

# Daily Flash

## Asia

***\*\*Note to readers: due to the May 1 holiday tomorrow in Hong Kong, distribution of the Asia Daily Flash will resume on Wednesday, May 2 \*\****

*While stock exchanges are closed in Japan and China (through May 1 and 2, respectively), most regional equities were up for the day on the back of positive earnings, led by the Hang Seng (+1.7%). A number of important indicators will be released tomorrow, including China's official PMI (see Weekly Indicator below), and inflation in Korea, Indonesia and Thailand. Also, markets are watching for the Reserve Bank of Australia's rate decision, in which we expect a 25bp cut, with some market participants positioning for as much as a 50bp cut.*

### Taiwan's Q1 GDP rebounds, albeit below consensus

Taiwan's Q1 GDP grew by 0.4% y/y (consensus 0.9%; BBVA: 0.1%). On a sequential basis, the outturn reflected a rebound to 1.1% saar from -0.6% in Q411, when Taiwan experienced a technical recession in the second half of 2011. Although the outturn was below consensus, there are a number of positive forward-looking indicators including export orders and an upturn in March PMI. We expect the economy to grow by 3.2% in 2012.

### China to introduce measures to boost imports

According to a statement posted today on the State Council's website, China plans to introduce a package of measures including lower import duties on energy products, consumer goods and key components in "strategic" emerging industries that cannot be produced locally. Details on the planned selective tariffs cuts have not yet been disclosed, including the timetable. In addition, the government is also strengthening financing services for such transactions, and encouraging commercial banks to offer credit facilities.

### Indonesia to limit foreign ownership in its domestic banks

According to media sources, Bank Indonesia plans to cap individual ownership limits in domestic banks (Indonesia currently permits foreign ownership of 99% in individual financial institutions). Such a cap has been under discussion for more than a year, and would likely apply to both domestic and foreign owners. The precise form of any cap, however, remains uncertain. Domestic sources report that the new rules would still allow financial institutions to own majority stakes in domestic banks, with stricter limits applying to investors outside the financial sector. The news comes after the announcement in early April of DBS's planned \$7.3 billion purchase of Bank Danamon, whose approval could be delayed pending clarification of the new rules.

### Briefly noted:

- **The RMB touched a new record-high of 6.2795 per USD.** While we put little weight on today's close given the holiday today in China, the move comes after a series of progressively stronger PBOC currency fixings in recent days. There is speculation in the market that the recent moves are in advance of upcoming bilateral investment talks between the US and China, scheduled to take place in Beijing during May 3-4.
- **Hong Kong's March RMB deposits fell by -2.1% in March, to RMB 554 billion,** a -2.1% slide from February, and the fourth consecutive monthly decline. The drop is in line with the declining trend over the past four months since reaching a peak of RMB 627 billion in November. The decline reflects both lower appreciation expectations and increasing use of offshore RMB for onshore use, including trade settlement.

- **South Korea's industrial output in March contracted** by -3.1% on a seasonally adjusted, m/m basis (consensus: +0.2% m/m). Slowing domestic demand, especially automobile purchases, and weaker external demand from Europe were key factors behind the decline.

