

Asia Flash

Asia

The yen's long-awaited, but surprisingly sudden depreciation to below 100 per USD impacted Asian markets today, with regional currencies weakening against the US dollar. The yen finished Asian trade at 101.7 per USD, with depreciations also seen in the KRW (-1.4%), THB (-0.9%), and AUD (-0.8%), among others. The yen's move is reinforcing hopes that the BOJ's easing, as part of the new government's 3-pillar strategy to reinvigorate end deflation and reinvigorate growth, is beginning to bear fruit. But at the same time, the yen's weakness continues to generate concerns of currency wars, especially after unexpected central bank rate cuts this past week in Australia and Korea, with Vietnam following suit today as well (below).

China April credit slows, but remains strong on growth-supportive policies

Though down from their surge in March, the latest credit aggregates for April exceeded expectations. New bank loans increased by RMB 792.9 bn (consensus: 755 bn; March: 1.06 trn), while total social financing (TSF), a broader gauge that includes both bank and non-bank credit, grew by RMB 1.75 trn (consensus: 1.5 trn; March: 2.54 trn). The strong outturns suggest that the authorities are maintaining a growth-supportive monetary stance, despite yesterday's issuance of central bank bills yesterday to drain excess liquidity in the money market. In its quarterly PBoC statement released yesterday, the central bank reiterated its plans to maintain a prudent and neutral monetary policy stance, stressing the needs to balance credit growth against risks of financial fragilities and inflationary pressures. For more on China, see our latest [Quarterly Outlook](#).

Hong Kong posts lacklustre Q1 GDP

First quarter GDP grew by 2.8% y/y (BBVA: 2.5% y/y; consensus: 2.7% y/y), but was below expectations on a sequential basis, at 0.2% q/q, s.a., non-seasonalized (BBVA: 0.1% q/q; consensus: 0.5% q/q), compared to 1.4% q/q in Q4. By expenditure, the external sector rebounded from Q4 while investment declined. IGDP growth was supported by strong private consumption (7.0% y/y vs 2.8% y/y in Q4), boosted by the continued strong labor market and the wealth effects from high housing prices. However, the pickup in private consumption has recently caused the Hong Kong Monetary Authority (HKMA) to warn of overheating risks from the inflated property market. Looking ahead, the authorities expect external headwinds to keep growth to within a 1.5-3.5% range for the full-year 2013 (BBVA: 3.5%).

India March production supports tepid pick up in growth momentum

Industrial production for March matched consensus expectations of 2.5%y/y, up from 0.5%y/y in February, led mainly by a pick up in manufacturing and electricity. Recent policy efforts to revive infrastructure investment, moderating inflation and easier monetary policy have helped support India's basic and capital goods sector although delays in policy implementation remains an issue. The latest IP outturn brings 1Q13 industrial growth to 1.8% y/y, up from 0.8%y/y in 1Q12, which is in line with our expectations of a tepid pick up in India's growth momentum over 1H13 as higher manufacturing activity offsets sluggish growth in services sector. We estimate India's real GDP growth in 1Q13 at 4.7% y/y, slightly above the 4.5% y/y seen in 4Q12 and expect full year 2013 growth to average 5.7% y/y (5.1% y/y in 2012).

Vietnam cuts policy rates to support growth

Following the recent rate cuts in the region, the State Bank of Vietnam (SBV) announced cuts in its refinancing rate to 7% from 8% and in the discount rate to 5% from 6%, effective on Monday. This is the 8th rate cut in the current cycle which began in March 2012. The SBV has been struggling to restore macro stability over the past year, as it seeks to curb inflation and support growth,

Briefly noted:

Japan's current account surplus rises in March

Japan's current account surplus rose to 1.25tn yen (Prior: 0.64tn, Consensus: 1.22tn) in March, the highest level in a year. The outturn is a sign that the weakening yen may be boosting repatriated earnings and export proceeds.

Philippines' exports surprised to the upside, increasing 0.1% y/y (consensus: minus 3.7%) on strong demand from Japan, which climbed 17% from a year ago. Electronic products, which account for more than a third of total exports, continued to decline in March by 22.4% y/y. Despite the weak external environment, domestic demand has been robust and we expect the GDP growth at around 6% in 2013.

