

Daily Flash

Asia

Media reports state that an earthquake with a magnitude of 8.7 has struck in the Indian Ocean, off the western coast of the Indonesian island of Sumatra, triggering an official tsunami warning and putting a damper on what was already a fairly downbeat day. The earthquake has struck in a similar location to the 2004 earthquake which caused a tsunami that devastated the region. As events are still unfolding, it is hard to comment further at this point, other than to hope for the best. Markets were broadly lower today, with the Hang Seng (-1.1%) and Nikkei (-0.8%) tracking recent weakness in the European and US markets as caution over the external outlook appears to be increasing.

Asian Development Bank cuts Asia growth forecast, says inflation may rise

The Asian Development Bank released its annual Outlook report today in which it lowered its Asia GDP growth forecast in 2012 to 6.9% y/y (BBVA: 6.8% y/y), from 7.5% y/y previously. Despite the downward revisions to its forecasts, the ADB highlighted Asia's resilience given the challenging external environment, but mentioned rising oil prices as a key risk to the outlook. The report's conclusions are broadly in line with our views, as we expect Asia will continue leading the world's growth given its healthy underlying fundamentals. Among the more significant revisions to ADB's forecasts was India, where growth is expected to moderate to 7.0% y/y for the year ending March 2013 (BBVA est: 7.1%), lower than its previous forecast of 8.0% y/y. The ADB expects India will ease its monetary policy over the coming year to help stimulate investment; however, the impact of rate cuts will likely be limited until regulatory obstacles which are currently hampering investment have been addressed.

Japan's machinery orders point towards improving outlook

Machinery orders advanced +4.8% y/y (consensus: -0.8%) in February, up from +3.4% in the previous month. The unexpected increase points to a gradual improvement in Japan's capital spending, which had been sluggish after a slow recovery from last year's earthquake. This outturn dovetailed with yesterday's statement by the Bank of Japan (after it kept its monetary policy unchanged), as authorities noted that the economy has been picking up gradually.

Briefly noted:

- **According to the Jakarta Post, the government announced today that Indonesia will no longer export raw natural resources after 2014**, and will instead force any such companies to create downstream businesses within Indonesia for processing. Companies that do not submit plans for compliance with the new rule will be forced to stop operations.
- **Upcoming policy meetings include Indonesia, which holds its monthly policy meeting tomorrow, Korea (Friday) and Singapore (Friday).** We expect Indonesia and Korea will keep policy rates on hold. We also expect the Monetary Authority of Singapore, which manages monetary policy through the exchange rate of the Singapore dollar, to keep its current appreciation path unchanged at around +1%.

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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% | 4.80% |
| 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 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

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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. | 2308.9 | 0.1 | 2.0 | 5.0 | -23.6 |
| | Hong Kong - Hang Seng | 20140.7 | -1.1 | -2.0 | 9.3 | -17.1 |
| | Taiwan - Weighted | 7656.7 | 0.2 | -1.3 | 8.3 | -13.8 |
| | Japan - Nikkei 225 | 9458.7 | -0.8 | -3.7 | 11.9 | -2.7 |
| | Korea - Kospi | 1994.4 | -0.1 | -2.7 | 9.2 | -6.0 |
| | India - Sensex 30 | 17187.3 | -0.3 | -1.7 | 11.2 | -10.8 |
| | Australia - SPX/ASX 200 | 4246.1 | -1.1 | -1.9 | 4.7 | -14.6 |
| | Singapore - Strait Times | 2946.4 | -1.2 | -2.3 | 11.3 | -6.8 |
| | Indonesia - Jakarta Comp | 4130.0 | -0.5 | -2.0 | 8.1 | 10.3 |
| | Thailand - SET | 1152.5 | -1.1 | -3.9 | 12.4 | 7.1 |
| | Malaysia - KLCI | 1597.2 | 0.4 | -0.1 | 4.3 | 3.4 |
| | Philippines - Manila Comp. | 5017.4 | -0.1 | -1.8 | 14.8 | 18.7 |

