

Daily Flash

Asia

Asian markets ended the week on a strong positive note as improving prospects in the US (lower jobless claims) and Europe (policy action) paved the way for investors to stay focused on the strong regional data releases of recent days. Gains were led by Shanghai (+1.4%) and the Philippines (+1.6%); for the year, Hong Kong is now up by 17.0%, compared to 9.3% for the US (S&P 500). Following the Bank of Japan's more aggressive easing stance and announcement of a 1% inflation goal last month, the Japanese Yen has continued to depreciate, reaching a 9-month low today of 8.15 against the USD.

Japan inflation outturn raises prospects for more policy easing

Japan's headline inflation for January came out at +0.1% y/y (consensus: -0.1%), but core prices showed a continued decline for a fourth consecutive month, at -0.1% y/y (consensus: -0.2%). The outturn is leading to renewed expectations of monetary policy easing given the authorities' discomfort with a strong yen and the BoJ's newly announced 1% inflation goal.

Korean inflation falls ahead of next week's policy meeting

February inflation fell in line with expectations to 3.1% y/y from 3.4% y/y on declining food prices and favorable base effects. While inflation is well within the official 2-4% target range, underlying pressures persist especially given the impact of recent oil price increases. For this reason, we expect the Bank of Korea to keep rates unchanged once again (3.25%) at the March 8 policy meeting, although we still expect rate cuts of up to 50bps later in the year. In the meantime, a favorable industrial production outturn released yesterday may also provide some comfort that the growth slowdown is bottoming out.

Next week's focus will be on China's release of inflation and activity indicators (*see Indicator of the Week below*). In addition, we will be watching for Japan's current account balance for January, which may post its first monthly deficit in three years, along with Australia's Q4 GDP. On the monetary front, Australia, Korea, Indonesia and Malaysia will hold their regular policy meetings, where we expect each to leave their respective benchmark rates unchanged.

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Private Sector Credit YoY%	29-Feb	JAN	3.50%	3.60%	3.50%
Retail Sales s.a. (MoM)	29-Feb	JAN	-0.10%	0.30%	0.20%
China	Date	Period	Prior	Cons.	Actual
PMI Manufacturing	01-Mar	FEB	50.5	50.9	51.0
HSBC Manufacturing PMI	01-Mar	FEB	48.8	--	49.6
Hong Kong	Date	Period	Prior	Cons.	Actual
Retail Sales - Value (YoY)	01-Mar	JAN	23.40%	24.00%	14.90%
Indonesia	Date	Period	Prior	Cons.	Actual
Inflation (YoY)	01-Mar	FEB	3.65%	3.80%	3.56%
Inflation NSA (MoM)	01-Mar	FEB	0.76%	0.30%	0.05%
Exports (YoY)	01-Mar	JAN	2.20%	15.20%	6.10%
India	Date	Period	Prior	Cons.	Actual
Qtrly GDP YoY%	29-Feb	4Q	6.90%	6.30%	6.10%
India February Markit Manufacturing PMI	01-Mar	FEB	57.5	--	56.6
Exports YoY%	01-Mar	JAN	6.70%	--	10.10%
Imports YoY%	01-Mar	JAN	19.80%	--	20.30%
Japan	Date	Period	Prior	Cons.	Actual
Markit/JMMA Manufacturing PMI	29-Feb	FEB	50.7	--	50.5
Industrial Production (MoM)	29-Feb	JAN P	3.80%	1.50%	2.00%
Industrial Production YOY%	29-Feb	JAN P	-4.30%	-1.60%	-1.20%
Capital Spending	01-Mar	4Q	-9.80%	-6.50%	7.60%
Jobless Rate	02-Mar	JAN	4.60%	4.50%	4.60%
Natl CPI YoY	02-Mar	JAN	-0.20%	-0.10%	0.10%
Malaysia	Date	Period	Prior	Cons.	Actual
Unemployment Rate	27-Feb	4Q	3.10%	--	3.00%
South Korea	Date	Period	Prior	Cons.	Actual
Industrial Production (MoM)	29-Feb	JAN	-0.90%	-0.50%	3.30%
Industrial Production (YoY)	29-Feb	JAN	2.80%	-4.60%	-2.00%
Ext Trade - Export (YoY)	01-Mar	FEB	-6.60%	17.50%	22.70%
Ext Trade - Imports (YoY)	01-Mar	FEB	3.60%	20.80%	23.60%
Consumer Price Index (MoM)	02-Mar	FEB	0.50%	0.40%	0.40%
Consumer Price Index (YoY)	02-Mar	FEB	3.40%	3.10%	3.10%
HSBC Manufacturing PMI	02-Mar	FEB	49.2	--	50.7
Taiwan	Date	Period	Prior	Cons.	Actual
HSBC Manufacturing PMI	01-Mar	FEB	48.9	--	52.7
Thailand	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	01-Mar	FEB	3.38%	3.50%	3.35%
Consumer Price Index NSA (MoM)	01-Mar	FEB	0.39%	0.50%	0.37%
Vietnam	Date	Period	Prior	Cons.	Actual
Exports YTD (YoY)	27-Feb	FEB	-11.10%	--	24.80%
Industrial Production Index YoY	29-Feb	FEB	-2.40%	--	22.10%

