

Daily Flash

Asia

The release of China's flash private sector (Markit) PMI today provided further evidence that growth momentum is gradually picking up after bottoming out in Q1 (see below). While this should have been good news for markets, Asian equities were down for the day, led by the Hang Seng's -1.8% decline. While some commentators attributed the declines to the continued sub-50 private sector PMI reading in China, given that the indicator was higher than a month ago, we suspect the market declines have more to do with concerns about spillovers from weakening growth in Europe.

China's flash PMI (Markit) rises in April, signaling a pickup in momentum

The April flash estimate of the Purchasing Managers' Index increased to 49.1% from 48.3% in March. Although the outturn has been below the 50% threshold for six months in a row, the improvement for the month is yet another indication that a supportive policy stance is beginning to reverse the economy's moderating growth momentum (recall that March loan growth was also up). In the meantime, we await the May release of the official PMI, which has been trending above the 50-threshold level in recent months, for a more comprehensive picture.

Time to begin focusing on Myanmar?

The announcement over the weekend that the Japanese government is waiving around \$3.7 billion of the debt owed by Myanmar (Burma) represents the latest move towards a normalization of relations between Myanmar and key economic powers. EU foreign ministers also reportedly agreed today to suspend economic sanctions on the country. These moves come as Myanmar's previously repressive regime undertakes reforms to open its economy and allow greater domestic political freedoms. As a country with rich natural resources, a population of almost 55 million, and a strategic location between India and China, Myanmar is worth watching, and we suspect a flood of foreign investment may be just around the corner.

Inflation stays high in Singapore and Hong Kong

Singapore's inflation accelerated to 5.2% y/y in March, up from 4.6% y/y in February, due to rising transportation costs. Singapore's inflation has remained elevated in recent months, which prompted the MAS on April 13 to tighten monetary policy in a surprise move. We expect inflation to fall during the second half of the year, and the government is projecting full-year inflation of 3.5-4.5%. Meanwhile, Hong Kong's inflation moderated in March to 4.9% y/y, in line with market expectations. The moderation in inflation is mainly due to slowing increases in housing rents. Inflation, however, is expected to remain at a relatively high level due to tight labor markets and still-high housing costs.

Briefly noted:

- **Though Taiwan's March industrial production contracted** by 3.4% y/y, the outturn was better-than expected (consensus: -6.3% y/y) and the sequential (3m/3m) trend is showing a clear improvement (+11.7%). Taiwan's economy is expected to rebound in the second quarter, as manufacturing PMI is rising and labor markets have been improving.

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Producer Price Index (QoQ)	23-Apr	1Q	0.30%	0.40%	-0.30%
Producer Price Index (YoY)	23-Apr	1Q	2.90%	2.20%	1.40%
Consumer Prices (QoQ)	24-Apr	1Q	0.00%	0.70%	--
Consumer Prices (YoY)	24-Apr	1Q	3.10%	2.20%	--
China	Date	Period	Prior	Cons.	Actual
HSBC Flash China Manufacturing PMI	23-Apr	APR	48.3	--	49.1
Hong Kong	Date	Period	Prior	Cons.	Actual
CPI - Composite Index (YoY)	23-Apr	MAR	4.70%	4.90%	4.90%
Exports YoY%	24-Apr	MAR	14.00%	3.00%	--
Imports YoY%	24-Apr	MAR	20.80%	6.90%	--
Japan	Date	Period	Prior	Cons.	Actual
Machine Tool Orders (YoY)	25-Apr	MAR F	2.40%	--	--
All Industry Activity Index (MoM)	26-Apr	FEB	-1.00%	-0.20%	--
Jobless Rate	27-Apr	MAR	4.50%	4.50%	--
Natl CPI YoY	27-Apr	MAR	0.30%	0.40%	--
Natl CPI Ex-Fresh Food YoY	27-Apr	MAR	0.10%	0.10%	--
Natl CPI Ex Food, Energy YoY	27-Apr	MAR	-0.60%	-0.50%	--
Industrial Production (MoM)	27-Apr	MAR P	-1.60%	2.30%	--
Industrial Production YOY%	27-Apr	MAR P	1.50%	15.60%	--
Singapore	Date	Period	Prior	Cons.	Actual
CPI (MOM) - NSA	23-Apr	MAR	-0.30%	0.30%	0.80%
CPI (YoY)	23-Apr	MAR	4.60%	4.70%	5.20%
Industrial Production MoM SA	26-Apr	MAR	-1.10%	-0.80%	--
Industrial Production YoY	26-Apr	MAR	12.10%	-5.50%	--
South Korea	Date	Period	Prior	Cons.	Actual
GDP (QoQ)	26-Apr	1Q P	0.30%	0.90%	--
GDP (YoY)	26-Apr	1Q P	3.30%	2.90%	--
Taiwan	Date	Period	Prior	Cons.	Actual
Industrial Production (YoY)	23-Apr	MAR	8.40%	-6.05%	-3.42%
Unemployment Rate - sa	23-Apr	MAR	4.15%	4.18%	4.14%
Thailand	Date	Period	Prior	Cons.	Actual
Customs Exports (YoY)	23-24 APR	MAR	0.90%	0.10%	--
Customs Imports (YoY)	23-24 APR	MAR	8.30%	6.30%	--
Foreign Reserves	27-Apr	20-Apr	\$178.6B	--	--
Vietnam	Date	Period	Prior	Cons.	Actual
CPI (YoY)	23-Apr	APR	14.20%	11.90%	10.50%
Exports YTD (YoY)	24-30 APR	APR	23.60%	--	--

