (HKD/USD)	7.76	-0.01	-0.03	7.75	7.75	
Taiwan (TWD/USD)	29.7	-0.08	-0.10	29.58	29.38	
Japan (JPY/USD)	95.58	-0.80	-2.08	95.52	95.21	
Korea (KRW/USD)	1090	-0.31	-0.54	1096	1109	
India (INR/USD)	54.3	0.41	1.04	55.36	57.83	
Australia (USD/AUD)	1.03	-0.05	0.59	0.98	1.00	
Singapore (SGD/USD)	1.25	-0.10	-0.42	1.25	1.24	
Indonesia (IDR/USD)	9685	0.10	-0.03	9760	10120	
Thailand (THB/USD)	29.8	-0.10	0.00	29.92	30.27	
Malaysia (MYR/USD)	3.11	0.06	-0.31	3.12	3.17	
Philippines (PHP/USD)	40.7	0.21	0.03	40.64	40.58	

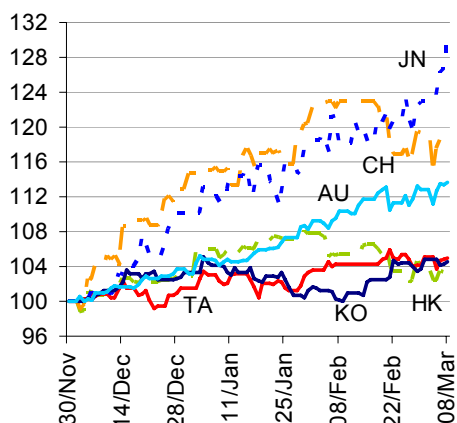
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	2.50	-0.05	-2.00	-1.15
Hong Kong (HIBOR/1W)	0.10	0.00	0.00	0.00	
Taiwan (TAIBOR/1W)	0.56	-0.01	-0.01	-0.01	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.76	0.00	0.00	-0.01	
India (MIBOR/7D)	2.48	-0.53	-2.02	-1.52	
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)	1.13	0.38	-0.06	-0.06	

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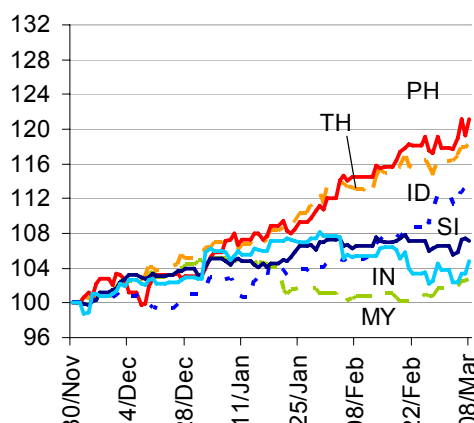
# Charts

Chart 1  
Stock Markets



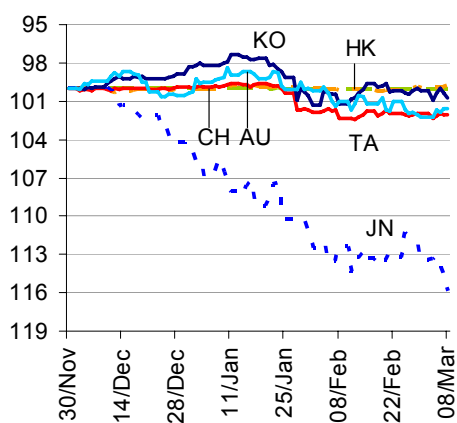
Source: BBVA Research and Bloomberg

Chart 2  
Stock Markets



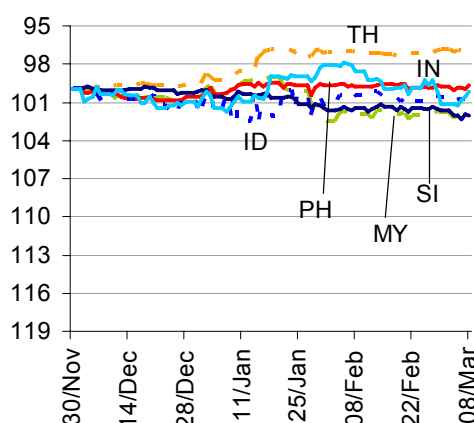
Source: BBVA Research and Bloomberg

Chart 3  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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