

Daily Flash

Asia

Market sentiment improved today as worries over the fallout of the proposed Cyprus deposit levy receded somewhat. Regional stock markets recovered some of yesterday's losses, as Japan's Nikkei rebounded by 2.0%, followed by the Shanghai Composite (+0.8%) and Korean Kospi (+0.5%). Meanwhile, the region's central banks were in the news today, dominated by a changing of the guard at the Bank of Japan, as Masaaki Shirakawa stepped down today as scheduled, paving the way for newly appointed Governor Haruhiko Kuroda, and raising hopes of further monetary easing at the BoJ's next meeting on April 3-4. Elsewhere, the Reserve Bank of India cut interest rates, as expected, although market sentiment remained weak due to turbulent political developments (see below). And finally, the Reserve Bank of Australia's February policy minutes were released, although they contained little in the way of new perspectives on the RBA's outlook (we expect no further interest rate cuts; see below).

RBI cuts rates, but cautious stance and politics keep sentiment weak

As anticipated, the Reserve bank of India (RBI) cut its benchmark repo rate by 25 bps to 7.5% (for details see [India Flash](#)). Today's move follows a 25 bps cut at the RBI's last policy meeting in January as inflationary pressures abate and the government executes much-needed fiscal reforms. The accompanying policy statement struck a cautious tone, however, hinging further policy easing on favorable inflation and current account dynamics, noting that the, "headroom for further cuts remains quite limited". Combined with political turmoil brought about by the withdrawal of a minority political party of its support for the ruling coalition, the statement kept sentiment weak, with the Sensex fall by 1.5%.

China targets completion of interest rate and exchange rate reforms

Local news media are reporting that PBoC Deputy Governor Liu Shiyu has outlined a roadmap of financial reforms for the next ten years. Highlights include: i) interest rate and exchange rate liberalization to be completed within 10 years (in the absence of external shocks), including enhancement of RMB convertibility and capital account opening; ii) further opening of the banking sector to domestic and foreign investors; and iii) development of the capital market.

China FDI inflows beat expectations

FDI inflows for February surprised to the upside at 6.3% y/y (consensus: -4.8%), marking the first year-over-year increase since Jun 2012. Together with the outturn in January, the FDI inflow of the first two months declined by -1.3% y/y, indicating a modest stabilization. Investment from the EU increased notably (34% y/y) during Jan-Feb while the investment from US (-5.4%) and Japan (-6.7%) remained weak. At the same time, FDI outflows more than doubled in January/February over the previous year's period.

Briefly Noted:

Reserve Bank of Australia minutes were in line with the March monetary policy statement when the benchmark rate was kept on hold at 3.00%. The minutes emphasize the RBA's view of an improving global outlook, and its decision to keep rates on hold as it waits for the easing of the past year to work through the economy, while leaving the door open to further rate cuts if needed. The AUD/USD was little changed, at 1.04.

Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Actual FDI (YoY)	19 Mar	Mar	-7.30%	-4.80%	6.30%
HSBC Flash Manufacturing PMI	21 Mar	Mar	50.4	50.9	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Unemployment Rate SA	18 Mar	Feb	3.40%	3.40%	3.40%
Composite Interest Rate	19 MAR	Feb	0.28%	--	0.25%
CPI - Composite Index (YoY)	21 Mar	Feb	3.00%	4.00%	--
Japan	Date	Period	Prior	Cons.	Actual
Merchnds Trade Exports YoY	21 Mar	Feb	6.40%	-1.20%	--
Malaysia	Date	Period	Prior	Cons.	Actual
CPI YoY	20 Mar	Feb	1.30%	1.50%	--
Singapore	Date	Period	Prior	Cons.	Actual
Non-oil Domestic Exports (YoY)	18 Mar	Feb	0.40%	-16.00%	-30.60%
Taiwan	Date	Period	Prior	Cons.	Actual
Export Orders (YoY)	20 Mar	Feb	18.00%	-3.00%	--
Unemployment Rate - sa	22 Mar	Feb	4.20%	4.20%	--

Calendar Events

India - REPO Cutoff Yield, Mar 19

We expect a 25 bps cut in the benchmark rate

Current	Cons.	New
7.75%	7.50%	7.50%

India - Cash Reserve Ratio, Mar 19

We expect a 25 bps cut in the benchmark rate

Current	Cons.	New
4.00%	4.00%	4.00%

Indicator of the Week

Taiwan: February Export Orders (March 20th)

