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RESEARCH

Economic Analysis
3 May 2012

Daily Flash

Asia

High profile policy discussions were the focus today as the Asian Development Bank's annual meeting began in Manila, and as the bilateral Strategic and Economic Dialogue between the US and China commenced in Beijing. Policy announcements could set the tone for currency movements, with a regional stability fund discussed in Manila, and RMB appreciation coming up in the US/China talks. Markets were uncharacteristically quiet today with the exception of the Philippines (+1.4%), which reached a new record high and has now advanced by 21.2% on the year, easily the region's top performing index.

Regional stabilization fund enhanced at ADB annual meeting

The Asian Development Bank (ADB) kicked off its annual meeting today, with media focus on a reported agreement by China, Japan and South Korea to increase cross-investment in government bond markets, in a move to diversify their financial markets and protect against external shocks. At the same time, the ASEAN+3 nations have agreed to double the regional reserve pool under the Chiang Mai Initiative framework to US\$240 billion, and to extend the maturities of associated swaps agreements from 90 days to one year in a step to enhance regional cooperation mechanisms.

RMB the center of attention at US-China Strategic and Economic Dialogue

US Treasury Secretary Timothy Geithner made news today by reiterating the US position that the RMB still has room to appreciate. The discussions come following recent strengthening of the PBOC's daily fixings, with the spot rate largely unchanged against the USD so far this year, despite a recent widening of the daily trading band. Separately, China's Commerce Minister said today that China's April trade surplus could widen slightly in April, to around US\$10 billion (the official outturn will be released on May 10), consistent with expectations that the surplus will gradually increase this year following an unexpected narrowing in the first quarter.

Reserve Bank of India issues tight Basel III guidelines

The Reserve Bank of India (RBI) has laid out stricter guidelines for Indian banks under the Basel III accounting standards, as largely anticipated. Among other things, banks are required to maintain a minimum capital to risk weighted assets ratio of 9%, higher than international norm of 8%. The changes will be phased in starting January 1, 2013, with full implementation by March 31 2018. While the capital norms are a bit higher than some may have expected, other parts of the requirements were watered down, apparently leaving the overall announcement in line with expectations.

Briefly noted:

- **Hong Kong retail sales volume gained momentum in March**, to 13.4% y/y in March, well above expectations (8.0% y/y) underpinned by strong domestic labor market conditions, and demand from Mainland tourists.

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With contributions from the BBVA Research Asia Team

Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
TD Securities Inflation MoM%	30-Apr	APR	0.50%	--	0.30%
China	Date	Period	Prior	Cons.	Actual
PMI Manufacturing	01-May	APR	53.1	53.6	53.3
HSBC Manufacturing PMI	02-May	APR	48.3	--	49.3
China Non-manufacturing PMI	03-May	APR	58	--	56.1
China HSBC Services PMI	04-May	APR	53.3	--	--
Hong Kong	Date	Period	Prior	Cons.	Actual
Retail Sales - Volume (YoY)	03-May	MAR	10.10%	8.90%	13.40%
Purchasing Managers Index	04-May	APR	52	--	--
Indonesia	Date	Period	Prior	Cons.	Actual
Inflation (YoY)	01-May	APR	3.97%	4.46%	4.50%
Inflation NSA (MoM)	01-May	APR	0.07%	0.20%	0.21%
Core Inflation (YoY)	01-May	APR	4.25%	4.20%	4.24%
Exports (YoY)	01-May	MAR	8.50%	3.80%	5.50%
India	Date	Period	Prior	Cons.	Actual
Exports YoY%	01-May	MAR	4.30%	--	-5.70%
Imports YoY%	01-May	MAR	20.70%	--	24.30%
India April Markit Manufacturing PMI	02-May	APR	54.7	--	54.9
India April Markit Services PMI	03-May	APR	52.3	--	52.8
Japan	Date	Period	Prior	Cons.	Actual
Monetary Base (YoY)	02-May	APR	-0.20%	--	-0.30%
Philippines	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	04-May	APR	2.60%	2.60%	--
Consumer Price Index NSA (MoM)	04-May	APR	0.20%	0.40%	--
Singapore	Date	Period	Prior	Cons.	Actual
Unemployment Rate (sa)	30-Apr	1Q P	2.00%	2.00%	2.10%
Purchasing Managers Index	03-May	APR	50.2	50.4	--
South Korea	Date	Period	Prior	Cons.	Actual
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%	0.00%
Consumer Price Index (YoY)	01-May	APR	2.60%	2.80%	2.50%
Ext Trade - Export (YoY)	01-May	APR	-1.40%	-1.10%	-4.70%
Ext Trade - Imports (YoY)	01-May	APR	-1.20%	1.70%	-0.20%
Taiwan	Date	Period	Prior	Cons.	Actual
GDP - Constant Prices (YoY)	30-Apr	1Q P	1.89%	0.91%	0.36%
HSBC Manufacturing PMI	02-May	APR	54.1	--	51.2
Thailand	Date	Period	Prior	Cons.	Actual
Consumer Price Index (YoY)	01-May	APR	3.45%	2.90%	2.47%
Core CPI (YoY)	01-May	APR	2.77%	2.40%	2.13%

