

Asia Flash

Asia

As China's markets remained closed for the second day of a three-day holiday, most Asian stock markets advanced in line with global trends following positive US data and an improvement in risk sentiment in the EU. Japan's Nikkei was an outlier, edging down by -0.2% after being closed yesterday for a national holiday, and the yen strengthened to below 98 per USD. While markets will be closed for a holiday tomorrow throughout much of the region (including here in Hong Kong), important data releases are on tap, including April inflation in Korea and Indonesia, as well as April exports in Korea—the first monthly outturn for the region.

Though mixed, Japan activity indicators point to an improving economy

A batch of monthly activity indicators for March provided some hope that stimulus policies may be working to revive growth. Though weaker than expected, industrial production recorded a fourth straight monthly increase of 0.2% m/m sa (consensus: 0.4%, prior: 0.6%), and household spending rose by 5.2% y/y (consensus: 1.6%, prior: 0.8%). Manufacturing PMI also strengthened further in April, rising to 51.1 (Prior: 50.4) the highest level since March 2012. The Bank of Japan last week raised its economic outlook by 0.6 percentage points to 2.9%.

Taiwan Q1 GDP estimate disappoints on weak exports

First quarter GDP moderated to a weaker-than-expected 1.5% y/y (BBVA: 3.0%, Consensus: 3.1%) from 3.7% in Q4 2012 on lower contributions from net exports and private consumption. On an annualized sequential basis, growth contracted by -3.2% q/q saar, suggesting that the economy may be feeling the effects of slowing growth momentum in China and its other major trading partners, especially the EU. Investment has been a relative bright spot on improved capital spending in the electronic components sector. The GDP outturn follows weaker-than-expected Q1 GDP in China and Singapore (in contrast, Korea last week posted better-than-expected, albeit modest, Q1 GDP). While Taiwan's disappointing Q1 outturn poses downside risks to our 3.5% full-year growth projection, we expect an improving trend in momentum in the coming quarters on supportive macro policies and improving demand in trading partners.

Briefly noted:

China's industrial profit growth decelerates in March to 5.3% y/y compared to 17.2% y/y in the first two months this year. The data, released last weekend, are in line with other recent macro activity indicators, adding to evidence that China's economic recovery has lost steam.

South Korea's industrial production contracted in March by -3.0% y/y, well below market expectations of -0.7%. The outturn was influenced by weakness in auto sector output, and could reinforce concerns about the negative fallout of yen depreciation on the Korean economy. It might also raise expectations of a possible rate cut by the Bank of Korea in the coming months, despite a better-than-expected Q1 GDP outturn and the BoK's April 11 decision not to cut rates.

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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	50.7	--
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%	5.69%	--
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	--	51.1
Retail Trade YoY	30 Apr	Mar	-2.20%	0.40%	-0.30%
Industrial Production (MoM)	30 Apr	Mar P	0.60%	0.40%	0.20%
Jobless Rate	30 Apr	Mar	4.30%	4.20%	4.10%
Monetary Base (YoY)	02 May	Apr	--	--	--
Singapore	Date	Period	Prior	Cons.	Actual
Unemployment Rate (sa)	29 Apr	1Q P	1.80%	1.90%	1.90%
Purchasing Managers Index	02 May	Apr	50.6	--	--
South Korea	Date	Period	Prior	Cons.	Actual
Industrial Production (YoY)	30 Apr	Mar	-9.40%	-0.70%	-3.00%
Consumer Price Index (YoY)	01 May	Apr	1.30%	1.50%	--
Ext Trade - Export (YoY)	01 May	Apr	0.20%	2.00%	--
HSBC Manufacturing PMI	01 May	Apr	52.0	--	--
Taiwan	Date	Period	Prior	Cons.	Actual
GDP - Constant Prices (YoY)	30 Apr	1Q P	3.72%	3.10%	1.54%
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	02 May	Apr	50.8	--	--

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: 50.7

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	-9.1
Hong Kong - Hang Seng	22737.0	0.7	4.3	0.4	7.8	
Taiwan - Weighted	8093.7	0.8	1.9	5.1	7.9	
Japan - Nikkei 225	13860.9	-0.2	2.2	33.3	45.6	
Korea - Kospi	1964.0	1.2	2.4	-1.7	-0.9	
India - Sensex 30	19449.5	0.3	1.5	0.1	12.3	
Australia - SPX/ASX 200	5191.2	1.3	4.5	11.7	18.1	
Singapore - Strait Times	3367.2	0.2	2.5	6.3	13.0	
Indonesia - Jakarta Comp	5034.1	0.7	1.2	16.6	20.4	
Thailand - SET	1591.0	0.4	2.7	14.3	29.5	
Malaysia - KLCI	1717.7	0.6	1.0	1.7	9.4	
Philippines - Manila Comp.	7071.0	0.6	1.3	21.6	35.9	

