

# Daily Flash

## Asia

*China's National People's Congress formally announced the election of Xi Jinping as its newest president today, as expected, and Li Yuanchao was named vice-president (Mr. Li was the head of the Organization Department of the CPC Central Committee between 2007 and 2012). The Shanghai Composite and Hang Seng index were both up 0.3% despite recent pessimism regarding curbs on the property market. Elsewhere, the Nikkei rose by 1.2% after PM Shinzo Abe's nomination of the BoJ's next governor was approved by the lower house (see below). Australian shares, however, slid by -1.2%, after better-than-expected new jobs data, perversely, lowered the likelihood of further interest rate cuts (also see below). The Bank of Korea left rates on hold at its policy meeting today.*

### China tightens reins on local government financing vehicles

It was widely reported today in the news media that the China Banking Regulatory Commission (CBRC) will implement new measures to control banks' exposure to local government financing vehicles (LGFVs). In this regard, the CBRC circulated draft guidelines for consultation. Key elements include: i) requiring banks to report their aggregate exposure to LGFVs; ii) forbidding banks from providing guarantees for LGFV bond issuance; iii) limiting banks' purchases of LGFV bonds; and iv) instructing banks to keep the level of LGFV loans below the 2011 level, and the share of LGFV loans to total loans below its 2012 level.

### Bank of Korea leaves policy rate on hold

Korea's central bank announced that it was leaving interest rates on hold at 2.75% for a fifth straight month today. In its statement, the BoK said it 'expects the global economy to sustain its modest recovery going forward,' but that downside risks have not yet lifted. We were expecting a rate cut either this month or next, as the economy has remained sluggish, and low inflation has left room for policy support following the inauguration of Park Guen-hye as President in February.

### India WPI inflation inches up, but core eases, leaving room for a rate cut

India's February WPI inflation edged up to 6.8% y/y from 6.6% in January (consensus and BBVA: 6.6% y/y), driven by upward adjustments to administered fuel prices and sticky food price inflation. Reassuringly, however, core inflation eased for the sixth successive month to 3.8% y/y, from 4.1% previously. Looking ahead, we expect core inflation to remain benign, which should provide room for the RBI to stimulate flagging growth through further policy rate easing. We anticipate a 25bps cut in the repo rate (to 7.5%) and the cash reserve ratio (to 3.75%) at the RBI's March 19th policy meeting in light of decelerating growth.

### Japan IP weak; presumed next BoJ Governor passes lower house vote

January industrial production growth was revised down to 0.3% m/m sa from 1%, underlining Japan's weak economy. Also today, the Bank of Japan's presumed next Governor, Haruhiko Kuroda, along with the two nominees for deputy governor, Kikuo Iwata and Hiroshi Nakaso, were approved by the lower house, so their nomination will now move to the upper house, which votes tomorrow.

### Australia jobs data lower likelihood of further rate cuts

Australia announced a better-than-expected 72k new jobs in February (consensus: 10k), as full-time jobs increased 18k and part-time jobs rose by 54k, resulting in a flat 5.4% unemployment rate after factoring in an increase in the participation rate. The upbeat employment data underscores the economic resilience of Australia - which grew by 3.6% in 2012 - and lowers the likelihood of further rate cuts in the near term.

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With contributions from the BBVA Research Asia Team

## Calendar Indicators

<b>Australia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Unemployment Rate	14 Mar	Feb	5.40%	5.50%	5.40%
<b>China</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Retail Sales (YoY)	09 Mar	Feb	14.30%	15.00%	12.30%
Industrial Production YTD	09 Mar	Feb	10.00%	10.60%	9.90%
Consumer Price Index (YoY)	09 Mar	Feb	2.00%	3.00%	3.20%
Money Supply-M2	10 Mar	Feb	15.90%	14.90%	15.20%
<b>Hong Kong</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Industrial Production (YoY)	14 Mar	4Q	-0.10%	--	1.30%
<b>India</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Exports YoY%	11 Mar	Feb	-2.10%	--	4.20%
Industrial Production YoY	12 Mar	Jan	-0.50%	1.30%	2.40%
Wholesale Prices YoY%	14 Mar	Feb	6.62%	6.60%	6.84%
<b>Japan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Tertiary Industry Index (MoM)	12 Mar	Jan	1.10%	-0.20%	-1.10%
Industrial Production YOY%	14 Mar	Jan F	-5.10%	--	-5.80%
<b>Malaysia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Exports YoY%	11 Mar	Jan	-5.80%	1.60%	3.50%
Industrial Production YoY	11 Mar	Jan	3.50%	5.60%	4.60%
<b>Philippines</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Total Exports (YoY)	12 Mar	Jan	16.50%	6.00%	-2.70%
Unemployment Rate	15 Mar	Jan	6.80%	--	--
Overseas Remittances (YoY)	15 Mar	Jan	9.70%	10.10%	--
<b>Singapore</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Retail Sales (YoY)	15 Mar	Jan	-1.50%	0.50%	--
Unemployment Rate (sa)	15 Mar	4Q F	1.80%	--	--
<b>Korea</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Unemployment Rate (SA)	13 Mar	Feb	3.20%	3.20%	3.50%

