

**BBVA**

RESEARCH

Economic Analysis
20 April 2012

Daily Flash

Asia

Ongoing speculation of further monetary easing in China was cited as a factor for a sharp rise in Chinese equity markets today (Shanghai closed up by 1.2%). The positive outturn was in contrast to declines elsewhere in the region, in tandem with a weak performance in US equity markets overnight on weak jobs data.

Will S&P hold off on an expected upgrade for Indonesia?

In a statement issued today following a visit to Indonesia last month, S&P hinted that it might delay an expected upgrade to investment grade. The main factor is perceived "policy slippages" following the unexpected delay earlier this month in raising fuel prices due to lack of Parliamentary support. In addition, S&P said that "a host of proposed or actual policy measures in industry and trade point to a rising level of policy uncertainty." While S&P holds a positive outlook, its rating for Indonesia currently lags Fitch and Moody's by one notch, after the latter two raised their ratings to investment grade in recent months. Despite the statement, the Jakarta stock market closed up for the day by +0.4%.

Up next week: will the Bank of Japan ease monetary policy?

The Bank of Japan is expected to announce further quantitative easing at its next policy meeting, scheduled for April 24. Expectations have risen of an expansion in the BoJ's asset purchase program, following remarks this week by Bank of Japan Governor Masaaki Shirakawa. The BoJ last eased policy in February, when it also announced an informal inflation goal of 1%.

Briefly noted:

- **Malaysia's inflation ticks down to 2.1% in March, in line with expectations.** Malaysia's inflation rate in March was slightly lower than the previous month (2.2% y/y), falling to the lowest level in 15 months. The central bank has nevertheless kept interest rates on hold at 3% since its rate hike cycle ended in May of last year. We expect rates to remain on hold during the remainder of the year given reasonably strong growth momentum and concerns of price pressures from rising oil prices.
- **Taiwan's export orders are down, but outturn beats expectations.** Taiwan's March export orders declined by -1.6% from a year earlier, better than the market consensus of -3.9%. The outturn reflects lingering weakness in external demand.
- **Watch out for key indicators next week.** In addition to the BoJ decision (above), key economic indicators scheduled for release next week include South Korean Q1 GDP, and inflation data from Australia (see Weekly Indicator below), Hong Kong, Japan and Singapore.

Stephen Schwartz
Chief Economist for Asia
stephen.schwartz@bbva.com.hk
+852 2582 3218

Jeffrey Cantwell
Economist
jeffrey.cantwell@bbva.com.hk
+852 2582 3173

William Fitchett
Economist
william.fitchett@bbva.com.hk
+852 2582 3246

With contributions from the BBVA Research Asia Team

Calendar Indicators

China	Date	Period	Prior	Cons.	Actual
Actual FDI (YoY)	17-Apr	MAR	-0.90%	-13.60%	-6.10%
Hong Kong	Date	Period	Prior	Cons.	Actual
Unemployment Rate SA	19-Apr	MAR	3.40%	3.50%	-3.40%
India	Date	Period	Prior	Cons.	Actual
Monthly Wholesale Prices YoY%	16-Apr	MAR	6.95%	6.65%	6.89%
Japan	Date	Period	Prior	Cons.	Actual
Industrial Production (MoM)	17-Apr	FEB F	-1.20%	--	-1.60%
Industrial Production YOY%	17-Apr	FEB F	1.50%	--	1.50%
Capacity Utilization (MoM)	17-Apr	FEB F	3.40%	--	-1.70%
Merchandise Trade Balance Total	19-Apr	MAR	¥32.9B	-¥223.2B	-¥82.6B
Tertiary Industry Index (MoM)	20-Apr	FEB	-1.70%	0.70%	0.00%
Malaysia	Date	Period	Prior	Cons.	Actual
CPI YoY	20-Apr	MAR	2.20%	2.10%	2.10%
Philippines	Date	Period	Prior	Cons.	Actual
Overseas Remittances (YoY)	16-Apr	FEB	5.40%	--	5.80%
Singapore	Date	Period	Prior	Cons.	Actual
Non-oil Domestic Exports (YoY)	17-Apr	MAR	30.50%	7.10%	-4.30%
Taiwan	Date	Period	Prior	Cons.	Actual
Export Orders (YoY)	20-Apr	MAR	17.60%	-3.91%	-1.58%