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## Calendar Indicators

<b>Australia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
TD Securities Inflation MoM%	30-Apr	APR	0.50%	--	0.30%
<b>China</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
PMI Manufacturing	01-May	APR	53.1	53.6	--
HSBC Manufacturing PMI	02-May	APR	48.3	--	--
China Non-manufacturing PMI	03-May	APR	58	--	--
China HSBC Services PMI	04-May	APR	53.3	--	--
<b>Hong Kong</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Retail Sales - Volume (YoY)	03-May	MAR	10.10%	8.90%	--
Purchasing Managers Index	04-May	APR	52	--	--
<b>Indonesia</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Inflation (YoY)	01-May	APR	3.97%	4.46%	--
Inflation NSA (MoM)	01-May	APR	0.07%	0.20%	--
Core Inflation (YoY)	01-May	APR	4.25%	4.20%	--
Exports (YoY)	01-May	MAR	8.50%	3.80%	--
<b>India</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Exports YoY%	01-May	MAR	4.30%	--	--
Imports YoY%	01-May	MAR	20.70%	--	--
India April Markit Manufacturing PMI	02-May				
India April Markit Services PMI	03-May				
<b>Japan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Monetary Base (YoY)	02-May	APR	-0.20%	--	--
<b>Philippines</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Consumer Price Index (YoY)	04-May	APR	2.60%	2.60%	--
Consumer Price Index NSA (MoM)	04-May	APR	0.20%	0.40%	--
<b>Singapore</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Unemployment Rate (sa)	30-Apr	1Q P	2.00%	2.00%	2.10%
Purchasing Managers Index	03-May	APR	50.2	50.4	--
<b>South Korea</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Industrial Production (MoM)	30-Apr	MAR	0.80%	0.20%	-3.10%
Industrial Production (YoY)	30-Apr	MAR	14.40%	2.20%	0.30%
Consumer Price Index (MoM)	01-May	APR	-0.10%	0.30%	--
Consumer Price Index (YoY)	01-May	APR	2.60%	2.80%	--
Ext Trade - Export (YoY)	01-May	APR	-1.40%	-1.10%	--
Ext Trade - Imports (YoY)	01-May	APR	-1.20%	1.70%	--
<b>Taiwan</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
GDP - Constant Prices (YoY)	30-Apr	1Q P	1.89%	0.91%	0.36%
HSBC Manufacturing PMI	02-May	APR	54.1	--	--
<b>Thailand</b>	<b>Date</b>	<b>Period</b>	<b>Prior</b>	<b>Cons.</b>	<b>Actual</b>
Consumer Price Index (YoY)	01-May	APR	3.45%	2.90%	--
Core CPI (YoY)	01-May	APR	2.77%	2.40%	--

## Indicator of the Week

### China: PMI for April (May 1)

Forecast: 53.9

Consensus: n/a

Prior: 53.1

The official manufacturing PMI prints continue to be closely watched for signs of the pace of China's economic slowdown. The reading for April will be no exception, following the weaker-than-expected Q1 GDP outturn of 8.1% y/y. This past week, a flash estimate for the private sector PMI (Markit) registered an upturn (to 49.1% from a 48.3 outturn in March), but still remains below the 50-threshold. In contrast, recent official PMI outturns have been rising, and remain above 50. We expect a slight pickup in the official PMI for April, partly due to seasonal effects, as well as a pickup in domestic demand from fiscal and monetary stimulus. A strong April outturn, if confirmed, would be evidence that growth momentum has bottomed out in Q1, adding to other positive indicators, such as strong credit growth in March.

## Calendar Events

### Australia - RBA cash target, May 1

We expect a 25 bps cut in the benchmark rate

Current	Consensus	New
4.25%	4.00%	--

### Thailand - Benchmark interest rate, May 2

We expect the benchmark rate to remain unchanged

Current	Consensus	New
3.00%	3.00%	--

## 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.	2396.3	-0.3	-0.4	9.0	-17.7
	Hong Kong - Hang Seng	21094.2	1.7	2.3	14.4	-11.1
	Taiwan - Weighted	7501.7	0.3	0.3	6.1	-16.7
	Japan - Nikkei 225	9520.9	-0.4	-0.4	12.6	-3.3
	Korea - Kospi	1982.0	0.3	0.5	8.6	-9.6
	India - Sensex 30	17318.8	0.8	1.3	12.1	-9.5
	Australia - SPX/ASX 200	4396.6	0.8	0.7	8.4	-8.8
	Singapore - Strait Times	2978.6	-0.1	0.5	12.6	-6.3
	Indonesia - Jakarta Comp	4180.7	0.4	0.6	9.4	9.5
	Thailand - SET	1228.5	1.4	3.3	19.8	12.3
	Malaysia - KLCI	1570.6	0.2	-0.8	2.6	2.3
Philippines - Manila Comp.	5202.7	0.7	0.8	19.0	20.4	