Forecast: -3.40% y/y

Consensus: -3.00% y/y

Prior: 18.0% y/y

Taiwan's export orders are closely watched as a leading indicator of regional export trends given the economy's position in the global supply chain. Recent exports outturns in Asia have been mixed, with China's exports for the first two month of the year surprising to the upside, against disappointing readings from Korea and Taiwan. Against t this backdrop, the export orders data will be watched to gauge the strength of external demand, which appears to be improving. Export orders have risen on a year-over-year basis for five consecutive months; however, we expect a small decline in February due to the Chinese New Year timing distortion, which resulted in fewer working days in February. If our forecast proves correct, it would still bring the combined outturn for January/February to around 7% y/y compared to 3.1% y/y in the H2 2012, underscoring a modest recovery of external demand 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.	2257.4	0.8	-1.3	-0.5	-6.3
Hong Kong - Hang Seng	22041.9	-0.2	-3.7	-2.7	4.4	
Taiwan - Weighted	7838.5	0.3	-2.0	1.8	-2.6	
Japan - Nikkei 225	12468.2	2.0	1.2	19.9	22.9	
Korea - Kospi	1978.6	0.5	-0.7	-0.9	-3.3	
India - Sensex 30	18972.1	-1.7	-3.0	-2.3	9.8	
Australia - SPX/ASX 200	4987.4	-0.6	-2.5	7.3	16.2	
Singapore - Strait Times	3269.1	0.4	-1.0	3.2	9.3	
Indonesia - Jakarta Comp	4822.6	0.4	-0.7	11.7	19.8	
Thailand - SET	1569.1	-1.4	-0.5	12.7	31.9	
Malaysia - KLCI	1625.5	0.3	-1.9	-3.8	3.3	
Philippines - Manila Comp.	6426.3	-1.7	-5.3	10.6	25.3	

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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)	6.22	-0.02	0.01	6.28	6.31
Hong Kong (HKD/USD)	7.76	0.02	-0.05	7.76	7.75	
Taiwan (TWD/USD)	29.8	-0.06	-0.29	29.69	29.39	
Japan (JPY/USD)	95.42	-0.22	0.69	95.36	95.03	
Korea (KRW/USD)	1111	0.31	-1.44	1118	1131	
India (INR/USD)	54.4	-0.46	-0.43	55.47	58.00	
Australia (USD/AUD)	1.04	-0.37	0.39	0.97	0.99	
Singapore (SGD/USD)	1.25	-0.09	-0.32	1.25	1.25	
Indonesia (IDR/USD)	9720	-0.05	-0.28	9817	10200	
Thailand (THB/USD)	29.4	0.55	0.78	29.48	29.83	
Malaysia (MYR/USD)	3.12	0.26	-0.41	3.14	3.18	
Philippines (PHP/USD)	40.7	-0.11	-0.21	40.64	40.59	

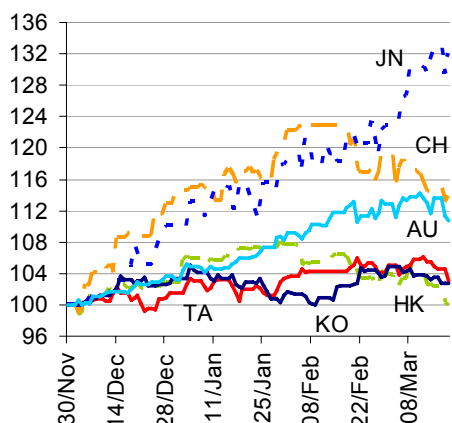
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.00	-0.10	-0.09	0.05
Hong Kong (HIBOR/1W)	0.10	0.00	0.00	0.00	
Taiwan (TAIBOR/1W)	0.55	0.00	0.00	-0.01	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.76	0.00	0.00	-0.01	
India (MIBOR/7D)	2.97	-0.11	-0.20	0.00	
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	0.00	-0.06	-0.25	

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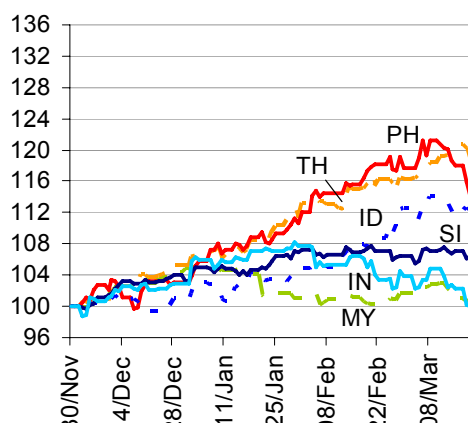
Charts

Chart 1
Stock Markets



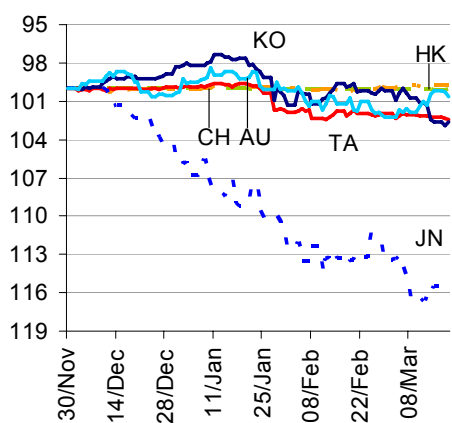
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



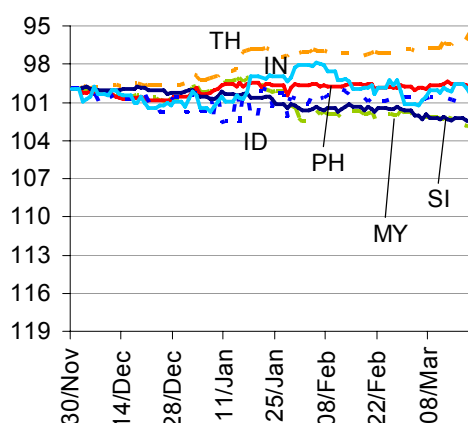
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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

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