

Asia Flash

Asia

Bank of Japan raises its economic outlook

As expected, at its monetary policy meeting today the BoJ reiterated its bold policy move announced on April 4, to double monetary the monetary base over the next two years. More significant for this meeting was the release of the BoJ's six-monthly economic outlook, in which it raised its growth forecasts by 0.6% to 2.9% in the current fiscal year (ending in March) and 1.4% for next year. Broadly in line with its 2% inflation target, the BoJ raised its CPI projection to 1.9% rise in the for FY 2015, with some market observes commenting that the elongated time horizon signals that the BoJ may not believe it can fulfil its previous pledge to hit the target within two years. Indeed, March inflation released today was below expectations at -0.9% y/y (consensus: -0.8%; prior: -0.7%). The yen, which has not yet reached 100 per USD, appreciated today to around 98.81 and the Nikkei fell by -0.3%.

HK promotes offshore RMB by establishing interbank lending rate

Hong Kong yesterday announced plans to launch an interbank interest rate market for offshore RMB (known as the CNH market). The move is a significant development for the offshore market, as it will establish a benchmark for the pricing of offshore RMB products and the development of a derivatives market used for hedging purposes. In addition, the Hong Kong Monetary Authority (HKMA) announced it would eliminate the 20% net open position (NOP) limit for banks' RMB holdings and separate liquidity ratio, thereby placing the management of FX risk for the RMB on the same basis as other tradable currencies. These are significant steps toward facilitating the growth of the offshore RMB market in Hong Kong.

China's Politburo signals tolerance for modest growth to curb financial risks

In a meeting on Thursday to assess current economic conditions, China's Politburo seems to have signalled a reluctance to implement bold stimulus measures to boost growth given the presence of rising financial risks. At the same time, however, it also acknowledged headwinds to growth and the need to maintain supportive macro policies. On balance, we view the outcome in line with expectations that the authorities will stay the course in providing support to growth, while continuing to limit negative financial side effects.

Briefly noted:

Singapore's IP falls more than expected in March, by -4.1% y/y (consensus: minus 3.0% y/y), after a steep decline in February (-16.3%). On a sequential basis after seasonal adjustment, IP increased, although still below expectations, to 6.2% m/m sa from -0.6% in February.

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Consumer Prices (YoY)	24 Apr	1Q	2.20%	2.80%	2.50%
China	Date	Period	Prior	Cons.	Actual
HSBC Flash Manufacturing PMI	23 Apr	Apr	51.6	51.4	50.5
Hong Kong	Date	Period	Prior	Cons.	Actual
CPI - Composite Index (YoY)	22 Apr	Mar	4.40%	3.70%	3.60%
Exports YoY%	25 Apr	Mar	-16.90%	9.30%	11.20%
Japan	Date	Period	Prior	Cons.	Actual
Natl CPI YoY	26 Apr	Mar	-0.70%	-0.80%	-0.90%
Tokyo CPI YoY	26 Apr	Apr	-1.00%	-0.80%	-0.70%
Singapore	Date	Period	Prior	Cons.	Actual
CPI (YoY)	23 Apr	Mar	4.90%	3.60%	3.50%
Industrial Production YoY	26 Apr	Mar	-16.30%	-3.00%	-4.10%
South Korea	Date	Period	Prior	Cons.	Actual
GDP (QoQ)	25 Apr	1Q P	0.30%	0.70%	0.90%
Taiwan	Date	Period	Prior	Cons.	Actual
Unemployment Rate - sa	22 Apr	Mar	4.16%	4.18%	4.18%
Export Orders (YoY)	22 Apr	Mar	-14.50%	1.90%	-6.60%
Industrial Production (YoY)	23 Apr	Mar	-11.61%	1.80%	-3.28%
Commercial Sales (YoY)	23 Apr	Mar	-6.00%	1.00%	-0.70%
Thailand	Date	Period	Prior	Cons.	Actual
Customs Exports (YoY)	23 Apr	Mar	-5.83%	2.34%	4.55%
Vietnam	Date	Period	Prior	Cons.	Actual
CPI (YoY)	24 Apr	Apr	6.64%	6.95%	6.61%
Exports YTD (YoY)	25-Apr	Apr	19.70%	19.50%	16.90%
Retail Sales YTD (YoY)	25-Apr	Apr	11.70%	--	11.80%
Industrial Production Index YoY	25-Apr	Apr	5.60%	--	5.80%

