

Daily Flash

Asia

Asian markets closed on a positive note after today's Chinese growth outturn, with the biggest gains in Hong Kong (+1.8%) and Taiwan (+1.6%), in line with the upward trend observed in the last few days. The positive trends probably reflect a combination of factors including prospects of monetary easing, optimism after yesterday's release of credit and monetary indicators and RMB internationalization projects.

China's Q1 GDP growth slows on weaker-than-expected investment

China's Q1 GDP registered a lower-than-expected 8.1% y/y growth, down from 8.9% y/y the previous quarter, essentially on sluggish investment. Activity indicators improved slightly in March from January-February. On the demand side, March retail sales grew by 15.2% y/y, slightly above expectations, mainly on weakened demand for home appliances and electronic products. Urban fixed asset investment growth (YTD) eased to 20.9%, in line with expectations, from 21.5% in February 2012. Importantly, the slowdown in FAI was mainly due to infrastructure investment, which fell by -2.1% y/y. On the supply side, industrial output grew by 11.9% y/y in March, above expectations, up from 11.4% y/y during January-February. We maintain our full-year GDP growth projection of 8.3% and will continue to monitor high-frequency activity indicators for revisions.

Singapore shows positive signs in growth, the focus turns to inflation

Singapore's Q1 GDP data released today surprised to the upside, with an annualized 9.9% q/q growth rate (consensus: 6.8% q/q) compared to a -2.5% q/q saar drop the previous quarter. Singapore's central bank responded to the positive outturn with monetary tightening, as it increased the slope of appreciation of the Singapore dollar slightly in a move not expected by the markets, in order to control inflationary pressures. Moreover, the bank raised today its 2012 inflation forecast by 100bps to an average of 3.5% to 4.5%. The positive signs observed lately in the growth of some Asian economies are motivating a shift to focus on controlling inflation, although the risks to the external outlook remain.

South Korea holds rates as expected, citing signs of a "moderate recovery"

The Bank of Korea has chosen to hold rates in its monetary policy meeting today at 3.25%, in line with market expectations. The bank in its statement mentions signs of a "moderate recovery with consumption and investment increasing," as key in today's interest rates decision, despite the recent slowdown in export growth. The central bank adds that domestic economic growth should gradually move up closer to its potential, although the downside risks to the external outlook are still present.

Briefly noted:

- **Next week the Reserve Bank of India will hold its regular monetary policy meeting** (April 17). The outturn in India's March wholesale inflation (due on April 16) will be closely watched ahead of the decision in the benchmark interest rates (see Weekly Indicator below). The Philippines will also hold its monetary policy meeting (April 19).

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Employment Change	12-Apr	MAR	-15.4K	6.5K	44.0K
Unemployment Rate	12-Apr	MAR	5.20%	5.30%	5.20%
China	Date	Period	Prior	Cons.	Actual
Foreign Exchange Reserves	12-Apr	MAR	\$3181.1B	\$3200.0B	\$3305.0B
New Yuan Loans	12-Apr	MAR	710.7B	797.5B	\$1010.0B
Money Supply - M2 (YoY)	12-Apr	MAR	13.00%	13.00%	13.40%
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%	11.60%
Industrial Production (YoY)	13-Apr	MAR	--	11.60%	11.90%
Real GDP YTD (YoY)	13-Apr	1Q	9.20%	8.40%	8.10%
Real GDP (QoQ)	13-Apr	1Q	2.00%	1.90%	1.80%
Real GDP (YoY)	13-Apr	1Q	8.90%	8.40%	8.10%
Retail Sales (YoY)	13-Apr	MAR	--	15.10%	15.20%
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%	4.10%
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%	14.60%
Singapore	Date	Period	Prior	Cons.	Actual
GDP (QoQ)	13-Apr	1Q A	-2.50%	6.80%	9.90%
GDP (YoY)	13-Apr	1Q A	3.60%	1.00%	1.60%
South Korea	Date	Period	Prior	Cons.	Actual
Unemployment Rate (SA)	12-Apr	MAR	3.70%	3.60%	3.40%
Taiwan	Date	Period	Prior	Cons.	Actual
Total Exports (YoY)	09-Apr	MAR	10.30%	-4.50%	-3.20%

Indicator of the Week

India: WPI Inflation for March (April 16)

Forecast: 6.6% yoy

Consensus: n/a

Prior: 7.0% yoy

The coming week will be crucial for India as investors eye the March WPI inflation for cues on the course of monetary policy action when RBI meets on April 17. We expect inflation to moderate due to favourable base effects, easing input costs and lower price pressures from slowing growth. A benign inflation outturn, especially core, would pave the way for a growth supportive 25 bps interest rate cut by the Reserve Bank of India (RBI), which remains our base case. However, on a broader note, RBI's perceived room for policy manoeuvre looks limited given incipient inflationary pressures from possible pass through of high energy prices and food supply bottlenecks. We expect RBI to cut policy rates by 75 to 100 bps in 2012.