Indicator of the Week

China: Industrial output for January-February (March 9)

Forecast: 11.5%	Consensus: 12.4%	Prior: 12.8%
<p>It is difficult this week to choose a single indicator given a number of important data releases scheduled this coming week in China, including inflation, industrial production, retail sales, exports and new loans. We select industrial production for the combined months of January and February given existing uncertainties about recent growth momentum (the data are to be released for the combined months given distortions from the Chinese New Year). Data so far this year has generally been encouraging, with PMI outturns in January and February remaining above the 50-level expansion/contraction threshold, although other indicators, such as electricity consumption suggest weakness. We expect industrial production to moderate slightly, but remain strong given signs of robust manufacturing orders. At the same time, we expect inflation to moderate further, to around 3.2% y/y in February (from 4.5% in January), which should provide room for further policy support such as cuts in the required reserve ratio.</p>		

Calendar Events

Philippines - Overnight borrowing rate, March 1	Current	Consensus	New
There was a 25bps cut in the overnight borrowing rate	4.25%	4.00%	- -

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.	2460.7	1.4	0.9	11.9	-15.6
	Hong Kong - Hang Seng	21562.3	0.8	0.7	17.0	-6.4
	Taiwan - Weighted	8144.0	0.3	1.8	15.2	-5.5
	Japan - Nikkei 225	9777.0	0.7	1.3	15.6	-6.8
	Korea - Kospi	2034.6	0.2	1.3	11.4	4.9
	India - Sensex 30	17643.4	0.3	-1.6	14.2	-4.4
	Australia - SPX/ASX 200	4273.1	0.4	-0.8	5.3	-11.0
	Singapore - Strait Times	2993.5	0.5	0.5	13.1	-1.1
	Indonesia - Jakarta Comp	4004.9	1.1	2.8	4.8	14.9
	Thailand - SET	1165.2	0.0	1.7	13.6	18.0
	Malaysia - KLCI	1583.8	0.7	1.6	3.5	5.6
	Philippines - Manila Comp.	5016.3	1.6	2.5	14.7	32.9

Last update: today, 17.45 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)	6.30	0.03	-0.01	6.29	6.28
	Hong Kong (HKD/USD)	7.76	-0.06	-0.07	7.76	7.76
	Taiwan (TWD/USD)	29.4	0.04	0.48	29.39	29.09
	Japan (JPY/USD)	81.48	-0.44	-0.34	81.41	81.03
	Korea (KRW/USD)	1116	0.08	0.91	1123	1135
	India (INR/USD)	49.5	-0.63	-1.19	50.61	52.52
	Australia (USD/AUD)	1.08	-0.30	0.78	0.94	0.97
	Singapore (SGD/USD)	1.25	-0.01	0.45	1.25	1.25
	Indonesia (IDR/USD)	9088	0.17	-0.44	9206	9549
	Thailand (THB/USD)	30.6	-0.16	-0.75	30.68	31.02
	Malaysia (MYR/USD)	3.00	-0.10	0.27	3.02	3.05
	Philippines (PHP/USD)	42.7	0.36	0.14	42.82	43.16

