

Daily Flash

Asia

India's central bank left interest rates unchanged today (see below). The decision was not a surprise after yesterday's higher-than-expected inflation outturn of 7.0% y/y (consensus: 6.7%) and ahead of tomorrow's release of the 2012/13 central government budget. We still expect the RBI to be one of the most aggressive central banks in cutting interest rates during the course of the year, although we sense that the region's central banks are becoming more cautious in light of inflationary pressure from rising oil prices.

India leaves policy rates unchanged due to inflation risks

The Reserve Bank of India (RBI) left interest rates unchanged today at 8.5%, following last Friday's cut in the cash reserve ratio by 75bps. The RBI reiterated that that policy rates have peaked, but did not provide views on the timing or magnitude of future rate cuts: *"Recent growth-inflation dynamics have prompted the Reserve Bank to indicate that no further tightening is required and that future actions will be towards lowering the rates. However, notwithstanding the deceleration in growth, inflation risks remain, which will influence both the timing and magnitude of future rate actions, which remains dependent upon the path of inflation, and the government's efforts towards fiscal consolidation."*

In a separate pre-budget release, the Indian Finance Minister presented the Economic Survey for 2011-12 which projects GDP growth of 6.9% y/y in FY12 (in line with our expectations) and 7.6% y/y and 8.6% y/y in FY13 and FY14 respectively (BBVA forecasts are 7.3% and 7.6% y/y respectively). The focus now shifts to tomorrow's Union Budget.

Briefly noted:

- **Singapore private-home sales rise sharply.** Private-home sales in Singapore hit a 2 ½ year high in February, rising by 29% from the previous month to 2,413 units. The outturn, which came in spite of new measures to stunt property-market growth, could be a harbinger of renewed asset bubble pressures in the months ahead.
- **Indonesia prepares for fuel price hikes, but may delay electricity tariff increases** according to news reports today in Jakarta. Agreement appears to have been reached between the government and key Parliamentary leaders on a fuel price increase on April 1, but not on a simultaneous electricity tariff adjustment due to opposition from lawmakers and street protests.
- **Thailand's January exports fell sharply** by -6.0% y/y (consensus: 0.0%), after a decline of -2.0% y/y the previous month. The decline was largely due to the manufacturing sector (-13.5% y/y), with electronics (-27.1%) in particular falling sharply as multinational supply chains continue to experience heavy disruptions due to the flooding last year.

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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%	--	2.70%
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%	--	5.40%
Singapore	Date	Period	Prior	Cons.	Actual
Unemployment Rate (sa)	15-Mar	4Q F	2.00%	--	2.00%
Retail Sales (YoY)	15-Mar	JAN	4.20%	-1.30%	1.70%
Retail Sales (MoM) sa	15-Mar	JAN	-2.40%	-1.50%	1.70%
Non-oil Domestic Exports (YoY)	16-Mar	FEB	-2.10%	16.20%	--
Non-oil Domestic Exp SA (MoM)	16-Mar	FEB	0.90%	5.00%	--
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
Customs Exports YOY%	15-Mar	JAN	-2.10%	0.00%	-6.00%
Customs Imports YOY%	15-Mar	JAN	19.60%	6.40%	-4.20%

Indicator of the Week

Singapore: CPI Inflation for February (March 23)

Forecast: 5.0% y/y

Consensus: n/a

Prior: 4.8% y/y

The inflation outturn will be closely watched ahead of the Monetary Authority of Singapore's next semi-annual policy meeting, scheduled for mid-April. Inflation moderated in January after hovering above 5% y/y since June. Despite the recent increase in oil prices, the authorities have officially kept their 2012 inflation forecast of between 2.5%-3.5% y/y. A high inflation outturn would make the MAS more likely to stay on hold at the April policy meeting by leaving the current slope (estimated at 1%) and center of its exchange rate band unchanged. The recent improvement in the global environment also makes it less likely that the MAS will ease policy, despite the ongoing slowdown in Singapore's growth momentum. We expect inflation will remain elevated during the first half of the year, before moderating in the second half (BBVA Forecast: 3.0% y/y for 2012).

