

**BBVA**

RESEARCH

Economic Analysis
10 April 2012

Daily Flash

Asia

The Daily Flash resumes today after a week-long absence since April 3. Although many markets around the region were closed during part of the holiday period, there was, nevertheless, an abundance of market-moving news, especially from China (see below). March inflation showed a slight rise, while today's release of import data disappointed to the downside. These developments have weighed negatively on markets, which were already downbeat after disappointing March US jobs data. Hong Kong closed down by -1.2%, while Shanghai (which unlike Hong Kong, was open yesterday) was up +0.9%.

China's March inflation rises, while imports suggest weak domestic demand

China's March CPI, released yesterday, ticked up modestly to 3.6% y/y (BBVA: 3.5%; consensus: 3.4%) from 3.2% y/y in February. The increase was driven by base effects and rising food and fuel prices. We are not overly concerned by the outturn, as February was distorted down by the Chinese New Year effect, and we continue to expect inflation to ease to around 3% by mid-year.

Trade data released today show better-than-expected exports (8.9% y/y vs. consensus: 7.0%), while imports slowed to 5.3% y/y (consensus: 9.0%). As a result, the trade surplus for March reached a higher than expected US\$5.35 billion, reversing a large deficit in February. Lower imports will need to be watched for signs of weakening domestic demand. For now, we await the release of Q1 GDP and other activity indicators during the remainder of this week, while we maintain our expectations of another 100-150bp in cuts in the RRR over the coming quarters, and up to two more interest rate cuts to support growth.

CSRC eases limits for foreign investors through QFII and RQFII

On April 3rd, the China Securities Regulatory Commission (CSRC) announced a significant increase in the aggregate quota of the QFII program, from USD 30 billion to USD 80 billion, and an increase in the RQFII program from RMB 20 billion to RMB 70 billion. While the increase in the quotas is consistent with the longer-term agenda of opening the capital account, the timing may have been influenced by a desire to reverse recent capital outflows.

Bank of Japan leaves monetary policy unchanged

Today the Bank of Japan kept its policy rate at 0.10%, as expected, while noting that economic activity is showing signs of improvement. Some market watchers were disappointed that the BOJ did not further expand its asset purchase program, an option we believe remains on the table in the coming months pending further data outturns. The next policy meeting will be held on April 27.

Briefly noted:

Korea's politicians made a last appeal to voters today before Parliamentary elections to be held tomorrow. While the outcome remains too close to call, tensions with North Korea over an upcoming rocket launch could swing support to the majority New Frontier Party given its perceived willingness to adopt a harder-line stance.

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Employment Change	12-Apr	MAR	-15.4K	6.5K	--
Unemployment Rate	12-Apr	MAR	5.20%	5.30%	--
China	Date	Period	Prior	Cons.	Actual
Foreign Exchange Reserves	08-13 APR	MAR	\$3181.1B	\$3200.0B	--
New Yuan Loans	08-13 APR	MAR	710.7B	797.5B	--
Money Supply - M2 (YoY)	08-13 APR	MAR	13.00%	13.00%	--
Producer Price Index (YoY)	09-Apr	MAR	0.00%	-0.30%	-0.30%
Consumer Price Index (YoY)	09-Apr	MAR	3.20%	3.40%	3.60%
Trade Balance (USD)	10-Apr	MAR	-\$31.48B	-\$3.15B	\$5.35B
Exports YoY%	10-Apr	MAR	18.40%	7.00%	8.90%
Imports YoY%	10-Apr	MAR	39.60%	9.00%	5.30%
Industrial Production YTD YoY	13-Apr	MAR	11.40%	11.30%	--
Industrial Production (YoY)	13-Apr	MAR	--	11.60%	--
Real GDP YTD (YoY)	13-Apr	1Q	9.20%	8.40%	--
Real GDP (QoQ)	13-Apr	1Q	2.00%	1.90%	--
Real GDP (YoY)	13-Apr	1Q	8.90%	8.40%	--
Retail Sales (YoY)	13-Apr	MAR	--	15.10%	--
Actual FDI (YoY)	14-18 APR	MAR	-0.90%	-13.60%	--
India	Date	Period	Prior	Cons.	Actual
Industrial Production YoY	12-Apr	FEB	6.80%	6.70%	--
Japan	Date	Period	Prior	Cons.	Actual
Current Account Total	09-Apr	FEB	-¥437.3B	¥1120.0B	¥1177.8B
Machine Orders (MoM)	11-Apr	FEB	3.40%	-0.80%	--
Malaysia	Date	Period	Prior	Cons.	Actual
Exports YoY%	10-Apr	FEB	0.40%	15.30%	14.50%
Industrial Production YoY	10-Apr	FEB	0.20%	5.00%	7.50%
Philippines	Date	Period	Prior	Cons.	Actual
Total Exports (YoY)	12-Apr	FEB	3.00%	1.70%	--
Singapore	Date	Period	Prior	Cons.	Actual
GDP (QoQ)	11-13 APR	1Q A	-2.50%	6.80%	--
GDP (YoY)	11-13 APR	1Q A	3.60%	1.00%	--
South Korea	Date	Period	Prior	Cons.	Actual
Unemployment Rate (SA)	12-Apr	MAR	3.70%	3.60%	--
Taiwan	Date	Period	Prior	Cons.	Actual
Total Exports (YoY)	09-Apr	MAR	10.30%	-4.50%	-3.20%

