

Daily Flash

Asia

Asian markets closed mixed today, capping a week of downward pressure due to concerns over the global environment on weaker-than-expected PMI indicators in China and Europe. Losses were led today by Japan, Hong Kong, and China, which were all down by more than 1%. In China, the central bank set today's fixing for the RMB at a record strong 6.2891, as the authorities seek to offset recent depreciation expectations; nevertheless, the currency fell back during the day to close at 6.3076/USD.

Hong Kong gears up for the selection of a new Chief Executive

This Sunday will feature the much-anticipated selection of a new Chief Executive in Hong Kong. The selection will be made by a 1,200-member committee, who will choose from three candidates. The two front-runners are Henry Tang and C.Y. Leung, with recent polls giving the edge to the latter. Though few details have emerged of the likely economic platforms, most observers see a Tang victory as favoring vested business interests, while Leung has a reputation as more of a populist (for example, with respect to favoring housing affordability over the interests of property developers). Press reports today suggest that Leung has the support of Beijing, and has the largest chance of success. If neither candidate wins a majority, a run-off would be held on May 6.

Singapore February inflation slows

Singapore's February inflation came in below expectations at 4.6% y/y today (consensus: 4.9% y/y, BBVA 5.0% y/y) as food prices fell sharply. Sequential trends (non-seasonally adjusted) show inflation fell by -0.3% month-on-month, though authorities maintained their previous stance that inflation is likely to remain elevated in the first half of 2012, as a tight domestic labor market and rising oil prices will likely fuel further price gains. Despite the lower inflation outturn, the Monetary Authority of Singapore remains likely to keep the current appreciation path of the SGD (estimated at 1%) when they hold their semi-annual policy meeting in the middle of April.

Briefly noted:

- **Taiwan: Industrial production expands for first time since November.** Taiwan's February IP, although slightly below the consensus, rebounded to 8.4% y/y from negative 16.8% y/y in January, ending three consecutive months of contraction. The expansion was led by PCs and electronic products and follows in line with the recently released export orders outturn.
- **Malaysia's inflation posts further decline in February.** Malaysia's headline inflation slowed to 2.2% y/y (consensus: 2.4%) due to price declines in communication (-0.6% y/y) and clothing (-0.3% y/y). Headline inflation has been falling since October (3.4%) on a year-on-year basis.
- **Important upcoming economic releases.** In terms of economic releases, next week will be highlighted by the publication of China's official PMI on April 1, for signs that China's economy continues on a soft-landing path (see Weekly Indicator below). Also next week is inflation in Indonesia, Korea, and Thailand, as well as industrial production in Japan.

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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%	2.20%
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%	-0.30%
CPI (YoY)	23-Mar	FEB	4.80%	4.90%	4.60%
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%	8.40%
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

China: PMI for March (April 1)

Forecast: 51.0

Consensus: n/a

Prior: 51.0

The official PMI outturn will be closely watched following recent indications of a further slowing in growth momentum. The private sector flash PMI estimate came in weaker than expected on March 22, raising expectations of a decline in the forthcoming PMI outturn after 3 consecutive months of a pick-up. Although underlying growth momentum is weakening, we expect the official PMI to remain unchanged from the previous month due to a seasonal rebound from the Chinese New Year in January. A more significant set of indicators will be released in mid-April, including Q1 GDP, industrial production, retail sales, and investment.

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.	2349.5	-1.1	-2.3	6.8	-20.3
	Hong Kong - Hang Seng	20668.8	-1.1	-3.0	12.1	-9.4
	Taiwan - Weighted	8076.6	0.2	0.3	14.2	-5.5
	Japan - Nikkei 225	10011.5	-1.1	-1.1	18.4	5.9
	Korea - Kospi	2026.8	0.0	-0.4	11.0	0.7
	India - Sensex 30	17361.7	1.0	-0.6	12.3	-4.6
	Australia - SPX/ASX 200	4270.4	-0.1	-0.1	5.3	-8.2
	Singapore - Strait Times	2990.1	0.4	-0.7	13.0	-1.1
	Indonesia - Jakarta Comp	4041.6	0.1	0.0	5.7	13.6
	Thailand - SET	1194.4	0.3	0.4	16.5	16.2
	Malaysia - KLCI	1585.8	0.2	0.9	3.6	4.9
	Philippines - Manila Comp.	5042.4	0.0	-2.0	15.3	30.8