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

Japan - Bank of Japan target rate, April 27

We expect the target rate to remain unchanged

Current

0.10%

Consensus

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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.	2388.6	-0.8	1.3	8.6	-20.7
	Hong Kong - Hang Seng	20624.4	-1.8	0.1	11.9	-14.6
	Taiwan - Weighted	7481.1	-0.3	-3.2	5.8	-16.6
	Japan - Nikkei 225	9542.2	-0.2	0.8	12.9	-1.4
	Korea - Kospi	1972.6	-0.1	-1.0	8.0	-10.2
	India - Sensex 30	17096.7	-1.6	-0.3	10.6	-12.8
	Australia - SPX/ASX 200	4352.4	-0.3	1.2	7.3	-11.4
	Singapore - Strait Times	2962.4	-1.1	-1.0	11.9	-7.3
	Indonesia - Jakarta Comp	4155.5	-0.6	0.2	8.7	9.3
	Thailand - SET	1189.4	-0.4	1.7	16.0	7.6
	Malaysia - KLCI	1583.8	-0.5	-0.9	3.5	4.0
	Philippines - Manila Comp.	5163.1	0.1	0.9	18.1	20.8

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	0.00	0.11	6.32	6.35
	Hong Kong (HKD/USD)	7.76	-0.01	-0.04	7.76	7.75
	Taiwan (TWD/USD)	29.5	-0.02	0.05	29.42	29.16
	Japan (JPY/USD)	81.10	0.52	-0.85	81.03	80.58
	Korea (KRW/USD)	1140	0.00	-0.08	1149	1162
	India (INR/USD)	52.5	-0.84	-1.61	53.61	55.97
	Australia (USD/AUD)	1.03	-0.83	-0.60	0.98	1.01
	Singapore (SGD/USD)	1.25	-0.05	-0.06	1.25	1.24
	Indonesia (IDR/USD)	9187	-0.03	0.01	9272	9600
	Thailand (THB/USD)	31.0	-0.29	-0.68	31.16	31.59
	Malaysia (MYR/USD)	3.07	-0.07	0.03	3.08	3.12
	Philippines (PHP/USD)	42.7	-0.13	0.23	42.93	43.30

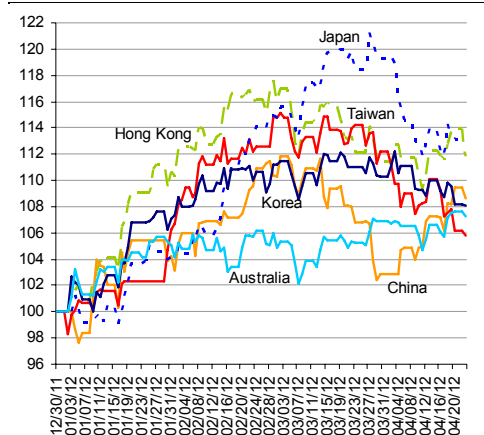
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.77	-0.23	0.07	0.60
	Hong Kong (HIBOR/1W)	0.11	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.66	0.00	0.00	0.01
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.38	0.00	0.00	0.00
	India (MIBOR/7D)	3.86	-0.20	-0.45	0.87
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	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)	3.56	-0.19	-0.13	0.00

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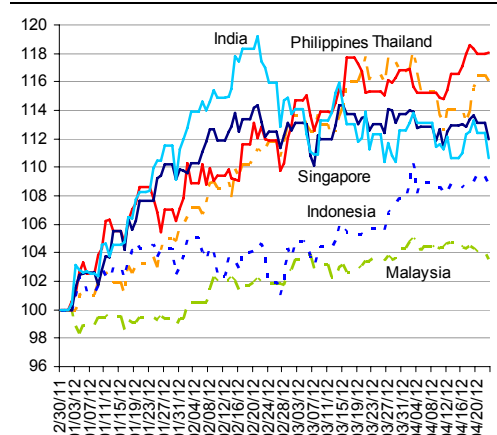
Charts

Chart 9
Stock Markets



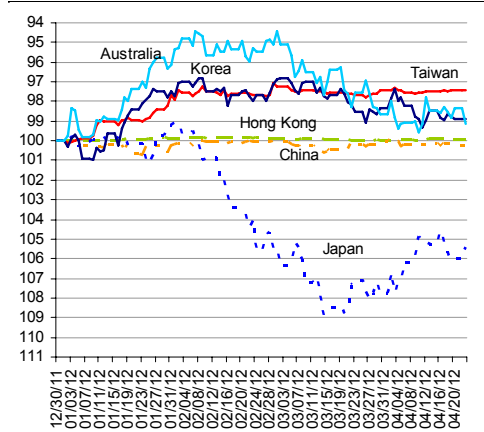
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



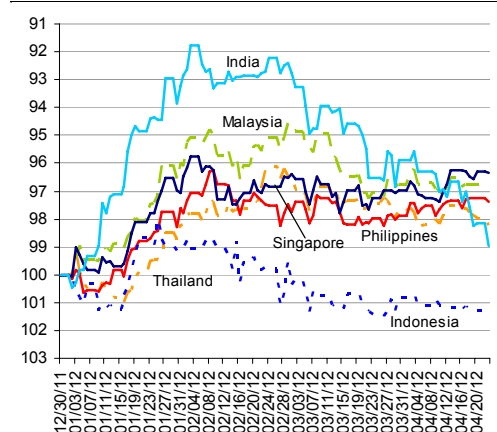
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



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