

# Asia Flash

## Asia

*A bigger-than-expected decline in China's March inflation (see below) was the catalyst today for an improvement in Asian market sentiment. The benign inflation outturn (2.1% y/y) helped alleviate concerns of monetary tightening after last month's unexpected jump in the CPI. Meanwhile, the Japanese yen, which has been on a steep decent since the April 4 BOJ monetary easing announcement, levelled off today at 99 per USD, after almost hitting the 100 per USD mark early in the day.*

### China March inflation eases to a lower-than-expected 2.1% y/y

The decline was better than expected (consensus: 2.5%) after February's spike to 3.2% y/y, as food prices declined after the seasonal increase for the Chinese New Year, as well as the effects of the ongoing bird flu scare. Food prices eased by 2.9% m/m in March, while non-food prices rose by 0.1% m/m. Today's data also show that PPI inflation edged down to -1.9% y/y in March from previous -1.6% y/y in February, on easing global commodity prices. While we expect inflation to drift upward during the course of 2013 on base effects and gradually building demand pressures, it should stay within the government's 3.5% target in the coming quarter. We therefore expect interest rates to remain on hold during the remainder of the year. Separately, we are awaiting March's activity indicators to be released over the coming days, including trade data (due on April 10), credit data (due on April 10-15), and IP and Q1 GDP (due on April 15).

### Australia and China reach agreement on direct currency trading

Australian Prime Minister Julia Gillard announced yesterday that, as expected, her government has reached an agreement with China to allow the Australian dollar and Chinese RMB to trade directly. The Australian dollar thus becomes the third currency, after the US dollar and Japanese yen to be traded directly with the RMB. Although the agreement will have only a small impact on reducing transactions costs, it is a symbolic step toward deepening economic and financial ties between the two countries. It may also help to promote the usage of the RMB in the bilateral trade and investment settlements.

### Briefly noted:

**Taiwan's March exports surprised on the upside, increasing by 3.3% y/y** (Consensus: 2.2% y/y). Released yesterday, the data show that intra-regional exports remain the main drivers of external demand, with resilient growth momentum witnessed in exports to China, Japan and ASEAN countries. Demand from the US also stabilized in March, falling -1.9% y/y compared to -4.2% during Jan-Feb period. Exports to the EU, however, remain subdued, declining by 12.3% y/y..

**Taiwan March headline CPI inflation eased more than expected to 1.39% y/y** (Consensus: 1.8%). On a seasonally adjusted sequential basis, CPI fell by 0.35% m/m sa. The modest reading, also released yesterday, brings the first quarter inflation down to 1.8% y/y and below the government's 2% comfort zone.

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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	11 Apr	Mar	5.40%	5.40%	--
<b>China</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Consumer Price Index (YoY)	09 Apr	Mar	3.20%	2.50%	2.10%
Exports YoY%	10 Apr	Mar	21.80%	11.70%	--
Imports YoY%	10 Apr	Mar	-15.20%	6.00%	--
New Yuan Loans	10-15 APR	Mar	620.0B	890.0B	--
Money Supply - M2 (YoY)	10-15 APR	Mar	15.20%	14.60%	--
Aggregate Financing	10-15 APR	Mar	1070.0B	1800.0B	--
<b>India</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Exports YoY%	10-15 APR	Mar	4.20%	--	--
Industrial Production YoY	12 Apr	Feb	2.40%	-1.00%	--
<b>Japan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Current Account Total	08 Apr	Feb	¥364.8B	¥457.5B	¥637.4B
Tertiary Industry Index (MoM)	12 Apr	Feb	-1.10%	0.70%	--
<b>Malaysia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Industrial Production YoY	11 Apr	Feb	4.60%	-1.70%	--
<b>Philippines</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Total Exports (YoY)	10 Apr	Feb	-2.70%	-5.70%	--
<b>Singapore</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
GDP (YoY)	12 Apr	1Q A	1.50%	0.50%	--
<b>South Korea</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
FDI (YoY)	12 Apr	1Q	-16.90%	--	--
Unemployment Rate (SA)	10 Apr	Mar	3.50%	3.20%	--
<b>Taiwan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
CPI YoY%	08 Apr	Mar	2.96%	1.82%	1.39%
Total Exports (YoY)	08 Apr	Mar	-15.80%	2.20%	3.30%

## Calendar Events

### Indonesia - Reference Rate, Apr 11

We expect the benchmark rate to remain unchanged

<b>Current</b>	<b>Cons.</b>	<b>New</b>
5.75%	5.75%	--

### Korea - 7-day Repo Rate, Apr 11

We expect the benchmark rate to be cut by 25bps

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

## Indicator of the Week

### China: Exports for March (April 10<sup>th</sup> )

Forecast: 14.0% y/y	Consensus: 10.0% y/y	Prior: 21.8% y/y
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We expect export growth to decline from last month's unexpectedly high outturn, but to stay strong at about 14% y/y. Export growth for the first two months of the year averaged 23.5% y/y, contributing to an improving trend since last September as demand picked up from the US, other Asian economies (especially ASEAN) and, to a lesser extent, the EU. The strong figures have led many analysts to question the reliability of the data due to a combination of Lunar New Year distortions, volatility in the monthly data, and the presence of over-invoicing (to circumvent capital inflow restrictions). Nevertheless, an overall improvement in export trends appears robust, as seen in recent PMI outturns, including for March which showed an increase in the new export order component (50.9, up from 47.3 in February). A strong export outturn for March would boost confidence in Q1 GDP growth (to be released on April 15), which has been undermined by weaker-than-expected domestic demand indicators for January/February. In that regard, March inflation (April 9) and credit data due out during the week will also be closely watched.