Calendar Events

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

India - India REPO Cutoff Yld, March 15

The benchmark repo rate remained unchanged

Current	Consensus	New
8.50%	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.	2373.8	-0.7	-1.9	7.9	-18.0
	Hong Kong - Hang Seng	21353.5	0.2	2.2	15.8	-5.8
	Taiwan - Weighted	8121.6	0.0	1.7	14.8	-1.4
	Japan - Nikkei 225	10123.3	0.7	3.6	19.7	17.6
	Korea - Kospi	2043.8	-0.1	2.1	11.9	6.2
	India - Sensex 30	17675.9	-1.4	3.1	14.4	-2.7
	Australia - SPX/ASX 200	4277.8	-0.2	2.6	5.5	-5.5
	Singapore - Strait Times	3025.8	0.0	1.9	14.3	2.7
	Indonesia - Jakarta Comp	4040.0	-0.4	1.8	5.7	14.6
	Thailand - SET	1171.3	0.6	0.3	14.2	16.8
	Malaysia - KLCI	1579.4	0.2	0.1	3.2	6.4
Philippines - Manila Comp.	5031.8	-0.4	1.5	15.1	29.1	

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)	6.33	0.05	-0.20	6.33	6.33
	Hong Kong (HKD/USD)	7.76	-0.01	-0.08	7.76	7.75
	Taiwan (TWD/USD)	29.5	-0.09	-0.15	29.48	29.23
	Japan (JPY/USD)	83.54	0.23	-2.37	83.47	83.07
	Korea (KRW/USD)	1128	-0.14	-0.85	1135	1148
	India (INR/USD)	50.4	-1.00	-0.24	51.49	53.42
	Australia (USD/AUD)	1.05	0.26	-1.54	0.96	0.99
	Singapore (SGD/USD)	1.27	0.20	-1.15	1.27	1.26
	Indonesia (IDR/USD)	9180	-0.08	-0.49	9280	9602
	Thailand (THB/USD)	30.8	-0.03	-0.71	30.94	31.35
	Malaysia (MYR/USD)	3.06	-0.21	-1.51	3.07	3.11
Philippines (PHP/USD)	43.0	-0.41	-1.02	43.35	43.75	

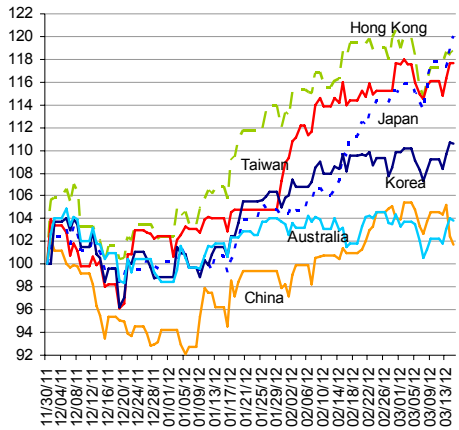
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	2.87	-0.13	-0.13	-1.03
	Hong Kong (HIBOR/1W)	0.11	0.00	0.00	-0.04
	Taiwan (TAIBOR/1W)	0.64	0.00	0.00	0.00
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.38	0.00	0.00	-0.01
	India (MIBOR/7D)	2.89	-0.09	-0.10	-1.22
	Singapore (SIBOR/1W)	0.31	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	3.80	-0.01	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)	3.75	0.13	0.13	0.19

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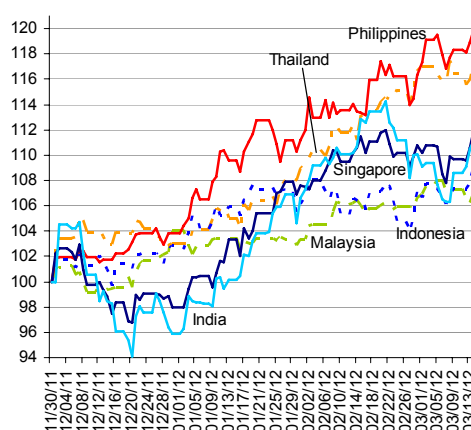
Charts

Chart 9
Stock Markets



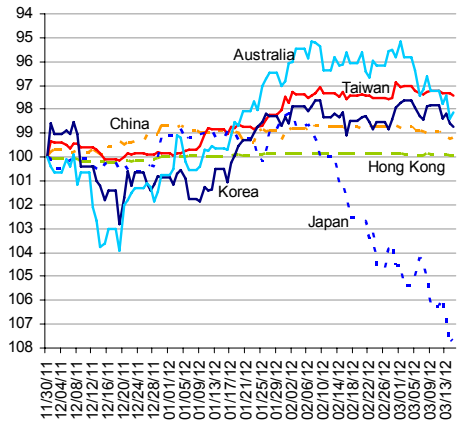
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



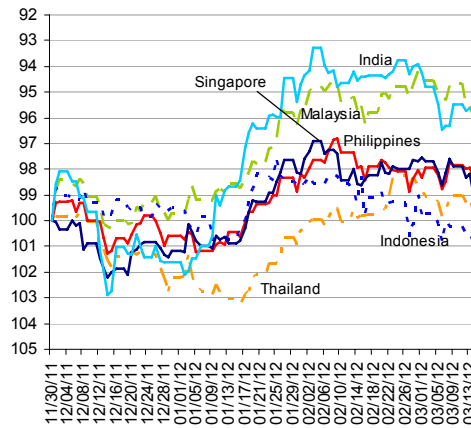
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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