

Daily Flash

Asia

Asian markets rallied strongly today on the back of Fed Chairman Bernanke's comments yesterday that US monetary policy will remain accommodative in light of weak US labor market conditions. A mix of accommodative monetary stances in the West and Japan, combined with stable interest rates in Asia could set the stage for capital inflows to the region. Gains were led by Japan (+2.4%) and Hong Kong (+1.8%), with Shanghai the outlier, down by -0.1% on news of weak industrial profits for the first two months of the year (see below).

China's authorities continue to respond to signs of capital outflows

The RMB's daily fixings have been set progressively stronger in recent days. Most likely, this reflects efforts by the authorities to counter recent market expectations of depreciation that have been driving capital outflows and suppressing asset prices. The authorities have also reportedly been taking steps to encourage inflows, the latest such move being reported today by the *Wall Street Journal* of an increase in foreign banks' long-term external debt ceilings (which are not officially disclosed). The report indicates that the ceilings are to be increased on a bank-by-bank basis, ranging from high double-digit rises to a more-than-doubling of last year's quotas. This news follows reports last week about a speeding up of approvals of other foreign investment programs such as QFII and RQFII to attract capital inflows.

China's industrial profits decline in the first two months of 2012

According to the National Bureau of Statistics, profits of medium and large industrial firms fell by -5.2% for January-February 2012, following profit growth of 25.4% in 2011. The decline was mainly due to state-owned enterprises and foreign firms, with the income of private enterprises (accounting for around 1/3 of total profits) increasing by 24.4%. The decline in overall profits is yet another indicator of slowing growth, and reinforces our expectations of monetary policy easing in the months ahead.

Briefly noted:

- **Hong Kong's February exports grew more strongly than expected**, by 14.0% y/y (consensus: 4.9% y/y) from -8.6% y/y in January, and imports in February jumped to 20.8% y/y (consensus: 9.8% y/y) from -10.5% y/y for the previous month. The large fluctuations were driven by the different timings of Chinese New Year (CNY), which fell in February last year but in January this year.
- **Fitch Ratings today affirmed Singapore's AAA rating** with a stable outlook, on its "exceptionally strong external finances, sound fiscal framework, strong investment climate and diverse, high value-added economy". That said, Fitch warned that an economic shock could have a negative impact on Singapore's credit rating.
- **Thailand raised the foreign ownership limit in domestic insurance companies** to 49% from 25%, Bloomberg reported. The move is intended to strengthen the financial position and competitiveness of domestic insurance companies.

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Private Sector Credit MoM%	30-Mar	FEB	0.20%	0.30%	--
Private Sector Credit YoY%	30-Mar	FEB	3.50%	3.30%	--
China	Date	Period	Prior	Cons.	Actual
PMI Manufacturing	01-Apr	MAR	51	51	--
HSBC Manufacturing PMI	01-Apr	MAR	49.6	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Exports YoY%	27-Mar	FEB	-8.60%	4.90%	14.0%
Imports YoY%	27-Mar	FEB	-10.50%	9.80%	20.80%
Retail Sales - Volume (YoY)	29-Mar	FEB	9.10%	16.50%	--
India	Date	Period	Prior	Cons.	Actual
Current Account Balance	31-Mar	4Q	--	--	--
Japan	Date	Period	Prior	Cons.	Actual
Retail Trade MoM SA	29-Mar	FEB	4.10%	0.00%	--
Retail Trade YoY	29-Mar	FEB	1.90%	1.40%	--
Jobless Rate	30-Mar	FEB	4.60%	4.60%	--
Natl CPI YoY	30-Mar	FEB	0.10%	0.00%	--
Natl CPI Ex Food, Energy YoY	30-Mar	FEB	-0.90%	-0.90%	--
Industrial Production YOY%	30-Mar	FEB P	-1.30%	3.70%	--
Singapore	Date	Period	Prior	Cons.	Actual
Industrial Production MoM SA	26-Mar	FEB	3.30%	5.00%	-1.10%
Industrial Production YoY	26-Mar	FEB	-8.80%	16.20%	12.10%
M2 Money Supply (YoY)	30-Mar	FEB	9.90%	--	--
South Korea	Date	Period	Prior	Cons.	Actual
GDP (QoQ)	30-Mar	4Q F	0.40%	--	--
GDP (YoY)	30-Mar	4Q F	3.40%	--	--
Industrial Production (MoM)	30-Mar	FEB	3.30%	1.10%	--
Industrial Production (YoY)	30-Mar	FEB	-2.00%	11.40%	--
Ext Trade - Export (YoY)	01-Apr	MAR	22.70%	2.90%	--
Thailand	Date	Period	Prior	Cons.	Actual
Mfg. Production Index ISIC NSA (YoY)	28-Mar	FEB	-15.15	-7	--
Total Exports YOY%	30-Mar	FEB	-6.10%	--	--
Vietnam	Date	Period	Prior	Cons.	Actual
Exports YTD (YoY)	27-31 MAR	MAR	24.80%	--	--
Imports YTD (YoY)	27-31 MAR	MAR	11.80%	--	--
GDP Constant Prices YTD (YoY)	27-31 MAR	1Q	5.90%	--	--
Industrial Production Index YoY	27-30 MAR	MAR	22.10%	--	--

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

No calendar events scheduled for this week.