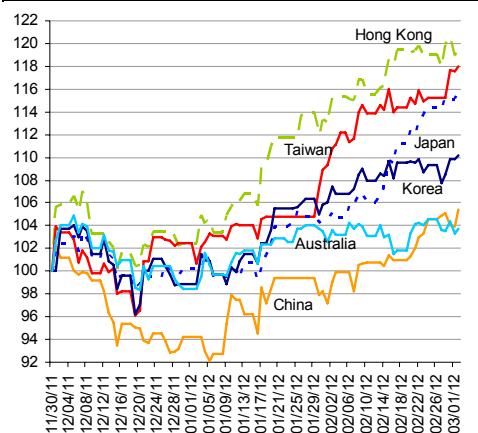
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.27	0.00	-1.73	-1.05
	Hong Kong (HIBOR/1W)	0.12	0.00	0.00	-0.04
	Taiwan (TAIBOR/1W)	0.64	0.00	0.00	0.00
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.38	0.00	0.00	-0.01
	India (MIBOR/7D)	2.54	-0.73	-2.47	-1.98
	Singapore (SIBOR/1W)	0.31	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	3.82	0.00	0	0
	Thailand (BIBOR/1W)	3.01	0.00	0.00	0.00
	Malaysia (KLIBOR/1W)	2.90	0.00	0.00	0.00
	Philippines (PHIBOR/1W)	3.63	0.13	0.25	-0.19

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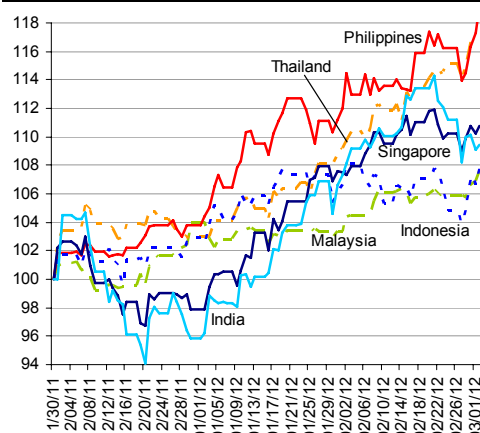
Charts

Chart 9
Stock Markets



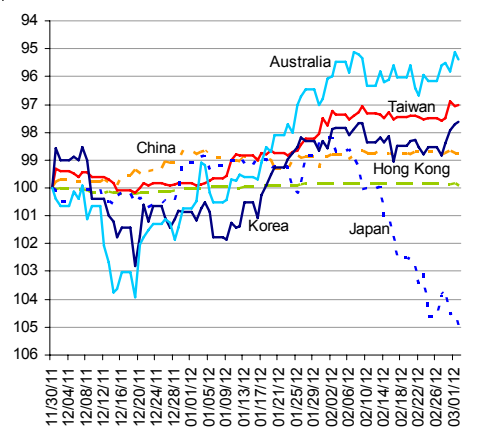
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



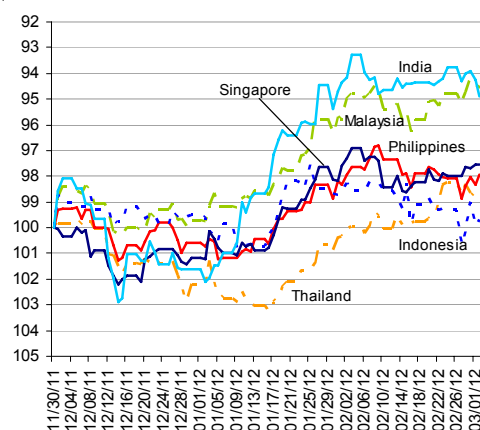
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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