

Daily Flash

Asia

It was a topsy-turvy day for the yen, which continued its slide early in the day on speculation that presumptive BoJ Governor may step up "unlimited" quantitative easing as soon as he takes office on March 19 (rather than wait for the next scheduled meeting on April 3). The currency traded at well above 96/USD until late in the day when Japan's opposition Democratic Party announced it would reject the nomination of one of the new Deputy Governors, Kikuo Iwata (who has been supporting "decisive monetary easing"), although he may still pass the broader Parliamentary vote. Meanwhile, as tensions between North and South Korea continue to escalate, reports from Seoul are "business as usual" with little market reaction so far, although the Kospi was down -0.5% today in line with regional trends (Shanghai Composite -1.0% and Hang Seng -0.9%).

India's industrial production picks up in January, as CPI inflation stays flat

India's industrial production rose by 2.4% y/y, up from a contraction of -0.5% in December. Recent activity indicators, including PMI and the infrastructure index reading suggest that investment activity is bottoming out, despite limited fiscal support and delays in policy execution. Meanwhile, sticky food prices kept February CPI inflation in double digits (10.9% y/y vs. 10.8% previously) for the third consecutive month. Looking ahead, the more closely watched Wholesale Price Index (WPI) for February will be released on Thursday and will be an important input to the RBI's policy meeting on March 19th, where we expect 25bps cuts in the repo rate (to 7.5%) and the cash reserve ratio (to 3.75%).

Philippines reports disappointing January exports

The Philippines reported weak exports in January (-2.7% y/y; consensus: 6.0% y/y) on subdued demand for electronics, particularly from the US and China. Together with weak February export outturns in Korea and Taiwan, the data underscore uncertainty in the outlook for external demand even as the global economy appears to be improving (although China's exports have showed surprising resilience). Nevertheless, growth in the Philippines is expected to remain intact due to resilient domestic demand (GDP grew by 6.6% in 2012, placing the Philippines as one of the region's fastest growing economies).

Briefly noted:

Japan's tertiary industry activity index fell by more than expected in February (-1.1% m/m, sa; consensus: -0.2%).

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Calendar Indicators

Australia	Date	Period	Prior	Cons.	Actual
Unemployment Rate	14 Mar	Feb	5.40%	5.50%	--
China	Date	Period	Prior	Cons.	Actual
Retail Sales (YoY)	09 Mar	Feb	14.30%	15.00%	12.30%
Industrial Production YTD	09 Mar	Feb	10.00%	10.60%	9.90%
Consumer Price Index (YoY)	09 Mar	Feb	2.00%	3.00%	3.20%
Money Supply-M2	10 Mar	Feb	15.90%	14.90%	15.20%
Hong Kong	Date	Period	Prior	Cons.	Actual
Industrial Production (YoY)	14 Mar	4Q	-0.10%	--	--
Composite Interest Rate	15-19 MAR	Feb	0.28%	--	--
India	Date	Period	Prior	Cons.	Actual
Exports YoY%	11 Mar	Feb	-2.10%	--	4.20%
Industrial Production YoY	12 Mar	Jan	-0.50%	1.30%	2.40%
Wholesale Prices YoY%	14 Mar	Feb	6.62%	6.60%	--
Japan	Date	Period	Prior	Cons.	Actual
Tertiary Industry Index (MoM)	12 Mar	Jan	1.10%	-0.20%	-1.10%
Industrial Production YOY%	14 Mar	Jan F	-5.10%	--	--
Malaysia	Date	Period	Prior	Cons.	Actual
Exports YoY%	11 Mar	Jan	-5.80%	1.60%	3.50%
Industrial Production YoY	11 Mar	Jan	3.50%	5.60%	4.60%
Philippines	Date	Period	Prior	Cons.	Actual
Total Exports (YoY)	12 Mar	Jan	16.50%	6.00%	-2.70%
Unemployment Rate	13 Mar	Jan	6.80%	--	--
Overseas Remittances (YoY)	15 Mar	Jan	9.70%	10.10%	--
Singapore	Date	Period	Prior	Cons.	Actual
Retail Sales (YoY)	15 Mar	Jan	-1.50%	0.50%	--
Unemployment Rate (sa)	15 Mar	4Q F	1.80%	--	--
Korea	Date	Period	Prior	Cons.	Actual
Unemployment Rate (SA)	13 Mar	Feb	3.20%	3.20%	--

Calendar Events

Philippines - Overnight Borrowing Rate, Mar 14
We expect the benchmark rate to remain unchanged