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)	6.31	-0.13	0.24	6.32	6.33
	Hong Kong (HKD/USD)	7.77	0.00	-0.04	7.76	7.76
	Taiwan (TWD/USD)	29.6	-0.05	-0.10	29.54	29.31
	Japan (JPY/USD)	82.65	-0.13	0.94	82.58	82.19
	Korea (KRW/USD)	1135	-0.39	-0.84	1142	1155
	India (INR/USD)	51.2	-1.09	-1.62	52.51	54.63
	Australia (USD/AUD)	1.04	0.16	-1.74	0.97	1.00
	Singapore (SGD/USD)	1.26	0.26	-0.43	1.26	1.26
	Indonesia (IDR/USD)	9197	-0.09	-0.70	9284	9623
	Thailand (THB/USD)	30.8	-0.10	-0.32	30.96	31.36
	Malaysia (MYR/USD)	3.08	0.24	-0.62	3.09	3.13
	Philippines (PHP/USD)	42.9	0.21	0.25	43.11	43.58

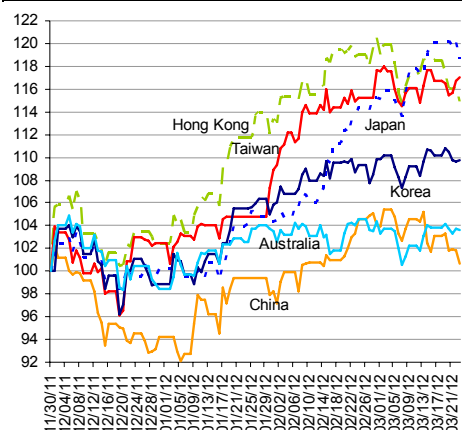
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.17	0.00	0.27	-2.33
	Hong Kong (HIBOR/1W)	0.11	0.00	0.00	-0.01
	Taiwan (TAIBOR/1W)	0.64	0.00	0.00	0.00
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.38	0.00	0.00	0.00
	India (MIBOR/7D)	2.99	-0.18	0.09	-2.86
	Singapore (SIBOR/1W)	0.25	-0.06	-0.06	-0.06
	Indonesia (JIBOR/1W)	3.81	0.00	0	0
	Thailand (BIBOR/1W)	3.02	0.00	0.00	0.01
	Malaysia (KLIBOR/1W)	2.90	0.00	0.00	0.00
	Philippines (PHIBOR/1W)	3.56	-0.06	-0.13	0.13

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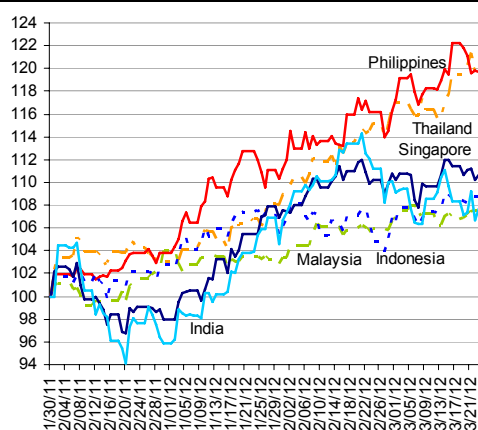
Charts

Chart 9
Stock Markets



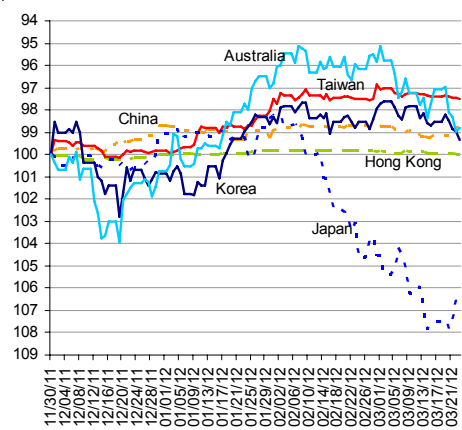
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



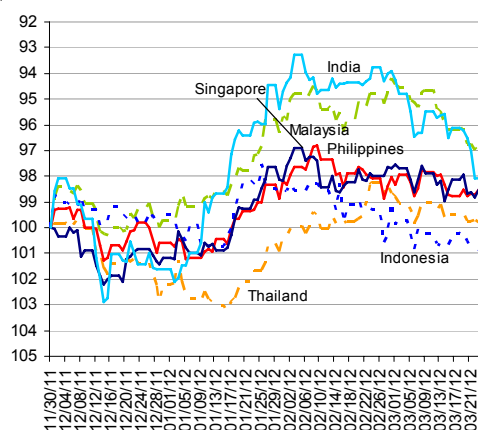
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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