

Daily Flash

Asia

The most closely watched event in Asia today was Chinese Premier Wen Jiabao's wrap-up press conference at the conclusion of the annual National People's Congress (NPC). In what was expected to be an uneventful closing, Premier Wen made headlines for his wide-ranging comments on China's democratization process, growth target, currency outlook, and property price curbs. Strong indications that the latter will remain firmly in place (see below) caused a late-day selloff in China's stock market with the Shanghai composite and Hang Seng down by -2.6% and -0.1%, respectively, in sharp contrast to gains elsewhere in the region on positive momentum from global markets.

China's National People's Congress ends with a bang

The close of the 10-day NPC today ended with an eventful press conference by Premier Wen Jiabao. Among the most notable points were: (i) a "defense" of the lower 2012 GDP growth target (7.5%), which he said would enable the government to focus more on the quality of growth; (ii) his view that "the real effective exchange rate of the RMB may have reached its "equilibrium level" (causing 12-month NDFs to all but eliminate expectations of further appreciation) although the authorities would continue with reforms to enhance currency flexibility; and (iii) that measures to cool the property market will remain in place given the need to ensure housing affordability. The statements, by and large, do not change our view on the outlook for 2012, in which we expect overall GDP growth to reach 8.3% with support from monetary easing and fiscal stimulus, along with slower currency appreciation (expected at about 3% against the USD).

Hints of further easing of China's credit policies to spur growth

Bloomberg reported today that the authorities are allowing three of the largest commercial banks -- ICBC, CCB and BoC -- to raise their internal loan-to-deposit (LTD) targets for 2012 in a bid to accelerate lending. The report comes after disappointing loan growth and production figures in January and February. According to the report, the new LTD targets would be in the 60%-65% range, still well below the 75% regulatory cap.

India's inflation picks up in February on higher food prices

Wholesale price inflation unexpectedly rose in February, to 6.95% y/y from 6.55% the previous month (BBVA: 6.4% y/y; consensus: 6.7%). For additional details, [click here](#). The upturn was driven by a jump in food prices. However, core inflation declined to 5.7% y/y from 6.7% the previous month. Today's outturn, coupled with Monday's release of better-than-expected January industrial production along with concern about inflationary risk due to rising oil prices, make an interest rate cut at tomorrow's RBI policy meeting somewhat less likely than we had previously anticipated. We still expect a rate cut of 25bps if not tomorrow, then at April's policy meeting, in view of the significant deceleration in investment activity, moderation in core inflation, and likelihood of fiscal consolidation in the upcoming Union Budget which will be announced on March 16.

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Home Loans MoM	13-Mar	JAN	2.30%	-0.60%	-1.20%
Consumer Inflation Expectation	15-Mar	MAR	2.50%	--	--
China	Date	Period	Prior	Cons.	Actual
China February Property Prices	18-Mar				
Hong Kong	Date	Period	Prior	Cons.	Actual
Industrial Production (YoY)	13-Mar	4Q	0.20%	--	-2.20%
India	Date	Period	Prior	Cons.	Actual
Industrial Production YoY	12-Mar	JAN	1.80%	2.10%	6.80%
Monthly Wholesale Prices YoY%	14-Mar	FEB	6.55%	6.70%	6.95%
Japan	Date	Period	Prior	Cons.	Actual
Machine Orders (MoM)	12-Mar	JAN	-7.10%	2.30%	3.40%
Machine Orders YOY%	12-Mar	JAN	6.30%	4.40%	5.70%
Tertiary Industry Index (MoM)	13-Mar	JAN	1.40%	0.20%	-1.70%
Industrial Production (MoM)	14-Mar	JAN F	2.00%	--	1.90%
Industrial Production YOY%	14-Mar	JAN F	-1.20%	--	-1.30%
Malaysia	Date	Period	Prior	Cons.	Actual
Industrial Production YoY	12-Mar	JAN	3.00%	0.90%	0.20%
Philippines	Date	Period	Prior	Cons.	Actual
Total Exports (YoY)	13-Mar	JAN	-20.70%	-18.50%	3.0%
Overseas Remittances (YoY)	15-Mar	JAN	6.20%	--	--
Singapore	Date	Period	Prior	Cons.	Actual
Unemployment Rate (sa)	15-Mar	4Q F	2.00%	--	--
Retail Sales (YoY)	15-Mar	JAN	4.20%	2.00%	--
Retail Sales (MoM) sa	15-Mar	JAN	-2.40%	-1.90%	--
Non-oil Domestic Exports (YoY)	16-Mar	FEB	-2.10%	15.40%	--
Non-oil Domestic Exp SA (MoM)	16-Mar	FEB	0.90%	1.40%	--
South Korea	Date	Period	Prior	Cons.	Actual
Unemployment Rate (SA)	14-Mar	FEB	3.20%	3.20%	3.70%
Thailand	Date	Period	Prior	Cons.	Actual
Total Exports YOY%	14-16 MAR	JAN	-2.10%	--	--
Total Imports YOY%	14-16 MAR	JAN	19.60%	--	--