Indicator of the Week

Australia: CPI Inflation for Q1 (April 24)

Forecast: 2.4% y/y

Consensus: 2.2%y/y

Prior: 3.1% y/y

Australia's Q1 inflation will be watched as a guide to the Reserve Bank of Australia's interest rate decision at its forthcoming monetary policy meeting on May 1. Expectations of an interest rate cut have been growing following the release of minutes from the last policy meeting on April 3, in which Board members indicated that a moderate inflation outturn for Q1 could make a case for further easing of monetary policy in view of weak domestic conditions, especially in the non-mining sector. The outlook is for both headline and core inflation to fall within the central bank's target of 2-3% in the coming year. Based on our outlook for inflation, we expect the RBA to cut interest rates by 25bps on May 1. The RBA last cut interest rates in November and December, but signalled at that time that further cuts were unlikely given improving global conditions.

Calendar Events

India - India REPO cutoff yield, April 17

We expected a 25bps cut in the repo rate

Current

8.50%

Consensus

8.25%

New

8.00%

Philippines - Overnight borrowing rate, April 19

We expected the overnight rate to remain unchanged

Current

4.00%

Consensus

4.00%

New

4.00%

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.	2406.9	1.2	2.0	9.4	-20.0
	Hong Kong - Hang Seng	21010.6	0.1	1.5	14.0	-12.1
	Taiwan - Weighted	7507.2	-1.5	-3.6	6.2	-14.8
	Japan - Nikkei 225	9561.4	-0.3	-0.8	13.1	-0.5
	Korea - Kospi	1974.7	-1.3	-1.7	8.2	-9.0
	India - Sensex 30	17373.8	-0.7	1.6	12.4	-10.8
	Australia - SPX/ASX 200	4366.5	0.1	1.0	7.6	-10.1
	Singapore - Strait Times	2994.5	-0.5	0.2	13.2	-5.4
	Indonesia - Jakarta Comp	4181.4	0.4	0.5	9.4	10.2
	Thailand - SET	1194.6	0.8	3.5	16.5	7.9
	Malaysia - KLCI	1591.9	-0.3	-0.7	4.0	4.0
	Philippines - Manila Comp.	5156.5	-0.3	1.2	17.9	20.6

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	-0.08	-0.09	6.32	6.34
	Hong Kong (HKD/USD)	7.76	0.02	-0.02	7.76	7.75
	Taiwan (TWD/USD)	29.5	-0.01	0.05	29.41	29.17
	Japan (JPY/USD)	81.72	-0.13	-0.97	81.65	81.21
	Korea (KRW/USD)	1140	-0.13	-0.40	1145	1158
	India (INR/USD)	52.1	0.07	-1.55	53.19	55.32
	Australia (USD/AUD)	1.03	0.13	-0.25	0.98	1.00
	Singapore (SGD/USD)	1.25	0.24	-0.07	1.25	1.24
	Indonesia (IDR/USD)	9184	-0.03	-0.08	9256	9581
	Thailand (THB/USD)	30.9	-0.06	-0.42	31.06	31.49
	Malaysia (MYR/USD)	3.06	0.03	-0.23	3.08	3.12
	Philippines (PHP/USD)	42.6	0.00	0.08	42.87	43.24