## 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.	2225.8	0.6	-0.5	-1.9	-2.6
	Hong Kong - Hang Seng	21870.3	0.7	-1.9	-3.5	6.2
	Taiwan - Weighted	7728.5	-0.3	-2.4	0.4	1.7
	Japan - Nikkei 225	13192.4	0.0	9.9	26.9	38.2
	Korea - Kospi	1920.7	0.1	-4.2	-3.8	-3.8
	India - Sensex 30	18254.8	-1.0	-4.1	-6.0	6.0
	Australia - SPX/ASX 200	4976.8	1.5	-0.2	7.1	15.2
	Singapore - Strait Times	3296.6	0.4	-0.6	4.1	11.4
	Indonesia - Jakarta Comp	4899.6	0.0	-1.2	13.5	17.9
	Thailand - SET	1477.7	-0.8	-4.6	6.2	25.0
	Malaysia - KLCI	1690.3	0.1	0.3	0.1	6.2
	Philippines - Manila Comp.	6732.2	0.1	-1.6	15.8	33.6

Last update: today, 18:00 Hong Kong time

FOREIGN EXCHANGE MARKETS	CURRENCY	Spot	% change over a day	% change over a week	Forward 3-month	Forward 12-month
	China (CNY/USD)	6.20	0.02	-0.04	6.26	6.28
	Hong Kong (HKD/USD)	7.76	-0.01	-0.03	7.76	7.75
	Taiwan (TWD/USD)	30.0	-0.06	-0.50	29.99	29.71
	Japan (JPY/USD)	98.96	0.40	-5.58	98.90	98.57
	Korea (KRW/USD)	1139	0.07	-1.87	1144	1154
	India (INR/USD)	54.6	-0.07	-0.63	55.57	58.22
	Australia (USD/AUD)	1.05	0.48	0.12	0.96	0.98
	Singapore (SGD/USD)	1.24	0.22	0.01	1.24	1.24
	Indonesia (IDR/USD)	9718	0.34	0.22	9806	10198
	Thailand (THB/USD)	29.0	0.76	1.45	29.14	29.49
	Malaysia (MYR/USD)	3.04	0.69	1.67	3.05	3.09
	Philippines (PHP/USD)	41.2	0.29	-0.72	41.19	41.14

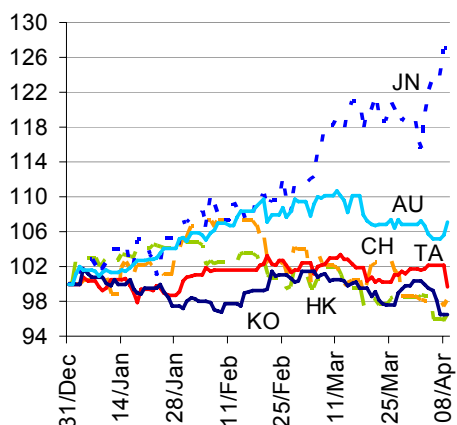
Last update: today, 18:00 Hong Kong time.

INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.30	0.02	0.00	0.80
	Hong Kong (HIBOR/1W)	0.10	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.55	0.00	0.00	0.00
	Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01
	Korea (KORIBOR/1M)	2.73	-0.01	-0.02	-0.03
	India (MIBOR/7D)	3.28	0.18	0.48	0.80
	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)	1.63	0.06	1.56	0.50

Last update: today, 18:00 Hong Kong time

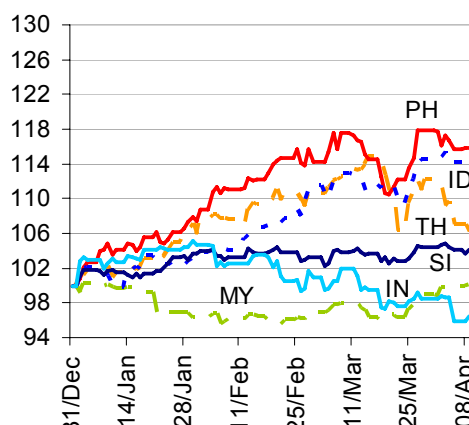
# Charts

Chart 1  
Stock Markets



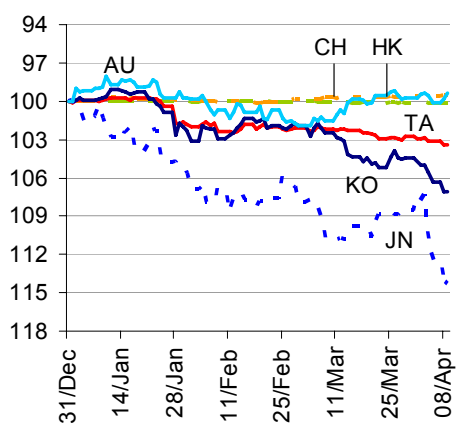
Source: BBVA Research and Bloomberg

Chart 2  
Stock Markets



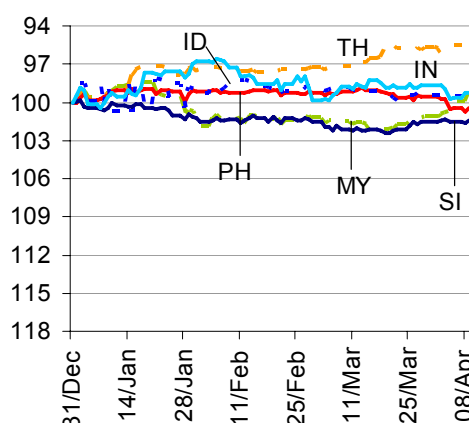
Source: BBVA Research and Bloomberg

Chart 3  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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