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 expected the reference rate to remain unchanged

Current

5.75%

Consensus

5.75%

New

5.75%

South Korea - 7-Day repo rate, April 13

We expected the repo rate to remain unchanged

Current

3.25%

Consensus

3.25%

New

3.25%

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.	2359.2	0.4	2.3	7.3	-22.7
	Hong Kong - Hang Seng	20701.0	1.8	-0.4	12.3	-14.2
	Taiwan - Weighted	7788.3	1.6	1.1	10.1	-11.3
	Japan - Nikkei 225	9638.0	1.2	-0.5	14.0	0.0
	Korea - Kospi	2008.9	1.1	-1.0	10.0	-5.3
	India - Sensex 30	17080.2	-1.5	-2.3	10.5	-13.3
	Australia - SPX/ASX 200	4323.3	1.0	-0.2	6.6	-12.0
	Singapore - Strait Times	2987.8	0.3	0.1	12.9	-5.8
	Indonesia - Jakarta Comp	4159.3	0.5	-0.2	8.8	11.4
	Thailand - SET	1169.5	1.3	-3.4	14.1	7.8
	Malaysia - KLCI	1603.1	0.1	0.3	4.7	4.4
	Philippines - Manila Comp.	5097.3	1.0	0.8	16.6	21.3

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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)	6.30	0.07	0.05	6.31	6.33
	Hong Kong (HKD/USD)	7.76	0.03	0.04	7.76	7.75
	Taiwan (TWD/USD)	29.5	0.01	0.05	29.42	29.15
	Japan (JPY/USD)	80.93	-0.05	0.88	80.85	80.42
	Korea (KRW/USD)	1135	0.48	-0.28	1142	1155
	India (INR/USD)	51.5	0.18	-0.76	52.53	54.64
	Australia (USD/AUD)	1.04	-0.50	0.77	0.97	1.00
	Singapore (SGD/USD)	1.25	0.56	1.08	1.25	1.24
	Indonesia (IDR/USD)	9177	0.05	-0.09	9251	9564
	Thailand (THB/USD)	30.7	0.13	0.78	30.90	31.29
	Malaysia (MYR/USD)	3.06	0.37	0.21	3.07	3.11
	Philippines (PHP/USD)	42.7	0.06	0.20	42.81	43.18

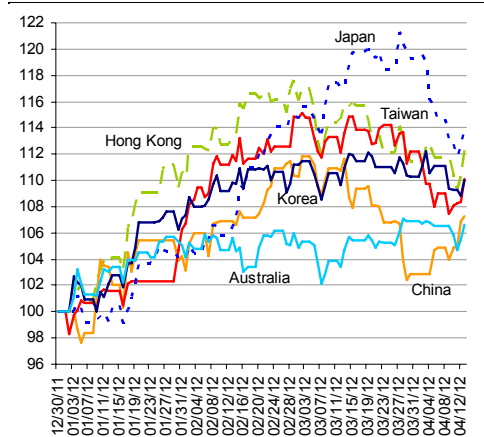
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.80	0.00	-0.30	0.80
	Hong Kong (HIBOR/1W)	0.11	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.65	0.00	0.00	0.00
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.38	0.00	0.00	0.00
	India (MIBOR/7D)	3.75	-0.10	-0.42	0.65
	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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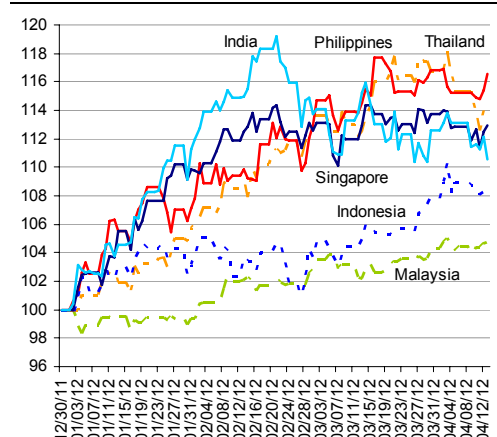
Charts

Chart 9
Stock Markets



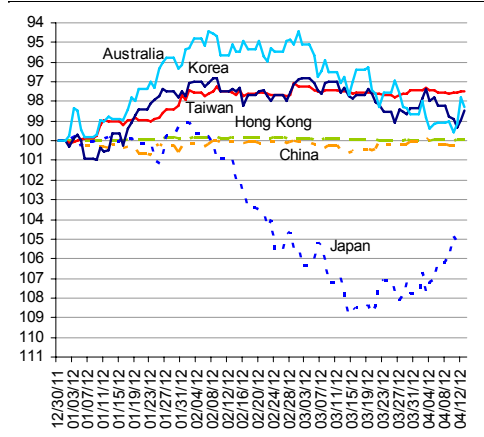
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



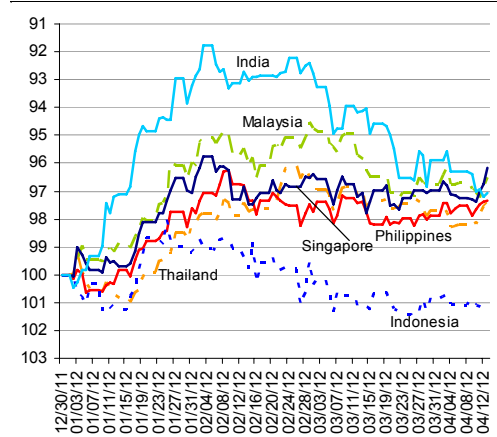
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



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