

Daily Flash

Asia

Speaking at his first press conference as Bank of Japan's new Governor late yesterday (after the market close), Haruhiko Kuroda seems to have disappointed investors by stopping short of announcing specifics of his plans for more aggressive monetary easing. The Nikkei slumped by -2.4% today, and the yen rose in value to 94.5 per USD. But markets were easy to disappoint, as they have been positioned for more aggressive easing for some time, and Kuroda left no uncertainty about his commitment to "do whatever it takes" to achieve the BoJ's 2% inflation target. Elsewhere, Thailand's SET index plunged by -3.3% on a proposed increase in margin requirements (from 15% to 20%). The focus next week will be on indicators in Japan (retail sales, PMI, CPI and employment) and Singapore March inflation, prior to the MAS' policy meeting in April (see Weekly Indicator below).

HKMA's financial stability report flagging property market risk

The Hong Kong Monetary Authority (HKMA) issued its latest Half-Yearly Monetary and Financial Stability Report. The report reviews recent developments in the Hong Kong Dollar market, in which strong inflows Q4 2012 prompted the HKMA to intervene repeatedly last year to maintain the exchange rate within the 7.75-7.85 band against the USD. The report notes that the market has functioned well, signalling continued credibility of the Linked Exchange Rate system (which has come under pressure in the recent past on expectations of a possible revaluation or change in the currency composition of the peg). The report also emphasized stability in the banking sector on favourable liquidity conditions and a healthy slowdown in the pace of credit growth. However, as in the past, the HKMA highlighted risks from soaring property prices, which prompted the HKMA last month to implement a new round of property tightening measures, including higher capital requirements for mortgage loans. In response, some banks have raised mortgage rates in the past couple of weeks.

Korea: new Finance Minister set to boost economy?

Media reports indicate that Korea's new President Park Geun-hye will name Hyun Oh Seok as Finance Minister – a move that may result in additional fiscal stimulus measures. Such measures are likely to focus on stimulating consumption and infrastructure spending. We expect Korea's economy to grow by 2.7% this year, compared to 2.0% in 2012.

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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	50.8	51.7
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%	4.40%
Japan	Date	Period	Prior	Cons.	Actual
Merchnds Trade Exports YoY	21 Mar	Feb	6.40%	-1.70%	-2.90%
Malaysia	Date	Period	Prior	Cons.	Actual
CPI YoY	20 Mar	Feb	1.30%	1.50%	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%	-14.50%
Unemployment Rate - sa	22 Mar	Feb	4.20%	4.20%	4.16%

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

Singapore: February CPI (March 25th)

Forecast: 3.9% y/y

Consensus: 4.0% y/y

Prior: 3.6% y/y

Singapore's March inflation outturn will be a key input at the next 6-monthly policy meeting of the Monetary Authority of Singapore (MAS) in mid-April. Inflation has moderated recently amidst slowing growth momentum and falling food prices, after remaining stubbornly high throughout 2012, averaging 4.5%. At its last policy meeting in October, the MAS kept monetary policy on hold due to inflation pressures despite sharply slower growth, which ended up at 1.3% in 2012 down from 4.9% in 2011. It did so by maintaining the slope, width, and midpoint of the exchange rate band -- the MAS uses an undisclosed exchange rate band as its monetary policy instrument. The MAS last changed policy in April 2012 when it tightened by increasing the appreciation slope. We expect the MAS to stay on hold in April by maintaining a gradual appreciation path, to help contain inflation to within the MAS forecast range of 3.5%-4.5% amidst an expected global pickup.

Upcoming Calendar Indicators

Hong Kong	Date	Period	Prior	Cons.	Actual
Exports YoY%	26 Mar	Feb	17.60%	5.80%	--
India	Date	Period	Prior	Cons.	Actual
Current Account Balance	28 Mar	4Q	-\$22.31B	--	--
Japan	Date	Period	Prior	Cons.	Actual
Retail Trade YoY	28 Mar	Feb	-1.10%	-1.30%	--
Markit/JMMA Manufacturing PMI	29 Mar	Mar	48.5	--	--
Jobless Rate	29 Mar	Feb	4.20%	4.20%	--
Natl CPI YoY	29 Mar	Feb	-0.30%	-0.70%	--
Tokyo CPI YoY	29 Mar	Mar	-0.90%	-0.90%	--
Industrial Production YOY%	29 Mar	Feb P	-5.80%	-8.50%	--
Singapore	Date	Period	Prior	Cons.	Actual
CPI (YoY)	25 Mar	Feb	3.60%	4.10%	--
Industrial Production YoY	26 Mar	Feb	-0.40%	-7.0%	--
South Korea	Date	Period	Prior	Cons.	Actual
GDP (YoY)	26 Mar	4Q F	1.50%	--	--
Industrial Production (YoY)	29 Mar	Feb	7.30%	-5.30%	--
Taiwan	Date	Period	Prior	Cons.	Actual
Industrial Production (YoY)	25 Mar	Feb	19.17%	-9.55%	--
Thailand	Date	Period	Prior	Cons.	Actual
Customs Exports (YoY)	26-27 MAR	Feb	16.09%	--	--
Vietnam	Date	Period	Prior	Cons.	Actual
CPI (YoY)	24 Mar	Mar	7.02%	--	--
Exports YTD (YoY)	25-31 MAR	Mar	23.90%	--	--
Retail Sales YTD (YoY)	25-31 MAR	Mar	10.90%	--	--
Industrial Production Index YoY	25-31 MAR	Mar	-10.10%	--	--
GDP Constant Prices YTD (YoY)	25-31 MAR	1Q	5.00%	--	--

