

Daily Flash

Asia

Asian equity markets advanced today following three days of successive losses, on positive momentum from the US and signs of further progress with Greece's debt exchange. The NIKKEI was up by 2.0%, as Japan revised up its fourth quarter GDP (see below). Markets are poised for the release of inflation and activity data in China tomorrow, which will provide a further reading on growth momentum (see Weekly Indicator below).

China's NPC meeting announcements in line with expectations

As flagged in our *China Flash* today, China's annual National People's Congress is taking place (March 5-14), and has generated attention following a lowering of the annual growth target to 7.5% GDP, from 8.0% in previous years. Although global markets have reacted nervously to this news, the growth and other targets are in line with expectations, and are consistent with policy priorities laid out in last year's 5-Year Development Plan, including rebalancing growth and enhancing social well being.

Korea and Indonesia keep interest rates on hold

As expected, central banks in both Korea and Indonesia left their policy rates unchanged today at 3.25% and 5.75%, respectively. Korea has now kept interest rates on hold for nine consecutive months despite slowing growth. In its statement, the BOK noted downside risks to the global economy from uncertainty in Europe and from the potential impact of rising oil prices on inflation. We expect the economy to bottom out in the first quarter before gradually rebounding in the second half on an improving external environment, though the chances of an interest rate cuts at this time appear to be shrinking (we have previously expected two rate cuts during this year). In Indonesia, policymakers are being cautious in advance of expected fuel and electricity price increases. We expect BI to stay on hold for the remainder of the year, following the 100 bps in cumulative cuts since October.

Japan revises up fourth quarter GDP, as current account slips into deficit

As expected, Japan today revised up its fourth quarter GDP, reporting a contraction of -0.7% saar from an initial estimate of -2.3%, due to stronger fourth quarter capital spending. Though Japan has been affected by global headwinds and lingering supply disruptions from last year's floods in Thailand, the economy is expected to start growing once again in the first quarter of 2012, on post-quake reconstruction spending. We expect the economy to expand by around 2% in 2012 after contracting by -0.7% in 2011. Meanwhile, Japan also reported a record current account deficit of 437.3 billion yen in January, due to rising imports of oil and slowing exports due to the Chinese New Year. The yen depreciated slightly today, to 81.4/USD.

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
TD Securities Inflation MoM%	05-Mar	FEB	0.20%	--	0.10%
Current Account Balance	06-Mar	4Q	-5637M	-8050M	-8374M
Gross Domestic Product (QoQ)	07-Mar	4Q	1.00%	0.80%	0.40%
Gross Domestic Product (YoY)	07-Mar	4Q	2.50%	2.40%	2.30%
Unemployment Rate	08-Mar	FEB	5.10%	5.20%	5.20%
Trade Balance	09-Mar	JAN	1709M	1500M	--
China	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	09-Mar	FEB	4.50%	3.40%	--
Industrial Production YTD YoY	09-Mar	FEB	13.90%	12.30%	--
Industrial Production (YoY)	09-Mar	FEB	12.80%	12.50%	--
Retail Sales YTD YoY	09-Mar	FEB	17.10%	17.60%	--
Retail Sales (YoY)	09-Mar	FEB	18.10%	17.30%	--
Exports YoY%	10-Mar	FEB	-0.50%	32.00%	--
Imports YoY%	10-Mar	FEB	-15.30%	30.20%	--
New Yuan Loans	11-15 MAR	FEB	738.1B	750.0B	--
Money Supply - M2 (YoY)	11-15 MAR	FEB	12.40%	12.80%	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Purchasing Managers Index	05-Mar	FEB	51.9	--	52.8
India	Date	Period	Prior	Cons.	Actual
India February Markit Services PMI	05-Mar	FEB	58.0	--	56.5
Japan	Date	Period	Prior	Cons.	Actual
GDP Deflator YoY	08-Mar	4Q F	-1.60%	-1.60%	-1.80%
GDP Annualized	08-Mar	4Q F	-2.30%	-0.60%	-0.70%
Gross Domestic Product (QoQ)	08-Mar	4Q F	-0.60%	-0.30%	-0.5%
Current Account Total	08-Mar	JAN	¥303.5B	¥320.0B	¥437.3B
Machine Tool Orders (YoY)	08-Mar	FEB P	-6.90%	--	-8.60%
Malaysia	Date	Period	Prior	Cons.	Actual
Exports YoY%	07-Mar	JAN	6.10%	2.10%	0.40%
Philippines	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	06-Mar	FEB	3.90%	3.20%	2.70%
Singapore	Date	Period	Prior	Cons.	Actual
Purchasing Managers Index	05-Mar	FEB	48.7	49.4	50.4
Taiwan	Date	Period	Prior	Cons.	Actual
CPI YoY%	05-Mar	FEB	2.37%	1.30%	0.25%
Total Exports (YoY)	07-Mar	FEB	-16.80%	9.50%	10.30%
Thailand	Date	Period	Prior	Cons.	Actual
Total Exports (YoY%)	09-14 MAR	JAN	-2.10%	--	--
Current Account Balance (USD)	09-14 MAR	JAN	\$1940M	\$1500M	--

Indicator of the Week

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

Forecast: 11.5%

Consensus: 12.5%

Prior: 12.8%

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.

