

Daily Flash

Asia

Developments in Asia today were a reminder of just how sensitive markets currently are to news flow. Sentiment was down following the release of the HSBC flash estimate of March PMI in China which suggests a further slowdown (see below), while markets in India closed sharply lower on weak European PMI data (released after the close in the rest of Asia). India's stock market closed down by -2.8%, and the rupee hit a two-month low. Another notable currency move of the day was some strengthening of the Chinese RMB to near 6.29 per USD, after stronger fixings in the past few days by the PBoC, perhaps in a bid to reverse market expectations of depreciation.

A weak flash PMI estimate in China raises expectations of policy easing

Markets were watching for today's flash PMI estimate, ahead of the release of the official PMI index due out on April 1. The flash estimate came out at 48.1%, down from 49.5% in February, the lowest reading since November. China's stock markets responded negatively at first, but came back during the day, possibly on expectations of further policy easing. In this regard, just yesterday, the authorities' announced a cut in the required reserve ratio for the Agricultural Bank of China to boost credit growth.

Japan posts first trade surplus in five months and the yen strengthens

Japan reported an unexpected trade surplus (USD395 million) in February, in contrast to the market consensus of a deficit. Exports dropped by "only" -2.7% y/y (consensus: -6.5%), while imports rose 9.2% y/y (consensus: 8.2%). The yen strengthened after the release of the trade data, finishing up 0.7% today to around 83 per USD.

Briefly noted:

- **The People's Bank of China and the Reserve Bank of Australia signed a 3-year bilateral currency swap agreement.** The size of the agreement amounts to RMB 200 billion/AUD 30 billion, and is the latest in a series of such agreements by China toward internationalizing the currency.
- **Hong Kong's inflation moderates to 4.7% y/y in February.** Inflation was lower than consensus (5.2% y/y) and down from 6.1% in January, hitting its lowest year-on-year level in 10 months. The moderation was mainly due to seasonal effects stemming from the Chinese New Year. Going forward, the decline in inflation in Hong Kong is expected to be slow due to still-high rents and pressures from rising oil prices.
- **Taiwan holds rates as expected.** The central bank kept interest rates on hold at 1.875% in its first monetary policy meeting of 2012. Rates have been on hold since a series of rate hikes ended in June 2011. Though inflation remains low at around 1.3% y/y, the policy statement mentioned risks of rising inflation due to rising oil prices, among other factors.

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Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
HSBC Flash China Manufacturing PMI	22-Mar	MAR	49.6	--	48.1
Hong Kong	Date	Period	Prior	Cons.	Actual
Unemployment Rate SA	19-Mar	FEB	3.20%	3.30%	3.40%
Bal of Paymts - Overall	22-Mar	4Q	\$23.56B	--	\$49.75B
CPI - Composite Index (YoY)	22-Mar	FEB	6.10%	5.20%	4.70%
Japan	Date	Period	Prior	Cons.	Actual
All Industry Activity Index (MoM)	21-Mar	JAN	1.30%	-0.70%	-1.00%
Merchnds Trade Balance Total	22-Mar	FEB	-¥1475.0B	-¥120.0B	¥32.9B
Merchnds Trade Exports YoY	22-Mar	FEB	-9.3	-6.5	-2.7
Merchnds Trade Imports YoY	22-Mar	FEB	9.8	8.2	9.2
Malaysia	Date	Period	Prior	Cons.	Actual
CPI YoY	23-Mar	FEB	2.70%	2.40%	--
Philippines	Date	Period	Prior	Cons.	Actual
Balance of Payments	19-Mar	FEB	\$864M	--	\$588M
Singapore	Date	Period	Prior	Cons.	Actual
CPI (MOM) - NSA	23-Mar	FEB	0.90%	0.10%	--
CPI (YoY)	23-Mar	FEB	4.80%	4.90%	--
Taiwan	Date	Period	Prior	Cons.	Actual
Export Orders (YoY)	20-Mar	FEB	-8.63%	13.00%	17.60%
Unemployment Rate - sa	22-Mar	FEB	4.19%	4.20%	4.15%
Industrial Production (YoY)	23-Mar	FEB	-16.46%	8.87%	--
Vietnam	Date	Period	Prior	Cons.	Actual
CPI (YoY)	24-Mar	MAR	16.40%	--	--
Exports YTD (YoY)	24-31 MAR	MAR	24.80%	--	--
Imports YTD (YoY)	24-31 MAR	MAR	11.80%	--	--

Indicator of the Week

Singapore: CPI Inflation for February (March 23)

Forecast: 5.0% y/y

Consensus: 4.9% y/y

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

Thailand - Benchmark Interest Rate, March 21

The benchmark interest rate remained unchanged

Current

3.00%

Consensus

3.00%

New

3.00%

Taiwan - Benchmark Interest Rate, March 22

The benchmark interest rate remained unchanged

Current

1.875%

Consensus

1.875%

New

1.875%

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.	2375.8	-0.1	0.1	8.0	-18.6
	Hong Kong - Hang Seng	20901.6	0.2	-2.1	13.4	-8.6
	Taiwan - Weighted	8059.9	1.0	-0.8	14.0	-5.3
	Japan - Nikkei 225	10127.1	0.4	0.8	19.8	5.4
	Korea - Kospi	2026.1	-0.1	-0.9	11.0	0.6
	India - Sensex 30	17196.5	-2.3	-2.7	11.3	-4.4
	Australia - SPX/ASX 200	4273.7	0.5	-0.1	5.4	-8.0
	Singapore - Strait Times	2979.3	-0.9	-1.5	12.6	-0.8
	Indonesia - Jakarta Comp	4041.6	0.1	0.0	5.7	14.9
	Thailand - SET	1191.0	-1.4	1.7	16.2	16.9
	Malaysia - KLCI	1583.2	0.0	0.2	3.4	4.9
	Philippines - Manila Comp.	5043.5	0.1	0.2	15.4	30.9