Calendar Events

Australia - RBA cash target, May 1

We expected a 25 bps cut in the benchmark rate

Current	Consensus	New
4.25%	4.00%	3.75%

Thailand - Benchmark interest rate, May 2

We expected the benchmark rate to remain unchanged

Current	Consensus	New
3.00%	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.	2440.1	0.1	2.1	10.9	-16.8
	Hong Kong - Hang Seng	21249.5	-0.3	2.9	15.3	-10.1
	Taiwan - Weighted	7659.5	-0.2	1.3	8.3	-14.4
	Japan - Nikkei 225	9380.3	0.3	-0.9	10.9	-6.2
	Korea - Kospi	1995.1	-0.2	1.7	9.3	-9.3
	India - Sensex 30	17134.8	-1.0	-0.1	10.9	-7.6
	Australia - SPX/ASX 200	4429.0	-0.2	1.2	9.2	-7.4
	Singapore - Strait Times	3000.9	-0.2	0.7	13.4	-4.8
	Indonesia - Jakarta Comp	4224.0	0.1	1.0	10.5	10.8
	Thailand - SET	1240.1	0.1	3.2	21.0	15.9
	Malaysia - KLCI	1583.2	0.0	0.2	3.4	3.4
	Philippines - Manila Comp.	5300.4	1.4	1.8	21.2	22.7

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	0.03	0.00	6.32	6.35
	Hong Kong (HKD/USD)	7.76	0.00	0.01	7.76	7.75
	Taiwan (TWD/USD)	29.2	-0.06	0.53	29.09	28.79
	Japan (JPY/USD)	80.39	-0.31	0.75	80.32	79.91
	Korea (KRW/USD)	1129	-0.14	0.65	1137	1151
	India (INR/USD)	53.4	-0.90	-1.65	54.55	56.87
	Australia (USD/AUD)	1.03	-0.56	-1.11	0.98	1.00
	Singapore (SGD/USD)	1.24	-0.29	-0.17	1.24	1.24
	Indonesia (IDR/USD)	9231	-0.29	-0.42	9397	9732
	Thailand (THB/USD)	30.9	-0.29	-0.29	31.09	31.51
	Malaysia (MYR/USD)	3.03	-0.15	0.60	3.05	3.09
	Philippines (PHP/USD)	42.2	0.01	0.65	42.44	42.83

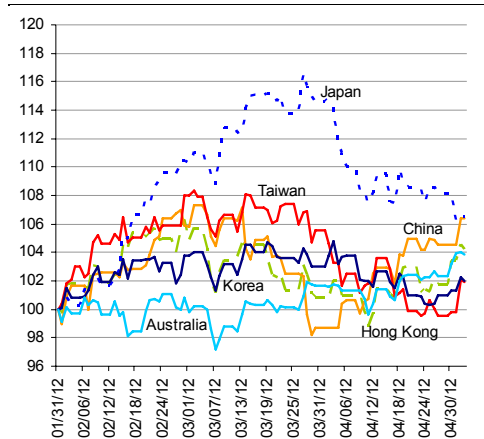
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.85	0.05	0.05	0.40
	Hong Kong (HIBOR/1W)	0.15	0.04	0.04	0.04
	Taiwan (TAIBOR/1W)	0.66	0.00	0.00	0.02
	Japan (TIBOR/1Y)	0.76	0.00	0	0
	Korea (KORIBOR/1M)	3.37	0.00	-0.01	-0.01
	India (MIBOR/7D)	3.87	0.07	-0.08	0.16
	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)	3.19	-0.06	-0.44	-0.38

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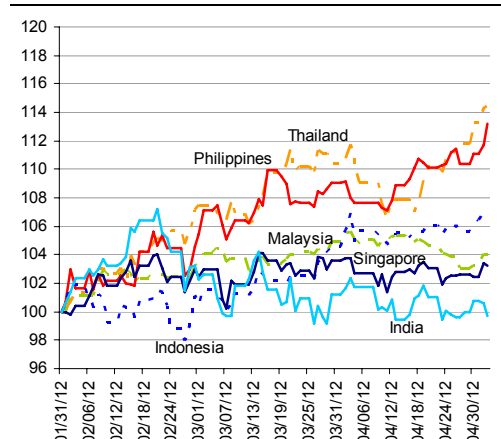
Charts

Chart 9
Stock Markets



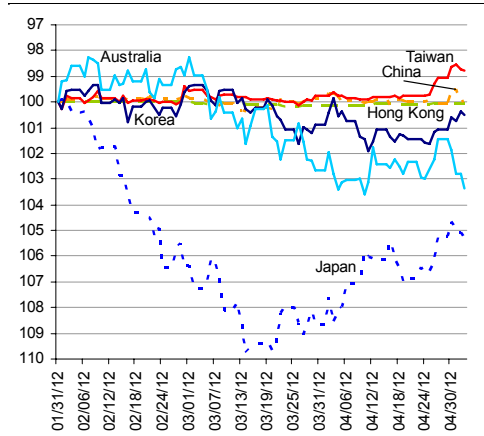
Source: BBVA Research and Bloomberg

Chart 10
Stock Markets



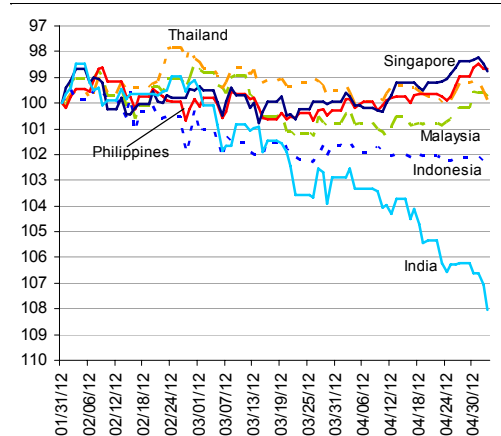
Source: BBVA Research and Bloomberg

Chart 11
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 12
Foreign Exchange Markets



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