

Asia Flash

Asia

Weaker March exports in China are taken in stride

China's March exports rose by 10.0 y/y (consensus: 11.7% y/y), after stellar outturns in January/February of above 20% y/y (although the reliability of those outturns has been questioned due to possible over-invoicing). While the weak-than-expected March outturn raises concerns about the export outlook given sluggish external demand, there are some positives in the data: (i) for Q1 as a whole, export growth registered 18.3% y/y, underpinned by improving trends to the US (6.7% y/y) and especially ASEAN countries (28.0% y/y); (ii) imports rose above expectations in March (14.2% y/y vs. consensus: 6.0%) in March, pointing to stronger domestic demand (which, incidentally was a factor for the Australia's appreciation today to 1.05 against the USD). The trade balance for the month turned negative (-\$880 million) for the first time since February 2012. The RMB appreciated today to 6.19 against the USD.

Fitch downgrades China's long term local currency rating

Fitch ratings announced late yesterday a downgraded of China's long term local currency rating to "A+" from "AA-" with a stable outlook (the foreign currency rating remains unchanged at AA-). The downgrade had been expected, given Fitch's negative outlook and repeated concerns about rapid loan growth since 2009, the build-up in local government debt, and expanding shadow banking system. While the buildup of debt is a concern that needs to be monitored, we believe the risks remain manageable for now, as the government has been increasingly cautious and has stepped up efforts to contain the risks.

Indonesia's bond oversubscribed

Indonesia yesterday issued USD global bonds totalling USD 3 bn, evenly split between 10- and 30-year maturities. The result was notable for the 4.2 times over-subscription, and low yields, of 3.50% and 4.75% respectively. The outturn is further evidence of strong global liquidity in the wake of the Bank of Japan's easing measures, and strong appetite for Indonesian assets following its investment grade rating last year.

Briefly noted:

Philippines February exports disappoint

Philippines exports contracted by -15.6% y/y (consensus: -4.8% y/y) to USD 3.74bn, the sharpest fall in 14 months. Earnings from exports of electronics products, which account for around 40% of total export revenues, dropped by -36.5% y/y. Nevertheless, strong domestic demand continues to propel GDP growth, which reached 6.6% y/y in 2012, the second highest in Asia (after China). We expect GDP growth of around 6% in 2013, although the weak external environment poses downside risks.

South Korea unemployment rate falls to 3.2% y/y, sa in March (Prior:3.5%, Consensus:3.3%) mainly due to a decrease in the labor participation rate. Growth momentum in Korea has been weak, prompting fiscal stimulus measures, and we expect a rate cut at tomorrow's BOK policy meeting.

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Calendar Indicators

| Australia | Date | Period | Prior | Cons. | Actual |
|-------------------------------|-----------|--------|---------|---------|---------|
| Unemployment Rate | 11 Apr | Mar | 5.40% | 5.40% | -- |
| China | Date | Period | Prior | Cons. | Actual |
| Consumer Price Index (YoY) | 09 Apr | Mar | 3.20% | 2.50% | 2.10% |
| Exports YoY% | 10 Apr | Mar | 21.80% | 11.70% | 10.00% |
| Imports YoY% | 10 Apr | Mar | -15.20% | 6.00% | 14.10% |
| New Yuan Loans | 10-15 APR | Mar | 620.0B | 890.0B | -- |
| Money Supply - M2 (YoY) | 10-15 APR | Mar | 15.20% | 14.60% | -- |
| Aggregate Financing | 10-15 APR | Mar | 1070.0B | 1800.0B | -- |
| India | Date | Period | Prior | Cons. | Actual |
| Exports YoY% | 10-15 APR | Mar | 4.20% | -- | -- |
| Industrial Production YoY | 12 Apr | Feb | 2.40% | -1.00% | -- |
| Japan | Date | Period | Prior | Cons. | Actual |
| Current Account Total | 08 Apr | Feb | ¥364.8B | ¥457.5B | ¥637.4B |
| Tertiary Industry Index (MoM) | 12 Apr | Feb | -1.10% | 0.70% | -- |
| Malaysia | Date | Period | Prior | Cons. | Actual |
| Industrial Production YoY | 11 Apr | Feb | 4.60% | -1.70% | -- |
| Philippines | Date | Period | Prior | Cons. | Actual |
| Total Exports (YoY) | 10 Apr | Feb | -2.70% | -4.80% | -15.60% |
| Singapore | Date | Period | Prior | Cons. | Actual |
| GDP (YoY) | 12 Apr | 1Q A | 1.50% | 0.50% | -- |
| South Korea | Date | Period | Prior | Cons. | Actual |
| FDI (YoY) | 12 Apr | 1Q | -16.90% | -- | -- |
| Unemployment Rate (SA) | 10 Apr | Mar | 3.50% | 3.30% | 3.20% |
| Taiwan | Date | Period | Prior | Cons. | Actual |
| CPI YoY% | 08 Apr | Mar | 2.96% | 1.82% | 1.39% |
| Total Exports (YoY) | 08 Apr | Mar | -15.80% | 2.20% | 3.30% |