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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)	6.28	0.48	0.46	6.32	6.35
	Hong Kong (HKD/USD)	7.76	0.01	0.04	7.76	7.75
	Taiwan (TWD/USD)	29.2	0.43	1.16	29.01	28.70
	Japan (JPY/USD)	80.19	0.10	1.23	80.12	79.69
	Korea (KRW/USD)	1130	0.44	0.83	1136	1149
	India (INR/USD)	52.7	-0.23	-0.27	53.74	56.06
	Australia (USD/AUD)	1.04	-0.45	1.02	0.97	0.99
	Singapore (SGD/USD)	1.24	0.13	0.93	1.24	1.23
	Indonesia (IDR/USD)	9177	0.13	0.11	9266	9596
	Thailand (THB/USD)	30.8	-0.03	0.75	30.92	31.34
	Malaysia (MYR/USD)	3.03	0.64	1.29	3.05	3.08
Philippines (PHP/USD)	42.2	0.34	1.17	42.38	42.74	

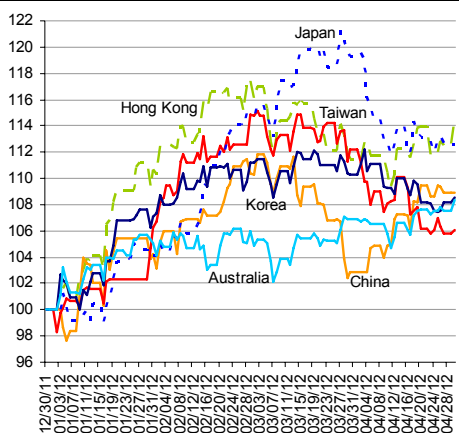
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.77	-0.10	0.02	0.25
	Hong Kong (HIBOR/1W)	0.11	0.00	0.00	0.00
	Taiwan (TAIBOR/1W)	0.66	0.00	0.00	0.02
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.38	0.00	0.00	0.00
	India (MIBOR/7D)	3.80	-0.08	-0.06	-0.05
	Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00
	Indonesia (JIBOR/1W)	3.80	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)	3.44	0.06	-0.13	0.00

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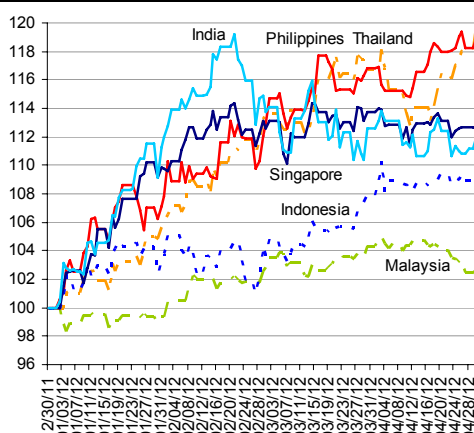
# Charts

Chart 9  
Stock Markets



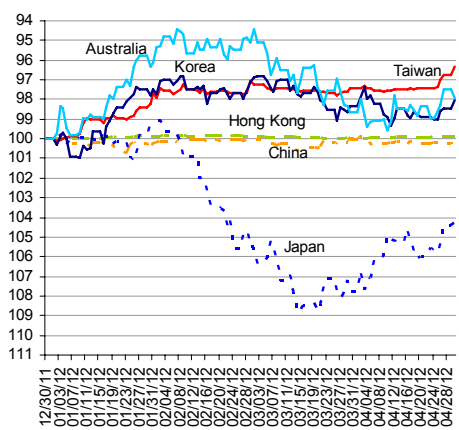
Source: BBVA Research and Bloomberg

Chart 10  
Stock Markets



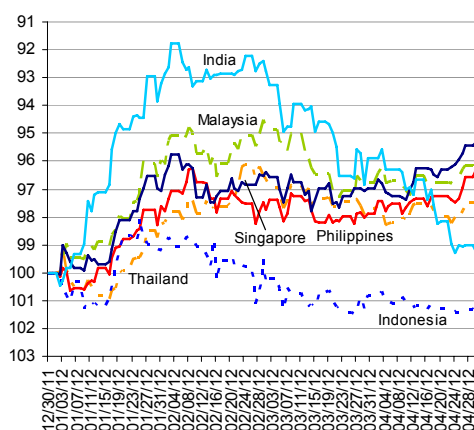
Source: BBVA Research and Bloomberg

Chart 11  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12  
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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