Calendar Events

Australia - Reserve Bank Board - Bulletin March Quarter 2012, March 15

India - India REPO Cutoff Yld, March 15

We expect a 25bps cut in the benchmark repo rate

Current	Consensus	New
8.50%	8.50%	--

Japan - BOJ Target Rate, March 13

The BOJ target rate remained unchanged

Current	Consensus	New
0.10%	0.10%	0.10%

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.	2391.2	-2.6	-0.1	8.7	-18.6
	Hong Kong - Hang Seng	21307.9	-0.1	3.3	15.6	-8.7
	Taiwan - Weighted	8125.3	1.2	2.8	14.9	-4.6
	Japan - Nikkei 225	10050.5	1.5	5.0	18.9	4.5
	Korea - Kospi	2045.1	1.0	3.2	12.0	3.7
	India - Sensex 30	17940.7	0.7	4.5	16.1	-2.7
	Australia - SPX/ASX 200	4287.2	0.9	3.5	5.7	-7.3
	Singapore - Strait Times	3026.4	1.2	3.9	14.4	-0.1
	Indonesia - Jakarta Comp	4054.3	1.1	2.8	6.1	13.6
	Thailand - SET	1164.4	0.9	1.0	13.6	13.8
	Malaysia - KLCI	1575.7	0.7	0.1	2.9	5.4
Philippines - Manila Comp.	5051.0	0.9	2.6	15.5	28.9	

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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)	6.33	-0.08	-0.35	6.34	6.34
	Hong Kong (HKD/USD)	7.76	-0.03	0.03	7.76	7.75
	Taiwan (TWD/USD)	29.5	-0.03	0.07	29.46	29.19
	Japan (JPY/USD)	83.40	-0.55	-2.77	83.33	82.94
	Korea (KRW/USD)	1126	-0.42	-0.13	1135	1148
	India (INR/USD)	50.0	-0.12	0.58	51.04	52.99
	Australia (USD/AUD)	1.05	-0.68	-0.96	0.96	0.99
	Singapore (SGD/USD)	1.27	-0.52	-0.58	1.26	1.26
	Indonesia (IDR/USD)	9173	0.07	-0.60	9270	9590
	Thailand (THB/USD)	30.8	-0.62	-0.13	30.93	31.34
	Malaysia (MYR/USD)	3.05	-0.45	-0.68	3.07	3.10
Philippines (PHP/USD)	42.9	-0.39	0.13	43.27	43.68	

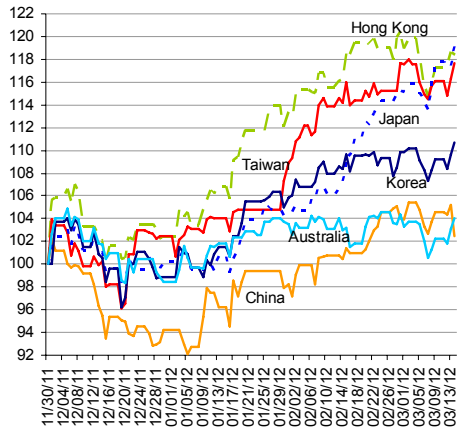
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.00	0.00	0.00	-0.79
	Hong Kong (HIBOR/1W)	0.11	0.00	0.00	-0.04
	Taiwan (TAIBOR/1W)	0.64	0.00	0.00	0.00
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.38	0.00	0.00	-0.01
	India (MIBOR/7D)	2.98	-0.12	-0.12	-0.84
	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	-0.06	-0.19	-0.06

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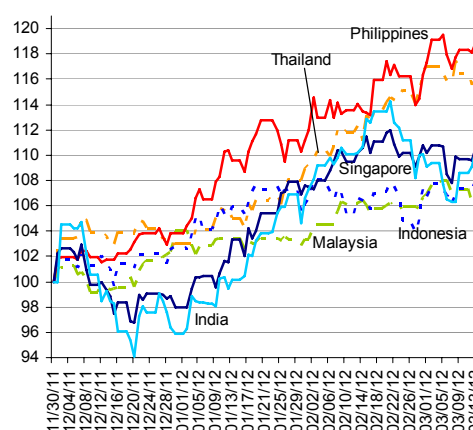
Charts

Chart 9
Stock Markets



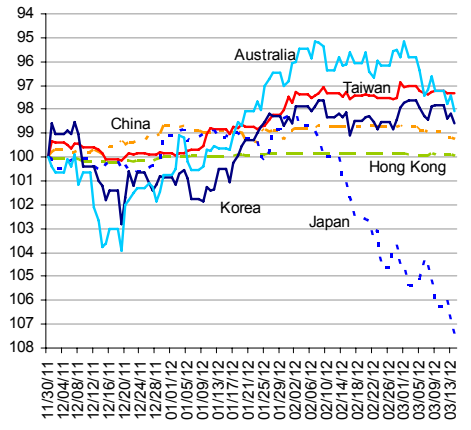
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



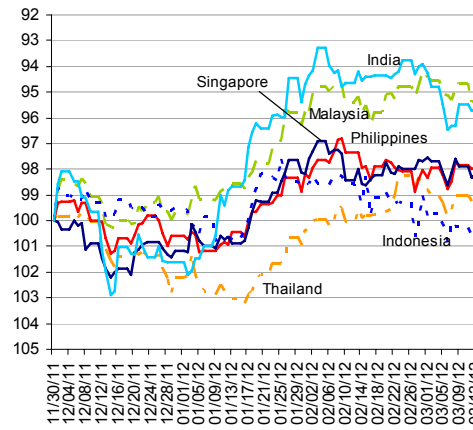
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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