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Retail Sales s.a. (MoM)	06 May	Mar	1.30%	0.10%	-0.40%
Unemployment Rate	09 May	Apr	5.60%	5.60%	5.50%
China	Date	Period	Prior	Cons.	Actual
Exports YoY%	08 May	Apr	9.20%	10.00%	14.70%
Imports YoY%	08 May	Apr	14.10%	13.00%	16.80%
Consumer Price Index (YoY)	09 May	Apr	2.10%	2.30%	2.40%
Aggregate Financing	10 May	Apr	2544.3B	1500.0B	1750.0B
New Yuan Loans	10 May	Apr	1060.0B	755.0B	792.9B
Money Supply - M2 (YoY)	10 May	Apr	15.70%	15.50%	16.10%
Hong Kong	Date	Period	Prior	Cons.	Actual
GDP (YoY)	10 May	1Q	2.80%	2.70%	2.80%
Indonesia	Date	Period	Prior	Cons.	Actual
GDP Constant Price (YoY)	06 May	1Q	6.11%	6.10%	6.02%
India	Date	Period	Prior	Cons.	Actual
Industrial Production YoY	10 May	Mar	0.50%	2.40%	2.50%
Japan	Date	Period	Prior	Cons.	Actual
Current Account Total	10 May	Mar	¥637.4B	¥1220.0B	¥1251.2B
Malaysia	Date	Period	Prior	Cons.	Actual
Exports YoY%	08 May	Mar	-7.70%	-1.50%	-2.90%
Industrial Production YoY	09 May	Mar	-5.20%	0.20%	-0.20%
Philippines	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	07 May	Apr	3.20%	2.90%	2.60%
Total Exports (YoY)	10 May	Mar	-15.60%	-3.70%	0.10%
Taiwan	Date	Period	Prior	Cons.	Actual
CPI YoY%	06 May	Apr	1.37%	1.26%	1.04%
Total Exports (YoY)	07 May	Apr	3.30%	3.10%	-1.90%

Calendar Events

Australia – RBA Cash Target, May 07 We expect the benchmark rate to remain unchanged	Current 3.00%	Cons. 3.00%	New 2.75%
Malaysia – Overnight Rate, May 09 We expect the benchmark rate to remain unchanged	Current 3.00%	Cons. 3.00%	New 3.00%
Korea – 7-Day Repo Rate, May 09 We expect the benchmark rate to remain unchanged	Current 2.75%	Cons. 2.75%	New 2.50%

Upcoming Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Retail Sales (YoY)	13 May	Apr	12.60%	12.80%	--
Fixed Assets Inv Excl. Rural YTD YoY	13 May	Apr	20.90%	21.00%	--
Industrial Production (YoY)	13 May	Apr	8.90%	9.40%	--
Actual FDI (YoY)	14-18 MAY	Apr	5.70%	6.20%	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Composite Interest Rate	17-18 MAY	Apr	0.25%	--	--
India	Date	Period	Prior	Cons.	Actual
Wholesale Price Index YoY	14 May	Mar	5.96%	5.45%	--
Exports YoY%	14-18 MAY	Apr	7.00%	--	--
Japan	Date	Period	Prior	Cons.	Actual
Tertiary Industry Index (MoM)	15 May	Mar	1.10%	-0.70%	--
Gross Domestic Product (QoQ)	16 May	1Q P	0.00%	0.70%	--
GDP Annualized	16 May	1Q P	0.20%	2.70%	--
Industrial Production (MoM)	16 May	Mar F	0.20%	--	--
Malaysia	Date	Period	Prior	Cons.	Actual
GDP YoY%	15 May	1Q	6.40%	5.40%	--
Philippines	Date	Period	Prior	Cons.	Actual
Overseas Remittances (YoY)	15 May	Mar	6.00%	6.40%	--
Singapore	Date	Period	Prior	Cons.	Actual
GDP (YoY)	16-24 MAY	1Q F	-0.60%	--	--
Retail Sales (YoY)	15 May	Mar	-2.70%	-3.50%	--
Non-oil Domestic Exports (YoY)	17 May	Apr	-4.80%	-1.90%	--
South Korea	Date	Period	Prior	Cons.	Actual
Unemployment Rate (SA)	15 May	Apr	3.20%	3.20%	--

Upcoming Calendar Events

Indonesia – Reference Rate May 14

We expect the benchmark rate to remain unchanged

Current

5.75%

Cons.

5.75%

New

--

Indicator of the Week

China: IP for April (May 13th)

Forecast: 9.1%

Consensus: 9.4%

Prior: 8.9%

April activity indicators will be closely watched for further signs of China's growth momentum, which disappointed to the downside in Q1. We expect a slight tick up in industrial production growth in April, based on the latest PMI production subcomponent, electricity consumption, and base effects. Retail sales (consensus: 12.8% y/y; prior: 12.6 y/y) and urban fixed asset investment ytd (consensus: 20.9% y/y; prior: 21.0% y/y) are also due out the same day. We expect these indicators to show a further modest expansion, in line with our 8.0% full-year GDP. If so, they would be consistent with positive trends in trade and credit data released the prior week.