Calendar Events

Indonesia - Reference Rate, Apr 11

We expect the benchmark rate to remain unchanged

| Current | Cons. | New |
|---------|-------|-----|
| 5.75% | 5.75% | -- |

Korea - 7-day Repo Rate, Apr 11

We expect the benchmark rate to be cut by 25bps

| Current | Cons. | New |
|---------|-------|-----|
| 2.75% | 250% | -- |

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. | 2226.1 | 0.0 | -0.4 | -1.9 | -3.5 |
| Hong Kong - Hang Seng | 22034.6 | 0.8 | -1.5 | -2.7 | 8.2 | |
| Taiwan - Weighted | 7752.8 | 0.3 | -1.9 | 0.7 | 1.5 | |
| Japan - Nikkei 225 | 13288.1 | 0.7 | 7.5 | 27.8 | 39.3 | |
| Korea - Kospi | 1935.6 | 0.8 | -3.0 | -3.1 | -2.9 | |
| India - Sensex 30 | 18414.5 | 1.0 | -2.1 | -5.2 | 6.8 | |
| Australia - SPX/ASX 200 | 4968.0 | -0.2 | 0.2 | 6.9 | 15.7 | |
| Singapore - Strait Times | 3293.3 | -0.1 | -0.9 | 4.0 | 10.4 | |
| Indonesia - Jakarta Comp | 4877.5 | -0.5 | -2.1 | 13.0 | 17.5 | |
| Thailand - SET | 1490.3 | 1.3 | -3.9 | 7.1 | 27.9 | |
| Malaysia - KLCI | 1696.2 | 0.4 | 0.6 | 0.4 | 6.2 | |
| Philippines - Manila Comp. | 6815.8 | 1.2 | 1.0 | 17.3 | 35.3 | |

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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) | 6.19 | 0.14 | 0.12 | 6.25 | 6.26 |
| Hong Kong (HKD/USD) | 7.76 | 0.02 | 0.00 | 7.76 | 7.75 | |
| Taiwan (TWD/USD) | 30.0 | 0.22 | -0.35 | 29.88 | 29.60 | |
| Japan (JPY/USD) | 99.44 | -0.42 | -6.44 | 99.38 | 99.08 | |
| Korea (KRW/USD) | 1136 | 0.30 | -1.62 | 1134 | 1144 | |
| India (INR/USD) | 54.5 | 0.13 | -0.14 | 55.45 | 58.04 | |
| Australia (USD/AUD) | 1.05 | 0.33 | 0.60 | 0.96 | 0.98 | |
| Singapore (SGD/USD) | 1.24 | 0.16 | 0.11 | 1.24 | 1.24 | |
| Indonesia (IDR/USD) | 9692 | 0.27 | 0.57 | 9757 | 10139 | |
| Thailand (THB/USD) | 29.0 | -0.28 | 1.14 | 29.14 | 29.49 | |
| Malaysia (MYR/USD) | 3.03 | 0.22 | 1.77 | 3.05 | 3.09 | |
| Philippines (PHP/USD) | 41.0 | 0.46 | -0.21 | 40.94 | 40.89 | |

