

Daily Flash

Asia

The Philippines today became the latest economy in Asia to receive a sovereign ratings upgrade, reaching investment grade by Fitch (see below). The Philippines stock market rallied by +2.7% and the peso appreciated by around 0.5% to 40.8 per USD. For tomorrow – the last day ahead of a holiday on Friday through much of the region, we await Japan's retail trade in February and Taiwan's monetary policy meeting (no change expected).

The Philippines achieves investment grade by Fitch

The Philippines' sovereign rating was upgraded by one notch to investment grade (BBB-) today. Fitch is the first of the major rating agencies to upgrade the Philippines to coveted investment grade status. The agency cited a persistent current account surplus and strong net external creditor position, the economy's growth resilience over the past five years, and improvements in governance and fiscal management. The economy grew by 6.6% in 2012, surpassing neighbouring Indonesia's 6.2%. For its part, Indonesia reached investment grade status in late 2011 and early 2012 by Fitch and Moody's, although S&P has maintained its rating at one notch below investment grade. We expect the Philippines growth momentum to be sustained in 2013, supported by strong domestic demand, with overall growth of around 6.0% for the year.

China cuts fuel prices and makes price-setting revisions

China's National Development and Reform Commission (NDRC) yesterday cut gasoline prices by RMB 310 per ton and diesel prices by RMB 300/ton. More importantly, the NDRC announced a more flexible pricing mechanism in relation to international prices. The steps are in line with ongoing economic liberalization measures (see below)

China's new premier urges more reforms

In a State Council meeting today, new Premier Li Keqiang was reported to have urged reforms to accelerate the upgrading and restructuring of industries, in order to resolve over-capacity issues. Li also reportedly urged more progress in tax reforms, as well as further measures to liberalize interest rates and exchange rate, and to develop domestic capital markets. The statements are the latest evidence of efforts by the new leadership to continue economic reforms.

Briefly noted:

China's PBoC has announced a China-Brazil currency swap agreement worth RMB 190bn / BRL 60bn. China is Brazil's largest trading partner, having taken over from the US in 2009. The currency agreement is intended to enhance bilateral financial cooperation and trade flows, although in practice its significance is quite limited (in contrast to the swap arrangements for offshore RMB centres such as Hong Kong and Singapore). The latest swap arrangement adds to 19 already in existence, and is part of efforts to further RMB internationalization.

Vietnam's 1Q GDP growth slowed to 4.9% (consensus: 5.2%) from 5.0% the previous quarter. The weaker growth outturn follows Vietnam's policy meeting this week, where benchmark interest rates were cut by 100 bps given concerns about economic growth momentum.

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Calendar Indicators

| Hong Kong | Date | Period | Prior | Cons. | Actual |
|---------------------------------|-------------|---------------|--------------|--------------|---------------|
| Exports YoY% | 26 Mar | Feb | 17.60% | 4.40% | -16.90% |
| 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% | -8.40% | -- |
| Singapore | Date | Period | Prior | Cons. | Actual |
| CPI (YoY) | 25 Mar | Feb | 3.60% | 4.10% | 4.90% |
| Industrial Production YoY | 26 Mar | Feb | -0.10% | -7.90% | -16.60% |
| South Korea | Date | Period | Prior | Cons. | Actual |
| GDP (YoY) | 26 Mar | 4Q F | 1.50% | -- | 1.50% |
| Industrial Production (YoY) | 29 Mar | Feb | 7.30% | -5.90% | -- |
| Taiwan | Date | Period | Prior | Cons. | Actual |
| Industrial Production (YoY) | 25 Mar | Feb | 19.05% | -9.30% | -11.45% |
| Commercial Sales | 25 Mar | Feb | 7.80% | -2.33% | -6.00% |
| Thailand | Date | Period | Prior | Cons. | Actual |
| Customs Exports (YoY) | 28 Mar | Feb | 16.09% | -- | -- |
| Vietnam | Date | Period | Prior | Cons. | Actual |
| Exports YTD (YoY) | 26 Mar | Mar | 23.90% | -- | 19.70% |
| Retail Sales YTD (YoY) | 27 Mar | Mar | 10.90% | -- | 11.70% |
| Industrial Production Index YoY | 27 Mar | Mar | -10.10% | -- | 5.60% |
| GDP Constant Prices YTD (YoY) | 27 Mar | 1Q | 5.00% | 5.20% | 4.90% |

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. | 2301.3 | 0.2 | -0.7 | 1.4 | -2.0 |
| Hong Kong - Hang Seng | 22464.8 | 0.7 | 0.9 | -0.8 | 6.7 | |
| Taiwan - Weighted | 7894.1 | 0.5 | 1.2 | 2.5 | -1.7 | |
| Japan - Nikkei 225 | 12493.8 | 0.2 | 0.2 | 20.2 | 21.8 | |
| Korea - Kospi | 1993.4 | 0.5 | 1.3 | -0.2 | -2.3 | |
| India - Sensex 30 | 18704.5 | 0.1 | -1.6 | -3.7 | 8.4 | |
| Australia - SPX/ASX 200 | 4995.0 | 0.9 | 0.6 | 7.4 | 16.1 | |
| Singapore - Strait Times | 3313.0 | 0.7 | 2.0 | 4.6 | 9.7 | |
| Indonesia - Jakarta Comp | 4928.1 | 1.8 | 2.0 | 14.2 | 20.8 | |
| Thailand - SET | 1561.3 | 1.1 | 1.1 | 12.2 | 29.3 | |
| Malaysia - KLCI | 1667.6 | 0.9 | 2.2 | -1.3 | 5.0 | |
| Philippines - Manila Comp. | 6847.5 | 2.7 | 6.7 | 17.8 | 34.8 | |