Indicator of the Week

China: GDP for Q1 (April 13)

Forecast: 8.7% yoy

Consensus: 8.4% yoy

Prior: 8.9% yoy

Comment: Q1 indicators present mixed readings on underlying growth momentum, as production, retail sales, and aggregate liquidity moderated more than expected for Jan-Feb, and PMI for Q1 kept strengthening. We anticipate GDP growth to slow, but only modestly, to 8.7% in Q1 2012 from 8.9% in Q4 2011. Moreover, sequential growth momentum is likely to bottom out in Q1 on supportive fiscal and monetary policies, in line with our full-year GDP growth projection of 8.3%. We expect another 100-150bp of cuts in the RRR in the coming quarters, and up to two interest rate cuts depending on the external outlook. In addition to GDP, a number of important monthly indicators will also be released this week, including industrial production, investment, retail sales, and credit aggregates.

Calendar Events

Japan - BOJ target rate, April 10

We expected the target rate to remain unchanged

Current

0.10%

Consensus

0.10%

New

0.10%

Indonesia - Bank Indonesia reference rate, April 12

We expect the reference rate to remain unchanged

Current

5.75%

Consensus

5.75%

New

--

South Korea - 7-Day repo rate, April 13

We expect the repo rate to remain unchanged

Current

3.25%

Consensus

3.25

New

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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.	2305.9	0.9	2.4	4.8	-23.9
	Hong Kong - Hang Seng	20356.2	-1.2	-1.2	10.4	-16.2
	Taiwan - Weighted	7640.7	0.5	-2.8	8.0	-14.1
	Japan - Nikkei 225	9538.0	-0.1	-5.1	12.8	-2.4
	Korea - Kospi	1994.4	-0.1	-2.7	9.2	-6.3
	India - Sensex 30	17243.8	0.1	-0.9	11.6	-11.3
	Australia - SPX/ASX 200	4292.3	-0.6	-1.0	5.8	-12.6
	Singapore - Strait Times	2982.4	0.8	-1.1	12.7	-6.4
	Indonesia - Jakarta Comp	4149.8	-0.1	-0.4	8.6	10.9
	Thailand - SET	1165.6	-1.4	-2.6	13.7	8.3
	Malaysia - KLCI	1597.2	0.4	-0.6	4.3	2.5
	Philippines - Manila Comp.	5022.3	-0.3	-1.2	14.9	20.5