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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	-0.01	0.21	6.22	6.23
Hong Kong (HKD/USD)	7.76	0.00	0.05	7.76	7.75	
Taiwan (TWD/USD)	29.5	-0.08	0.95	29.46	29.15	
Japan (JPY/USD)	97.66	0.10	1.86	97.61	97.34	
Korea (KRW/USD)	1101	0.55	1.78	1109	1117	
India (INR/USD)	53.9	0.57	0.83	54.61	57.16	
Australia (USD/AUD)	1.04	0.04	0.95	0.97	0.99	
Singapore (SGD/USD)	1.23	0.00	0.60	1.23	1.23	
Indonesia (IDR/USD)	9734	-0.12	-0.03	9810	10182	
Thailand (THB/USD)	29.3	-0.27	-1.81	29.50	29.89	
Malaysia (MYR/USD)	3.04	-0.32	0.48	3.06	3.10	
Philippines (PHP/USD)	41.2	-0.12	0.45	41.17	41.13	

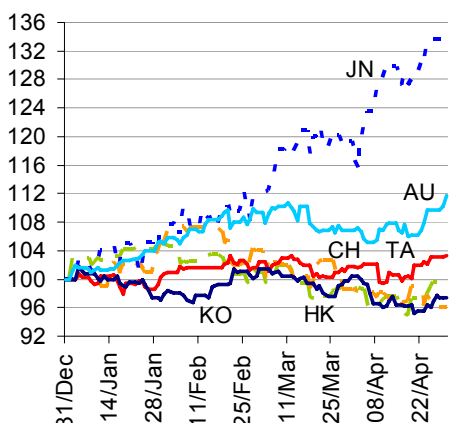
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.10	-0.42	-0.70	-0.10
Hong Kong (HIBOR/1W)	0.10	0.00	0.00	0.00	
Taiwan (TAIBOR/1W)	0.54	0.00	0.00	-0.01	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.76	0.00	0.01	0.01	
India (MIBOR/7D)	3.00	-0.53	-0.42	0.20	
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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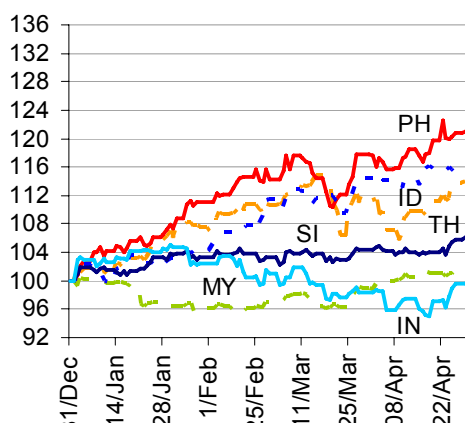
Charts

Chart 1
Stock Markets



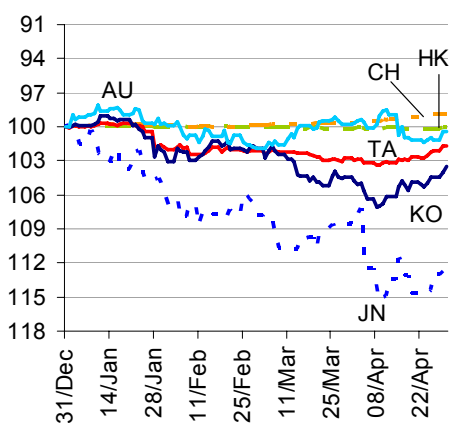
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



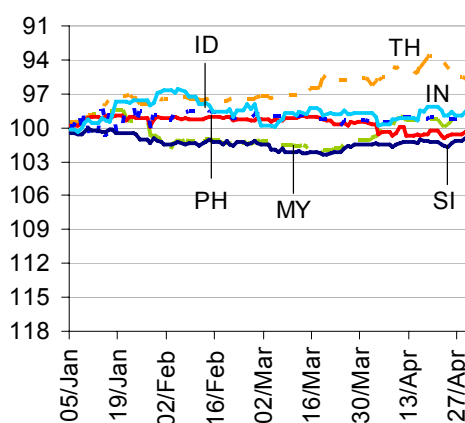
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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