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.	2347.2	-0.1	-1.2	6.7	-21.2
	Hong Kong - Hang Seng	21046.9	1.8	0.8	14.2	-9.1
	Taiwan - Weighted	8029.5	0.8	0.7	13.5	-6.7
	Japan - Nikkei 225	10255.2	2.4	1.1	21.3	7.5
	Korea - Kospi	2039.8	1.0	-0.1	11.7	-0.7
	India - Sensex 30	17280.1	1.3	-0.2	11.8	-8.2
	Australia - SPX/ASX 200	4301.3	0.9	0.6	6.0	-9.3
	Singapore - Strait Times	3018.9	1.5	0.5	14.1	-1.7
	Indonesia - Jakarta Comp	4079.4	1.2	1.4	6.7	13.1
	Thailand - SET	1207.3	1.6	0.9	17.7	16.3
	Malaysia - KLCI	1588.1	0.3	0.7	3.7	4.8
Philippines - Manila Comp.	5078.1	1.0	-0.5	16.2	31.0	

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	0.28	6.32	6.33
	Hong Kong (HKD/USD)	7.76	0.06	-0.01	7.76	7.75
	Taiwan (TWD/USD)	29.6	0.15	-0.10	29.48	29.24
	Japan (JPY/USD)	82.71	0.13	1.20	82.64	82.28
	Korea (KRW/USD)	1134	0.66	-0.82	1141	1153
	India (INR/USD)	50.7	1.15	-0.57	51.94	54.00
	Australia (USD/AUD)	1.05	-0.01	0.51	0.96	0.99
	Singapore (SGD/USD)	1.25	0.23	0.79	1.25	1.25
	Indonesia (IDR/USD)	9184	0.22	-0.26	9294	9630
	Thailand (THB/USD)	30.7	-0.03	0.33	30.86	31.27
	Malaysia (MYR/USD)	3.06	0.73	0.56	3.07	3.10
Philippines (PHP/USD)	42.9	0.39	0.33	43.27	43.66	

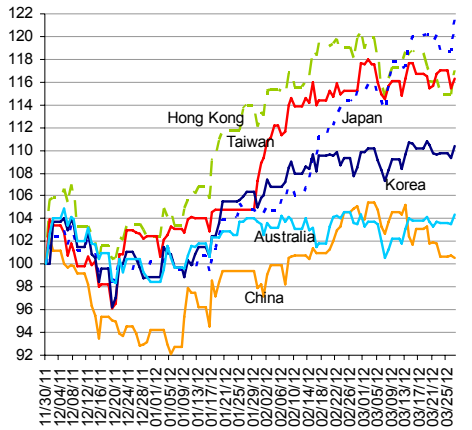
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.20	-0.15	0.03	-0.50
	Hong Kong (HIBOR/1W)	0.11	0.00	0.00	-0.01
	Taiwan (TAIBOR/1W)	0.65	0.00	0.00	0.00
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.38	0.00	0.00	0.00
	India (MIBOR/7D)	4.05	0.70	0.65	-0.05
	Singapore (SIBOR/1W)	0.25	0.00	-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)	3.31	-0.19	-0.56	-0.25

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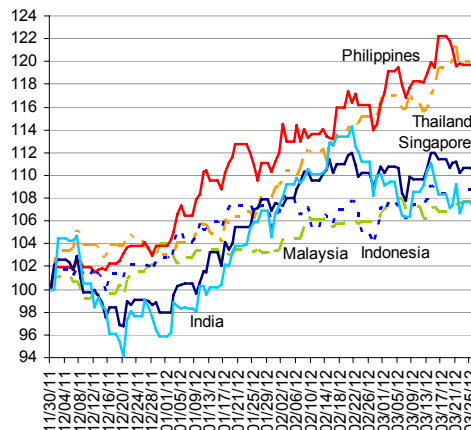
Charts

Chart 9
Stock Markets



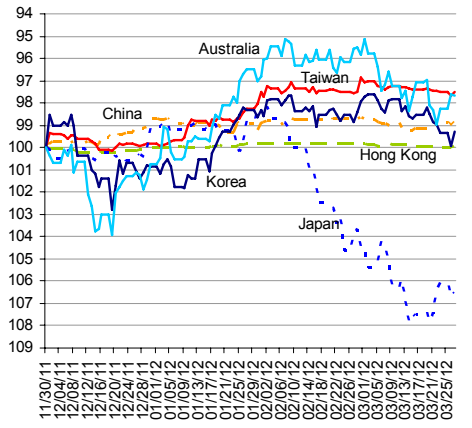
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



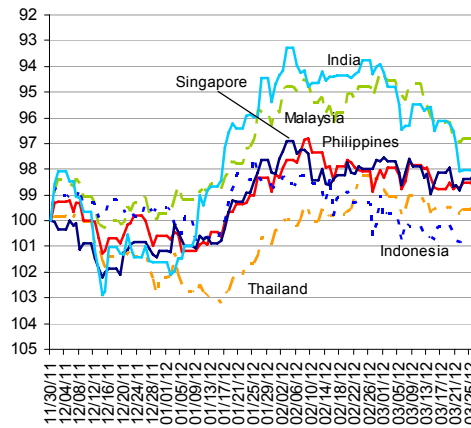
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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