Calendar Events

Japan - BOJ Target Rate, Apr 26	Current	Cons.	New
We expect the benchmark rate to remain unchanged	0.10%	0.10%	0.10%
Philippines - Overnight Borrowing Rate, Apr 25	Current	Cons.	New
We expect the benchmark rate to remain unchanged	3.50%	3.50%	3.50%

Upcoming Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
AiG Performance of Mfg Index	01 May	Apr	44.4	--	--
China	Date	Period	Prior	Cons.	Actual
Manufacturing PMI	01 May	Apr	50.9	50.8	--
HSBC Manufacturing PMI	02 May	Apr	51.6	50.6	--
Non-manufacturing PMI	03 May	Apr	55.6	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Retail Sales - Value (YoY)	02 May	Mar	22.70%	14.00%	--
Purchasing Managers Index	03 May	Apr	50.5	--	--
Indonesia	Date	Period	Prior	Cons.	Actual
HSBC-Markit Manufacturing PMI	01 May	Apr	51.3	--	--
Inflation (YoY)	01 May	Apr	5.90%	--	--
Exports (YoY)	01 May	Mar	-4.50%	--	--
India	Date	Period	Prior	Cons.	Actual
HSBC-Markit Manufacturing PMI	01 May	Apr	52.0	--	--
Japan	Date	Period	Prior	Cons.	Actual
Markit/JMMA Manufacturing PMI	30 Apr	Apr	50.4	--	--
Retail Trade YoY	30 Apr	Mar	-2.20%	0.60%	--
Industrial Production (MoM)	30 Apr	Mar P	0.60%	0.40%	--
Jobless Rate	30 Apr	Mar	4.30%	4.20%	--
Monetary Base (YoY)	02 May	Apr	--	--	--
Singapore	Date	Period	Prior	Cons.	Actual
Unemployment Rate (sa)	29 Apr	1Q P	1.80%	1.90%	--
Purchasing Managers Index	02 May	Apr	50.6	--	--
South Korea	Date	Period	Prior	Cons.	Actual
Industrial Production (YoY)	30 Apr	Mar	-9.30%	-1.80%	--
Consumer Price Index (YoY)	01 May	Apr	1.30%	1.40%	--
Ext Trade - Export (YoY)	01 May	Apr	0.20%	2.40%	--
HSBC Manufacturing PMI	01 May	Apr	52.0	--	--
Taiwan	Date	Period	Prior	Cons.	Actual
GDP - Constant Prices (YoY)	30 Apr	1Q P	3.72%	3.27%	--
HSBC Manufacturing PMI	01 May	Apr	51.2	--	--
Thailand	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	02 May	Apr	2.69%	2.70%	--
Vietnam	Date	Period	Prior	Cons.	Actual
HSBC Manufacturing PMI	01 May	Apr	50.8	--	--

Upcoming Calendar Events

India -REPO Cutoff Yld, May 03

We expect the benchmark rate to remain unchanged

Current	Cons.	New
7.50%	7.25%	--

India - Cash Reserve Ratio, May 03

We expect the benchmark rate to remain unchanged

Current	Cons.	New
4.00%	4.00%	--

Indicator of the Week

China: NBS PMI for April (May 1st)

Forecast: 50.5

Consensus: 50.9

Prior: 50.9

China's official NBS manufacturing PMI will be closely watched following a disappointing Q1 GDP outturn, weaker-than-expected March activity indicators and, more recently, an unexpectedly low HSCB Flash PMI released on April 23 (50.5, down from 51.6 in February). We expect the official PMI to edge lower in April, but to remain firmly above the 50 expansion threshold. While growth momentum has slowed somewhat over the past quarter, it has not collapsed, and policies remain growth-supportive as evidenced by continued strong credit growth. We expect GDP growth to rise gradually during the rest of the year, in line with our full-year GDP growth projection of 8.0%.

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.	2177.9	-1.0	-3.0	-4.0	-9.4
Hong Kong - Hang Seng	22547.7	0.7	2.4	-0.5	8.4	
Taiwan - Weighted	8022.1	0.0	1.2	4.2	6.7	
Japan - Nikkei 225	13884.1	-0.3	4.3	33.6	45.2	
Korea - Kospi	1944.6	-0.4	2.0	-2.6	-1.0	
India - Sensex 30	19284.8	-0.6	3.0	-0.7	12.6	
Australia - SPX/ASX 200	5097.5	-0.1	3.5	9.6	16.9	
Singapore - Strait Times	3348.9	0.3	1.7	5.7	12.3	
Indonesia - Jakarta Comp	4978.5	-0.3	-0.4	15.3	19.1	
Thailand - SET	1586.5	0.8	2.7	14.0	31.2	
Malaysia - KLCI	1711.3	0.3	0.3	1.3	8.3	
Philippines - Manila Comp.	7025.4	0.4	1.0	20.9	34.6	