## Calendar Events

**Philippines - Overnight Borrowing Rate, Mar 14**  
We expect the benchmark rate to remain unchanged

<b>Current</b>	<b>Cons.</b>	<b>New</b>
3.50%	3.50%	3.50%

**South Korea - 7-day Repo Rate, Mar 14**  
We expect the benchmark rate to be cut by 25bps

<b>Current</b>	<b>Cons.</b>	<b>New</b>
2.75%	2.50%	2.75%

# 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.	2270.3	0.3	-2.3	0.1	-5.1
	Hong Kong - Hang Seng	22619.2	0.3	-0.7	-0.2	6.2
	Taiwan - Weighted	7951.8	-0.5	-0.1	3.3	-2.1
	Japan - Nikkei 225	12381.2	1.2	3.5	19.1	23.2
	Korea - Kospi	2002.1	0.1	-0.1	0.3	-2.1
	India - Sensex 30	19556.6	1.0	0.7	0.7	9.1
	Australia - SPX/ASX 200	5032.2	-1.2	-1.5	8.2	17.4
	Singapore - Strait Times	3285.5	-0.1	-0.4	3.7	8.6
	Indonesia - Jakarta Comp	4786.4	-1.0	-0.8	10.9	18.1
	Thailand - SET	1580.6	0.1	1.3	13.6	35.7
	Malaysia - KLCI	1640.7	-0.3	-0.6	-2.9	4.1
	Philippines - Manila Comp.	6694.7	-1.2	-0.5	15.2	32.5

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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	-0.03	0.07	6.28	6.31
	Hong Kong (HKD/USD)	7.76	0.02	-0.01	7.75	7.75
	Taiwan (TWD/USD)	29.7	-0.10	-0.24	29.63	29.34
	Japan (JPY/USD)	96.41	-0.29	-1.65	96.35	96.04
	Korea (KRW/USD)	1109	-1.05	-1.99	1112	1126
	India (INR/USD)	54.2	0.14	0.62	55.24	57.70
	Australia (USD/AUD)	1.03	0.50	0.79	0.97	0.99
	Singapore (SGD/USD)	1.25	-0.03	-0.42	1.25	1.25
	Indonesia (IDR/USD)	9700	-0.11	-0.05	9783	10153
	Thailand (THB/USD)	29.6	0.00	0.34	29.76	30.14
	Malaysia (MYR/USD)	3.11	-0.09	-0.09	3.13	3.17
	Philippines (PHP/USD)	40.6	-0.12	0.38	40.54	40.48

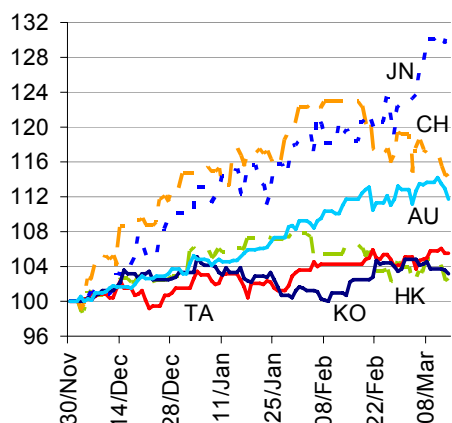
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.09	0.05	0.59	-0.56
	Hong Kong (HIBOR/1W)	0.10	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.55	0.00	0.00	-0.01
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	2.76	0.00	0.00	-0.01
	India (MIBOR/7D)	3.58	0.54	0.57	-0.42
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	4.28	0.00	0.00	0.00
	Thailand (BIBOR/1W)	2.77	0.00	0.00	0.00
	Malaysia (KLIBOR/1W)	2.90	0.00	0.00	0.00
	Philippines (PHIBOR/1W)	0.88	-0.06	0.13	0.00

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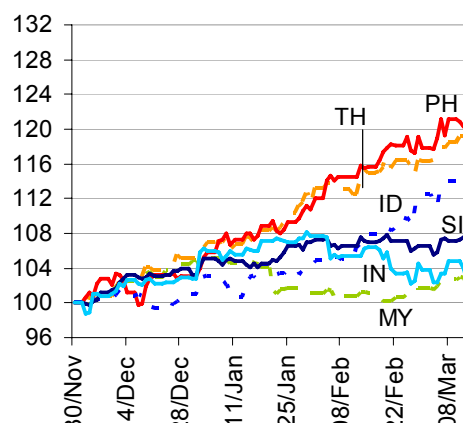
# Charts

Chart 1  
Stock Markets



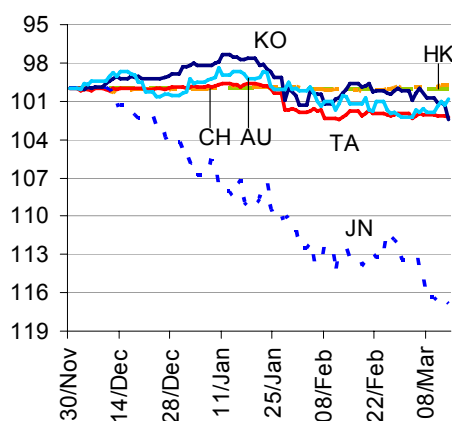
Source: BBVA Research and Bloomberg

Chart 2  
Stock Markets



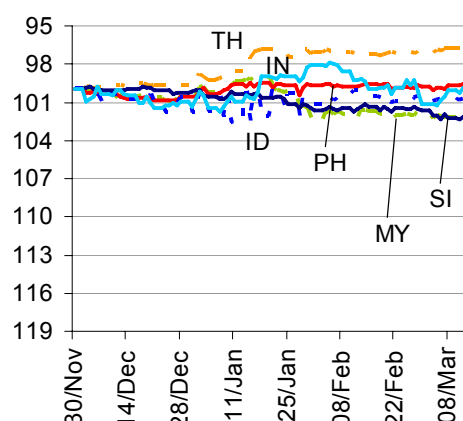
Source: BBVA Research and Bloomberg

Chart 3  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4  
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Source: BBVA Research and Bloomberg

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