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| FOREIGN EXCHANGE MARKETS | CURRENCY | Spot | % change over a day | % change over a week | Forward 3-month | Forward 12-month |
|--------------------------|-----------------------|-------|------------------------|-------------------------|--------------------|---------------------|
| | China (CNY/USD) | 6.31 | 0.05 | -0.18 | 6.33 | 6.34 |
| | Hong Kong (HKD/USD) | 7.77 | -0.01 | 0.00 | 7.76 | 7.75 |
| | Taiwan (TWD/USD) | 29.5 | 0.02 | -0.10 | 29.45 | 29.17 |
| | Japan (JPY/USD) | 80.87 | -0.25 | 1.97 | 80.79 | 80.33 |
| | Korea (KRW/USD) | 1145 | -0.42 | -1.32 | 1152 | 1166 |
| | India (INR/USD) | 51.6 | -0.16 | -0.87 | 52.64 | 54.77 |
| | Australia (USD/AUD) | 1.03 | 0.32 | 0.14 | 0.98 | 1.01 |
| | Singapore (SGD/USD) | 1.26 | 0.22 | -0.03 | 1.26 | 1.26 |
| | Indonesia (IDR/USD) | 9173 | -0.05 | -0.09 | 9294 | 9606 |
| | Thailand (THB/USD) | 30.9 | 0.19 | 0.29 | 31.09 | 31.52 |
| | Malaysia (MYR/USD) | 3.08 | -0.17 | -0.51 | 3.09 | 3.13 |
| | Philippines (PHP/USD) | 42.7 | 0.17 | 0.30 | 43.01 | 43.36 |

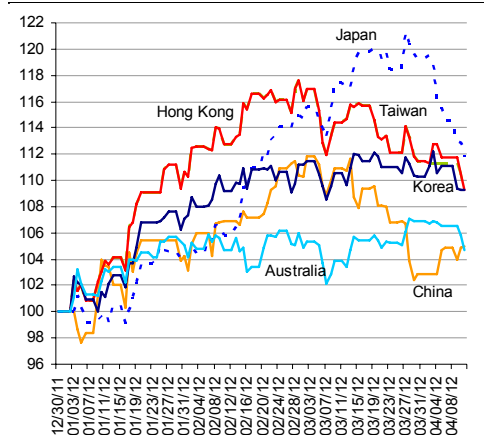
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| INTERBANK RATES | INDEX | Rate | net change over a day | net change over a week | net change over a month |
|-----------------|-------------------------|------|--------------------------|---------------------------|----------------------------|
| | China (SHIBOR/7D) | 3.80 | 0.10 | -0.30 | 0.80 |
| | 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) | 4.08 | -0.02 | 0.37 | 1.11 |
| | 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) | 3.69 | 0.06 | -0.13 | 0.13 |

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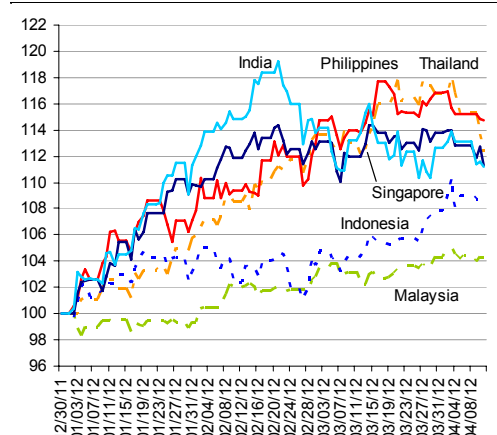
Charts

Chart 9
Stock Markets



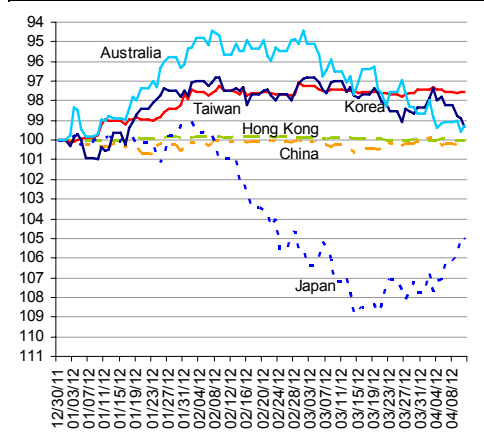
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



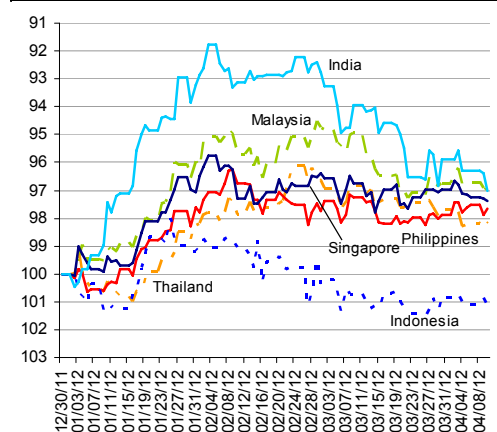
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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