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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)	6.17	0.09	0.20	6.22	6.24
Hong Kong (HKD/USD)	7.76	0.01	0.01	7.76	7.75	
Taiwan (TWD/USD)	29.6	0.16	0.59	29.52	29.22	
Japan (JPY/USD)	98.61	0.66	0.92	98.56	98.26	
Korea (KRW/USD)	1112	0.01	0.39	1117	1126	
India (INR/USD)	54.4	-0.24	-0.71	55.16	57.76	
Australia (USD/AUD)	1.03	-0.11	0.04	0.98	1.00	
Singapore (SGD/USD)	1.24	0.08	-0.05	1.24	1.24	
Indonesia (IDR/USD)	9722	-0.04	-0.17	9798	10172	
Thailand (THB/USD)	29.4	-0.68	-2.42	29.54	29.88	
Malaysia (MYR/USD)	3.03	0.09	0.02	3.05	3.09	
Philippines (PHP/USD)	41.3	-0.06	-0.39	41.26	41.19	

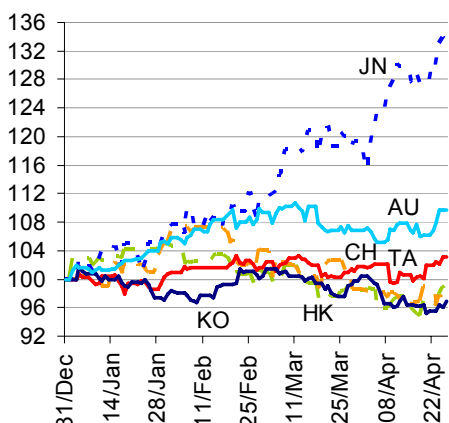
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.52	-1.43	0.42	0.42
Hong Kong (HIBOR/1W)	0.10	0.00	0.00	0.00	
Taiwan (TAIBOR/1W)	0.54	0.00	-0.01	-0.01	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.76	0.00	0.01	0.01	
India (MIBOR/7D)	3.53	-0.97	-2.47	-0.01	
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)	1.25	0.00	-0.31	0.31	

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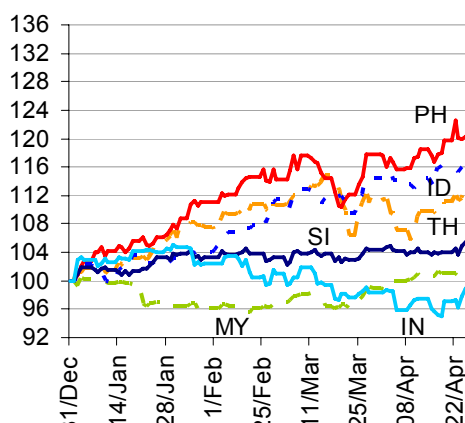
Charts

Chart 1
Stock Markets



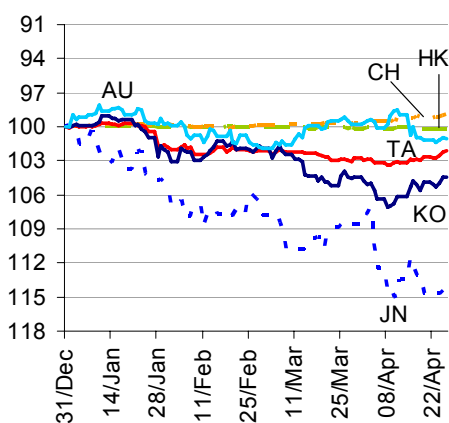
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



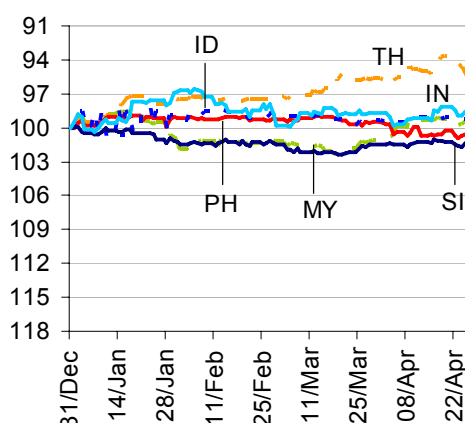
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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