Calendar Events

Australia - RBA cash target, March 6

The benchmark cash target remained unchanged

Current	Consensus	New
4.25%	4.25%	4.25%

South Korea - 7-day repo rate, March 8

The 7-day repo rate remained unchanged

Current	Consensus	New
3.25%	3.25%	3.25%

Indonesia - Bank Indonesia Reference rate, March 8

The reference rate remained unchanged

Current	Consensus	New
5.75%	5.75%	5.75%

Malaysia - Overnight rate, March 9

We expect the overnight rate to remain unchanged

Current	Consensus	New
3.00%	3.00%	--

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.	2420.3	1.1	-0.2	10.0	-19.3
	Hong Kong - Hang Seng	20900.7	1.3	-2.3	13.4	-11.9
	Taiwan - Weighted	7984.6	1.0	-2.0	12.9	-8.7
	Japan - Nikkei 225	9769.0	2.0	0.6	15.5	-7.2
	Korea - Kospi	2000.8	0.9	-1.5	9.6	0.2
	India - Sensex 30	17145.5	-0.2	-3.4	10.9	-7.0
	Australia - SPX/ASX 200	4171.0	0.7	-2.0	2.8	-13.3
	Singapore - Strait Times	2970.4	2.0	-0.3	12.2	-4.3
	Indonesia - Jakarta Comp	3967.7	0.6	0.1	3.8	10.8
Thailand - SET	1168.3	1.3	0.6	13.9	16.5	
Malaysia - KLCI	1578.4	0.2	0.3	3.1	4.0	
Philippines - Manila Comp.	4956.2	0.7	0.4	13.4	27.1	

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)	6.32	-0.10	-0.25	6.31	6.30
	Hong Kong (HKD/USD)	7.76	0.10	0.00	7.75	7.75
	Taiwan (TWD/USD)	29.5	0.13	-0.19	29.38	29.10
	Japan (JPY/USD)	81.41	-0.39	-0.36	81.34	80.95
	Korea (KRW/USD)	1118	0.58	-0.16	1124	1137
	India (INR/USD)	50.3	0.18	-2.51	51.38	53.29
	Australia (USD/AUD)	1.07	0.65	-1.45	0.95	0.98
	Singapore (SGD/USD)	1.25	0.41	-0.21	1.25	1.25
	Indonesia (IDR/USD)	9135	-0.19	-0.35	9207	9529
Thailand (THB/USD)	30.5	0.69	-0.10	30.67	31.05	
Malaysia (MYR/USD)	3.01	0.63	-0.29	3.02	3.05	
Philippines (PHP/USD)	42.6	0.76	0.60	42.73	43.07	

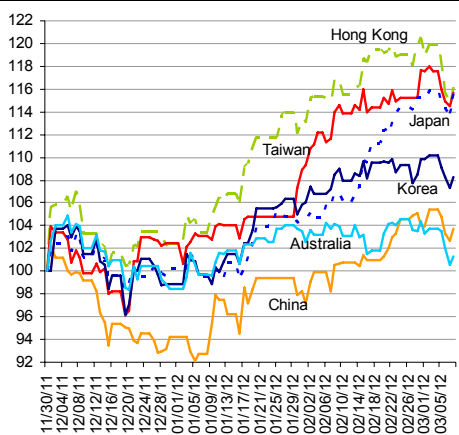
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.00	-0.10	-0.27	-0.72
	Hong Kong (HIBOR/1W)	0.11	0.00	-0.01	-0.05
	Taiwan (TAIBOR/1W)	0.64	0.00	0.00	0.00
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.38	0.00	0.00	-0.01
	India (MIBOR/7D)	2.99	-0.11	-0.28	-0.91
	Singapore (SIBOR/1W)	0.31	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	3.81	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	-0.19	0.13	-0.13	

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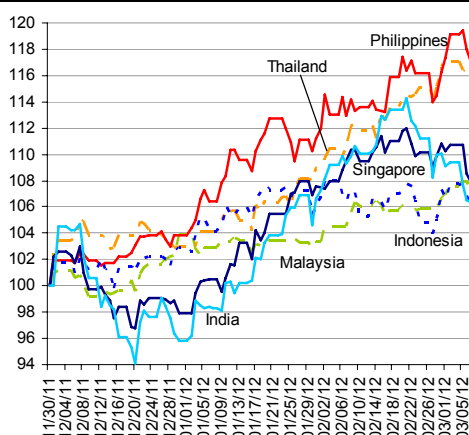
Charts

Chart 9
Stock Markets



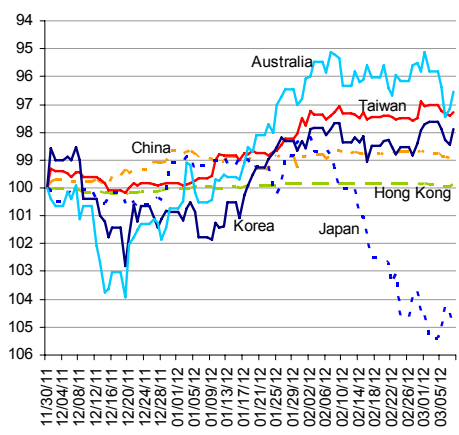
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



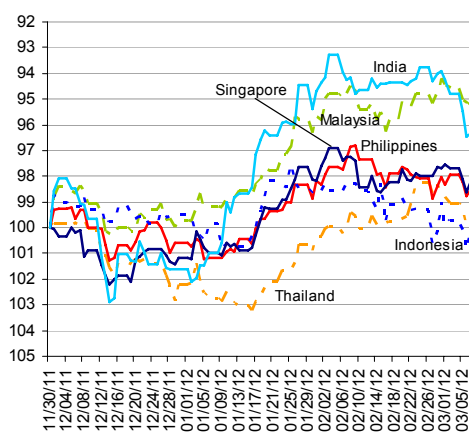
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



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