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.	2246.8	0.6	1.9	-1.0	-6.8
Hong Kong – Hang Seng	23321.2	0.5	2.8	2.9	15.3	
Taiwan – Weighted	8280.3	-0.1	1.8	7.5	10.6	
Japan – Nikkei 225	14607.5	2.9	5.9	40.5	62.1	
Korea – Kospi	1944.8	-1.8	-1.1	-2.6	0.0	
India – Sensex 30	20073.6	0.7	2.5	3.3	22.3	
Australia – SPX/ASX 200	5206.1	0.1	1.5	12.0	21.2	
Singapore – Strait Times	3443.8	0.3	2.2	8.7	18.6	
Indonesia – Jakarta Comp	5105.9	0.3	2.2	18.3	23.7	
Thailand – SET	1622.5	0.1	2.1	16.6	36.3	
Malaysia – KLCI	1772.4	0.4	4.6	4.9	11.6	
Philippines – Manila Comp.	7262.4	0.9	0.7	24.9	39.9	

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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)	6.14	-0.18	0.24	6.20	6.22
Hong Kong (HKD/USD)	7.76	-0.02	-0.02	7.76	7.75	
Taiwan (TWD/USD)	29.6	-0.74	-0.36	29.67	29.38	
Japan (JPY/USD)	101.31	-0.71	-2.29	101.26	100.99	
Korea (KRW/USD)	1106	-1.35	-0.83	1112	1120	
India (INR/USD)	54.7	-0.75	-1.31	55.42	57.87	
Australia (USD/AUD)	1.00	-0.52	-2.70	1.00	1.02	
Singapore (SGD/USD)	1.24	-0.26	-0.23	1.24	1.24	
Indonesia (IDR/USD)	9737	-0.20	-0.02	9817	10187	
Thailand (THB/USD)	29.7	-0.84	-0.10	29.88	30.23	
Malaysia (MYR/USD)	2.99	-0.64	1.35	3.00	3.05	
Philippines (PHP/USD)	41.1	-0.72	-0.66	41.11	41.06	

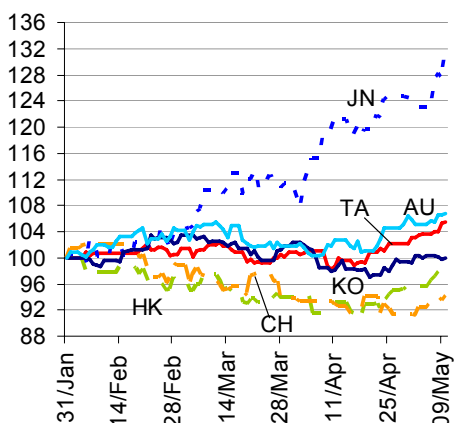
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.00	-0.14	-0.25	-0.22
Hong Kong (HIBOR/1W)	0.09	0.00	0.00	0.00	
Taiwan (TAIBOR/1W)	0.54	0.00	0.00	-0.01	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.56	-0.20	-0.19	-0.17	
India (MIBOR/7D)	2.11	-1.50	-1.19	-1.10	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	4.27	4.27	0.00	-0.01	
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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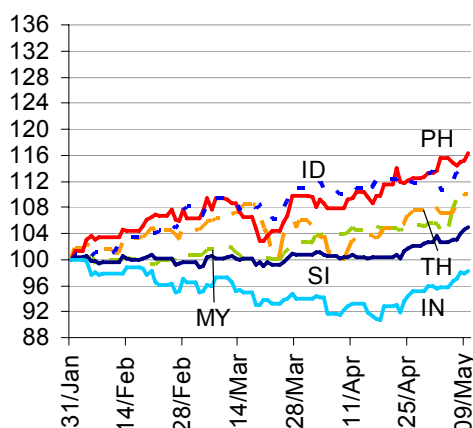
Charts

Chart 1
Stock Markets



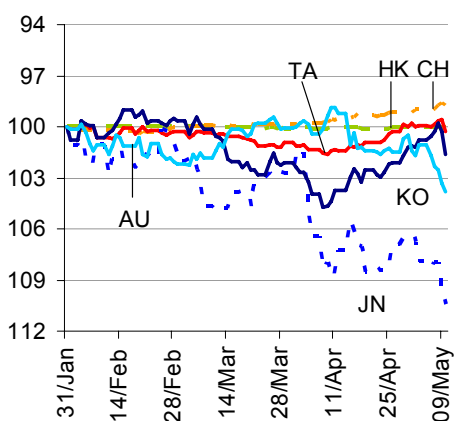
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



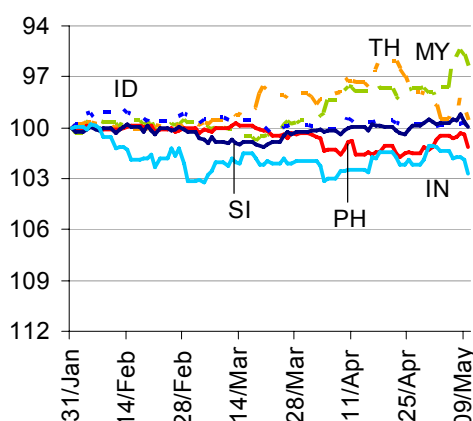
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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