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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 | -0.03 | 6.28 | 6.30 |
| Hong Kong (HKD/USD) | 7.76 | -0.03 | 0.00 | 7.76 | 7.75 | |
| Taiwan (TWD/USD) | 29.9 | -0.13 | -0.37 | 29.80 | 29.51 | |
| Japan (JPY/USD) | 94.54 | -0.11 | 1.55 | 94.48 | 94.15 | |
| Korea (KRW/USD) | 1112 | -0.55 | 0.41 | 1119 | 1131 | |
| India (INR/USD) | 54.4 | -0.34 | 0.02 | 55.38 | 57.92 | |
| Australia (USD/AUD) | 1.05 | -0.32 | 0.69 | 0.96 | 0.98 | |
| Singapore (SGD/USD) | 1.24 | -0.28 | 0.57 | 1.24 | 1.24 | |
| Indonesia (IDR/USD) | 9725 | 0.13 | -0.01 | 9841 | 10238 | |
| Thailand (THB/USD) | 29.3 | 0.00 | -0.65 | 29.45 | 29.80 | |
| Malaysia (MYR/USD) | 3.10 | -0.16 | 0.75 | 3.12 | 3.16 | |
| Philippines (PHP/USD) | 40.8 | 0.32 | -0.15 | 40.70 | 40.64 | |

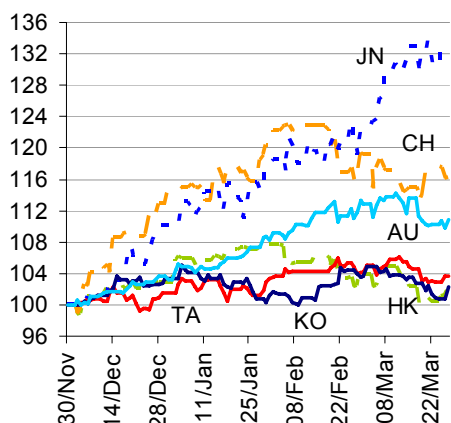
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| INTERBANK RATES | INDEX | Rate | net change over a day | net change over a week | net change over a month |
|-------------------------|-------------------|-------|-----------------------|------------------------|-------------------------|
| | China (SHIBOR/7D) | 3.00 | -0.10 | 0.00 | -1.60 |
| 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 | 0.00 | -0.01 | |
| India (MIBOR/7D) | 3.15 | -0.39 | -0.43 | -1.07 | |
| 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) | -3.88 | -3.06 | -4.44 | -5.56 | |

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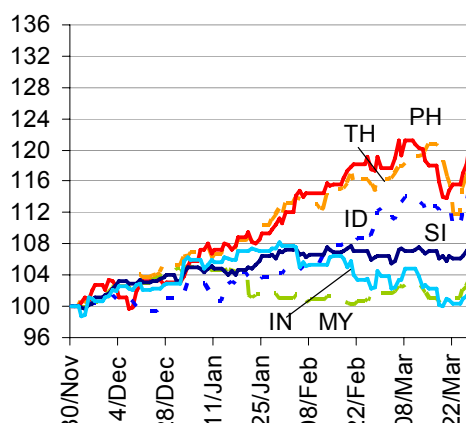
Charts

Chart 1
Stock Markets



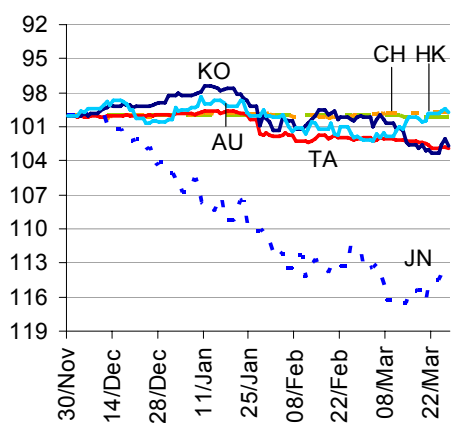
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



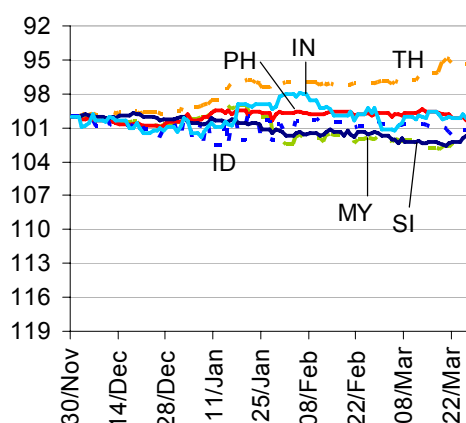
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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