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	-0.03	-0.39	6.33	6.34
	Hong Kong (HKD/USD)	7.77	0.00	0.00	7.76	7.76
	Taiwan (TWD/USD)	29.5	0.01	-0.27	29.46	29.19
	Japan (JPY/USD)	81.17	0.39	2.02	81.09	80.64
	Korea (KRW/USD)	1140	-0.12	-1.57	1149	1162
	India (INR/USD)	51.4	-0.41	-1.25	52.45	54.66
	Australia (USD/AUD)	1.03	-0.26	-0.44	0.98	1.01
	Singapore (SGD/USD)	1.26	0.06	-0.46	1.26	1.26
	Indonesia (IDR/USD)	9168	-0.20	-0.38	9263	9580
	Thailand (THB/USD)	31.0	-0.06	-0.29	31.13	31.55
	Malaysia (MYR/USD)	3.08	-0.14	-0.91	3.09	3.13
	Philippines (PHP/USD)	42.8	0.21	-0.25	43.04	43.40

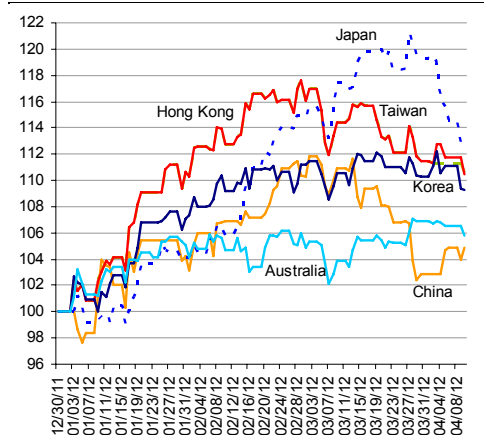
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.70	-0.05	-0.30	0.70
	Hong Kong (HIBOR/1W)	0.11	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.65	0.00	0.00	0.00
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.38	0.00	0.00	0.00
	India (MIBOR/7D)	4.10	0.06	0.25	1.13
	Singapore (SIBOR/1W)	0.25	0.00	0.00	-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)	3.50	0.06	0.00	-0.13

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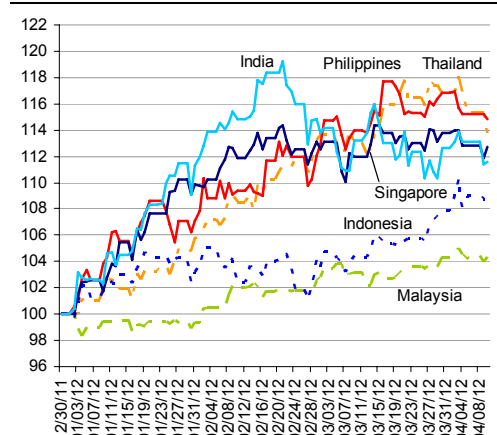
Charts

Chart 9
Stock Markets



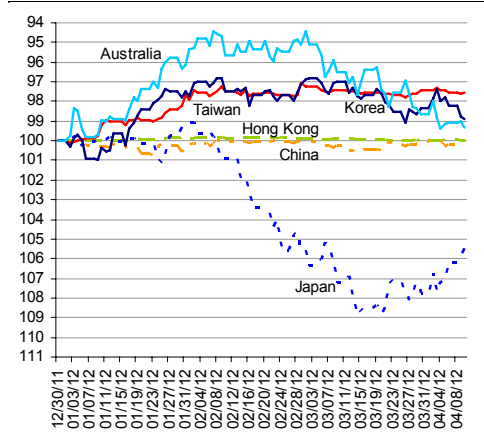
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



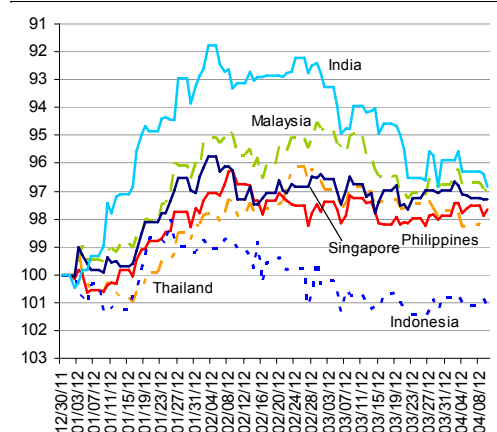
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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