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	0.37	0.47	6.33	6.34
	Hong Kong (HKD/USD)	7.76	-0.01	-0.02	7.76	7.76
	Taiwan (TWD/USD)	29.6	0.00	-0.04	29.54	29.30
	Japan (JPY/USD)	82.85	0.68	0.87	82.78	82.38
	Korea (KRW/USD)	1130	-0.01	-0.15	1142	1154
	India (INR/USD)	51.1	-0.83	-1.36	52.25	54.38
	Australia (USD/AUD)	1.04	-0.83	-1.45	0.97	1.00
	Singapore (SGD/USD)	1.27	-0.21	-0.31	1.27	1.26
	Indonesia (IDR/USD)	9189	-0.08	-0.10	9266	9597
	Thailand (THB/USD)	30.8	-0.10	-0.26	30.97	31.35
	Malaysia (MYR/USD)	3.08	-0.26	-0.85	3.10	3.14
	Philippines (PHP/USD)	43.0	-0.07	0.00	43.18	43.62

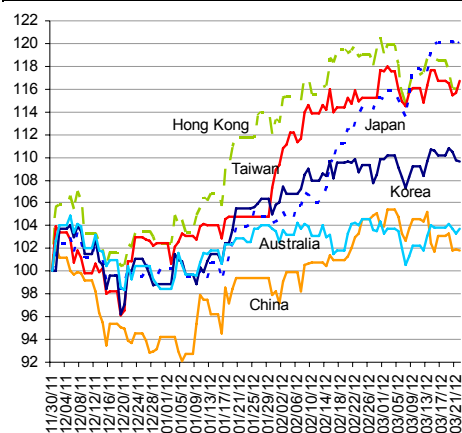
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.17	0.07	0.27	-1.88
	Hong Kong (HIBOR/1W)	0.11	0.00	0.00	-0.01
	Taiwan (TAIBOR/1W)	0.64	0.00	0.00	0.00
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.38	0.00	0.00	0.00
	India (MIBOR/7D)	3.17	0.04	0.28	-2.03
	Singapore (SIBOR/1W)	0.31	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	3.81	0.00	0	0
	Thailand (BIBOR/1W)	3.02	0.00	0.01	0.01
	Malaysia (KLIBOR/1W)	2.90	0.00	0.00	0.00
	Philippines (PHIBOR/1W)	3.63	-0.25	-0.13	-0.13

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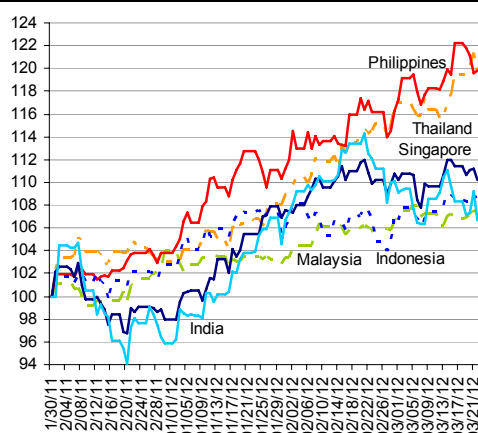
Charts

Chart 9
Stock Markets



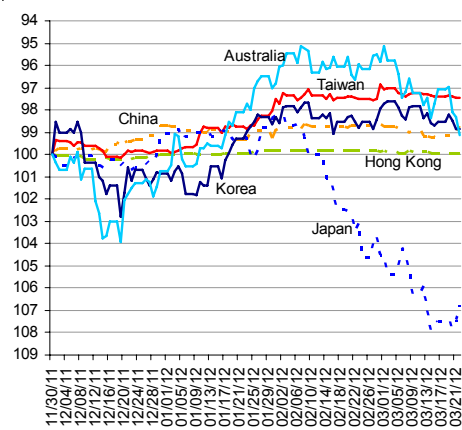
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



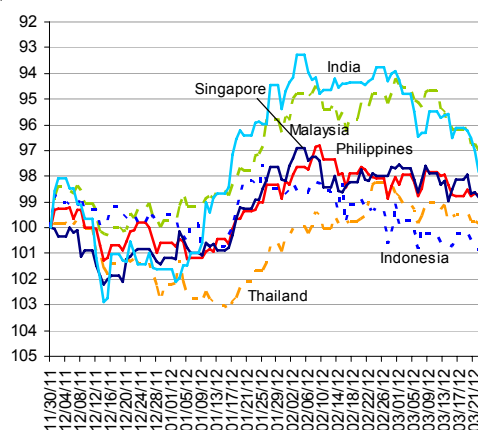
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



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