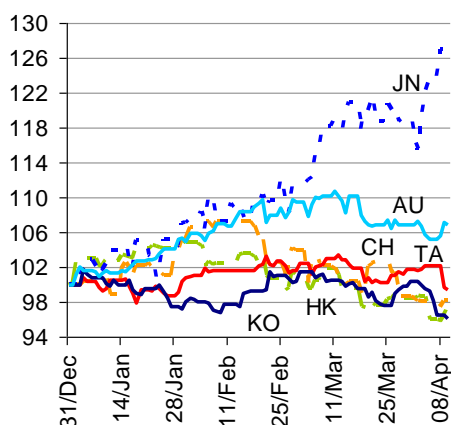
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| INTERBANK RATES | INDEX | Rate | net change over a day | net change over a week | net change over a month |
|-------------------------|-------------------|-------|--------------------------|---------------------------|----------------------------|
| | China (SHIBOR/7D) | 3.22 | -0.08 | -0.08 | 0.72 |
| Hong Kong (HIBOR/1W) | 0.10 | 0.00 | 0.00 | 0.00 | |
| Taiwan (TAIBOR/1W) | 0.55 | 0.00 | 0.00 | 0.00 | |
| Japan (TIBOR/1Y) | 0.76 | 0.00 | 0.01 | 0.01 | |
| Korea (KORIBOR/1M) | 2.73 | 0.00 | -0.01 | -0.03 | |
| India (MIBOR/7D) | 3.21 | -0.07 | -0.50 | 0.73 | |
| Singapore (SIBOR/1W) | 0.25 | 0.00 | 0.00 | 0.00 | |
| Indonesia (JIBOR/1W) | 4.28 | 0.00 | 0.00 | 0.00 | |
| Thailand (BIBOR/1W) | 2.77 | 0.00 | 0.00 | 0.00 | |
| Malaysia (KLIBOR/1W) | 2.90 | 0.00 | 0.00 | 0.00 | |
| Philippines (PHIBOR/1W) | 1.38 | -0.25 | 0.63 | 0.25 | |

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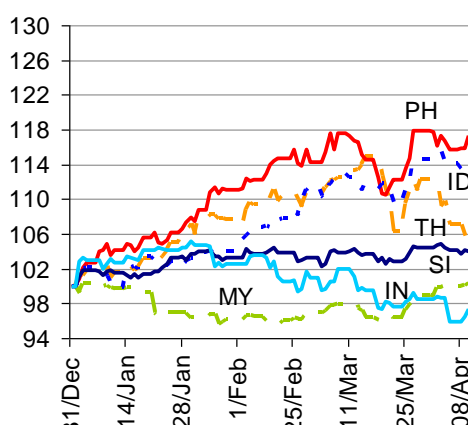
Charts

Chart 1
Stock Markets



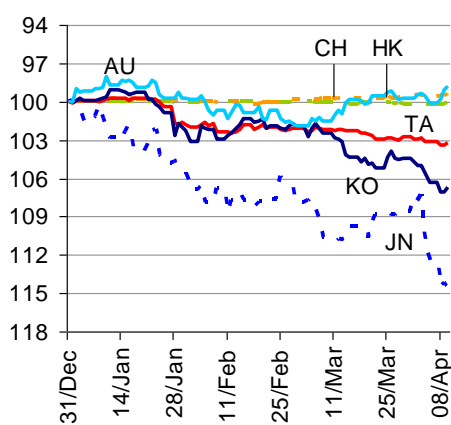
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



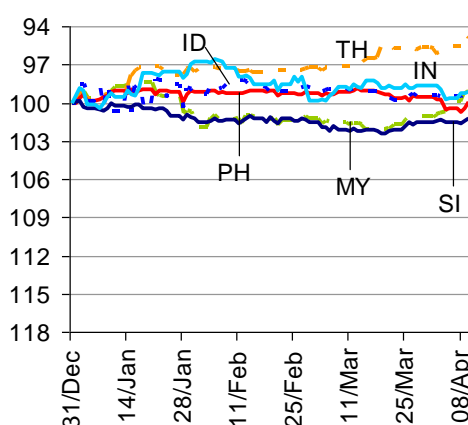
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

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