Upcoming Calendar Events

Taiwan - Benchmark Interest Rate, Mar 28

We expect the benchmark rate to remain unchanged

Current
1.875%

Cons.
1.875%

New
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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.	2328.3	0.2	2.2	2.6	-2.0
Hong Kong - Hang Seng	22115.3	-0.5	-1.9	-2.4	5.8	
Taiwan - Weighted	7796.2	-0.2	-1.7	1.3	-3.3	
Japan - Nikkei 225	12338.5	-2.4	-0.3	18.7	21.8	
Korea - Kospi	1948.7	-0.1	-1.9	-2.4	-3.8	
India - Sensex 30	18738.8	-0.3	-3.5	-3.5	9.0	
Australia - SPX/ASX 200	4967.3	0.2	-3.0	6.8	16.2	
Singapore - Strait Times	3258.6	-0.3	-0.8	2.9	9.4	
Indonesia - Jakarta Comp	4723.2	-1.7	-2.0	9.4	16.9	
Thailand - SET	1482.7	-3.1	-7.2	6.5	24.5	
Malaysia - KLCI	1626.9	-0.2	0.0	-3.7	2.8	
Philippines - Manila Comp.	6518.7	0.7	-2.0	12.1	29.2	

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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)	6.21	0.03	0.08	6.28	6.31
Hong Kong (HKD/USD)	7.76	0.00	0.00	7.76	7.75	
Taiwan (TWD/USD)	29.9	-0.27	-0.60	29.85	29.55	
Japan (JPY/USD)	94.41	0.52	0.92	94.35	94.01	
Korea (KRW/USD)	1119	-0.30	-0.74	1126	1138	
India (INR/USD)	54.3	-0.10	-0.57	55.43	57.95	
Australia (USD/AUD)	1.04	-0.03	0.27	0.96	0.98	
Singapore (SGD/USD)	1.25	-0.05	-0.22	1.25	1.25	
Indonesia (IDR/USD)	9777	-0.23	-0.73	9904	10313	
Thailand (THB/USD)	29.3	-0.38	0.85	29.43	29.78	
Malaysia (MYR/USD)	3.11	0.29	0.37	3.13	3.17	
Philippines (PHP/USD)	40.9	-0.34	-0.60	40.82	40.76	

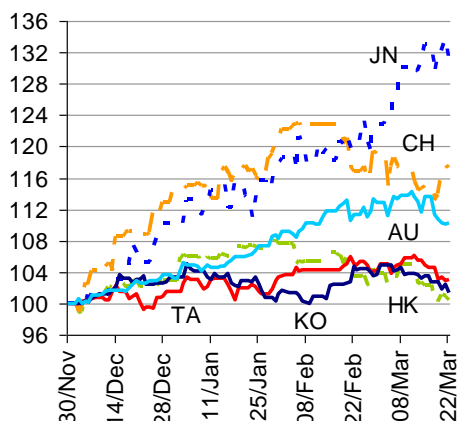
Last update: today, 17:00 Hong Kong time.

INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.00	0.00	-0.40	-0.10
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)	2.75	0.00	-0.01	-0.02	
India (MIBOR/7D)	2.97	-0.09	-0.40	-0.13	
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)	0.81	0.13	0.25	-0.44	

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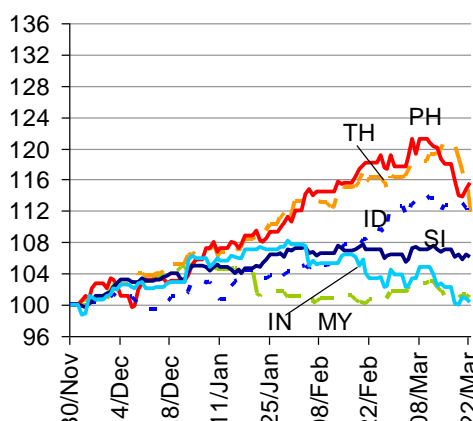
Charts

Chart 1
Stock Markets



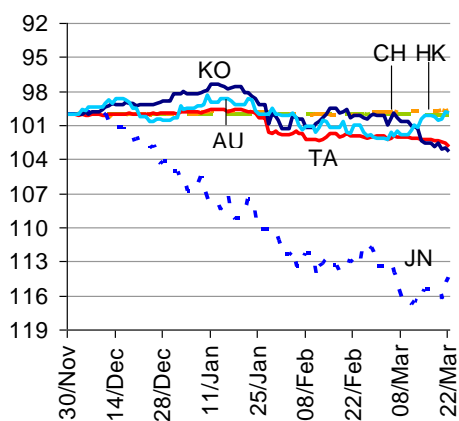
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



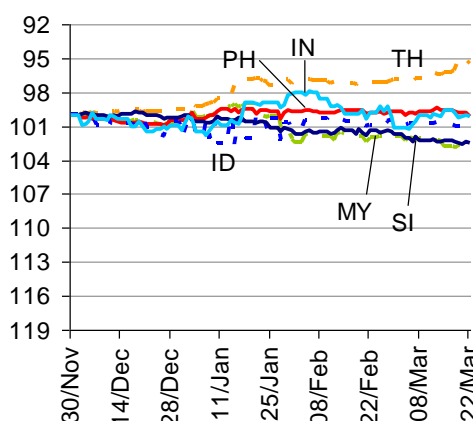
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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