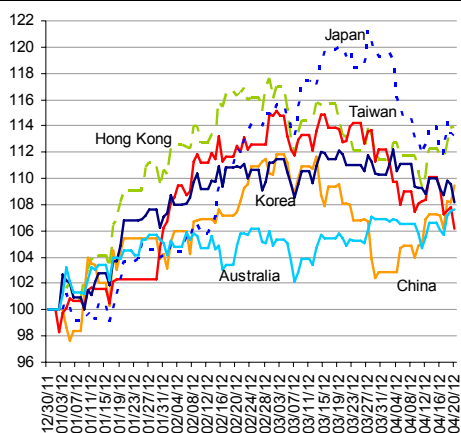
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	4.00	0.20	0.20	1.00
	Hong Kong (HIBOR/1W)	0.11	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.66	0.00	0.01	0.01
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.38	0.00	0.00	0.00
	India (MIBOR/7D)	4.06	-0.09	0.31	0.66
	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	0.00
	Malaysia (KLIBOR/1W)	2.90	0.00	0.00	0.00
	Philippines (PHIBOR/1W)	3.75	0.00	0.06	-0.13

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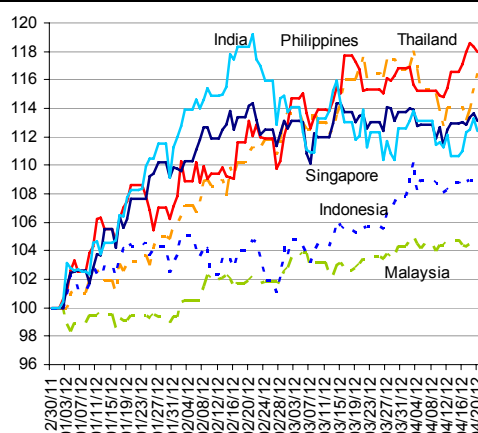
Charts

Chart 9
Stock Markets



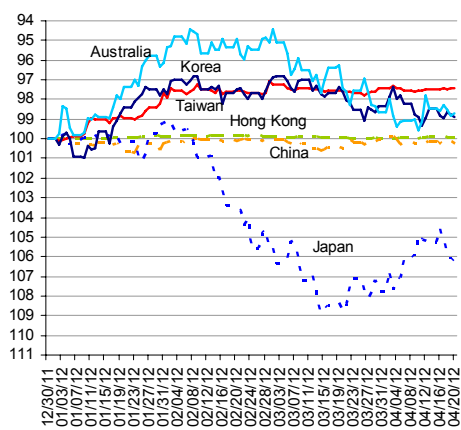
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



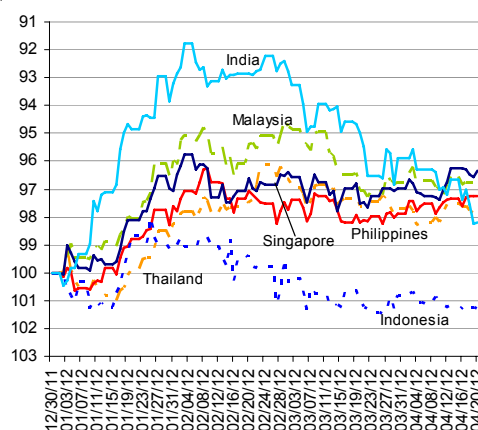
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Stephen Schwartz
Chief Economist for Asia
stephen.schwartz@bbva.com.hk

Fielding Chen
Senior Economist
fielding.chen@bbva.com.hk

Le Xia
Senior Economist (China)
xia.le@bbva.com.hk

Zhigang Li
Senior Economist (China)
zhigang.li@bbva.com.hk

Sumedh Deorukhkar
Senior Economist (India, Mumbai)
sumedh.deorukhkar@grupobbva.com

Jeffrey Cantwell
Economist
jeffrey.cantwell@bbva.com.hk

George Xu
Economist
george.xu@bbva.com.hk

Richard Li
Asian FX Chief Strategist
richard.li@bbva.com.hk

William Fitchett
Economist
william.fitchett@bbva.com.hk

BBVA

RESEARCH



43/F., Two IFC, 8 Finance Street, Central, Hong Kong | Tel.: +852 2582 3111 | www.bbva.com.hk

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