Current	Cons.	New
3.50%	3.50%	--

South Korea - 7-day Repo Rate, Mar 14
We expect the benchmark rate to remain unchanged

Current	Cons.	New
2.75%	2.75%	--

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.	2286.6	-1.0	-1.7	0.8	-6.1
Hong Kong - Hang Seng	22890.6	-0.9	1.5	1.0	8.3	
Taiwan - Weighted	7994.7	-0.5	0.8	3.8	0.8	
Japan - Nikkei 225	12314.8	-0.3	5.4	18.5	24.5	
Korea - Kospi	1993.3	-0.5	-1.2	-0.2	-0.5	
India - Sensex 30	19645.8	0.0	2.6	1.1	11.7	
Australia - SPX/ASX 200	5117.9	-0.6	0.8	10.1	22.0	
Singapore - Strait Times	3302.7	0.3	1.7	4.3	11.5	
Indonesia - Jakarta Comp	4854.3	-0.4	2.0	12.5	21.7	
Thailand - SET	1579.3	0.1	1.9	13.5	37.3	
Malaysia - KLCI	1656.5	-0.1	0.9	-1.9	5.9	
Philippines - Manila Comp.	6786.4	-0.4	1.1	16.8	36.4	

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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)	6.22	0.04	0.08	6.28	6.31
Hong Kong (HKD/USD)	7.76	0.00	-0.02	7.75	7.75	
Taiwan (TWD/USD)	29.7	0.04	0.05	29.60	29.30	
Japan (JPY/USD)	96.18	0.10	-3.00	96.12	95.81	
Korea (KRW/USD)	1095	-0.02	-0.75	1102	1116	
India (INR/USD)	54.3	0.21	1.15	55.33	57.78	
Australia (USD/AUD)	1.03	0.03	0.25	0.98	1.00	
Singapore (SGD/USD)	1.25	0.02	-0.21	1.25	1.25	
Indonesia (IDR/USD)	9693	0.07	0.03	9771	10133	
Thailand (THB/USD)	29.6	0.30	0.44	29.77	30.14	
Malaysia (MYR/USD)	3.11	0.04	-0.26	3.13	3.17	
Philippines (PHP/USD)	40.6	0.11	0.23	40.59	40.53	

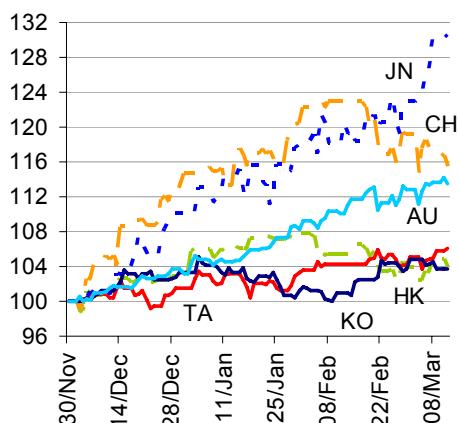
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INTERBANK RATES	INDEX	Rate	net change over a day	net change over a week	net change over a month
	China (SHIBOR/7D)	3.08	0.08	0.53	-0.57
Hong Kong (HIBOR/1W)	0.10	0.00	0.00	0.00	
Taiwan (TAIBOR/1W)	0.55	0.00	-0.01	-0.01	
Japan (TIBOR/1Y)	0.76	0.00	0.01	0.01	
Korea (KORIBOR/1M)	2.76	0.00	0.00	-0.01	
India (MIBOR/7D)	3.17	-0.03	0.02	-0.83	
Singapore (SIBOR/1W)	0.25	0.00	0.00	0.00	
Indonesia (JIBOR/1W)	0.00	-4.28	-4.28	-4.28	
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)	0.94	-0.13	-0.38	-0.69	

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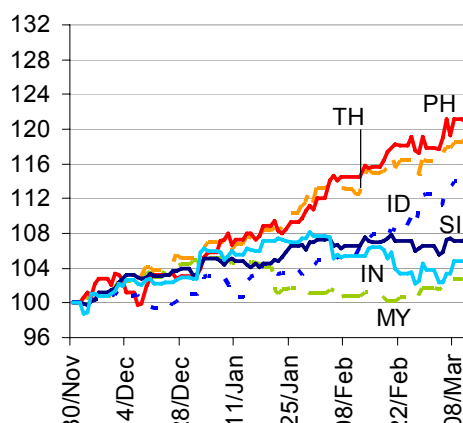
Charts

Chart 1
Stock Markets



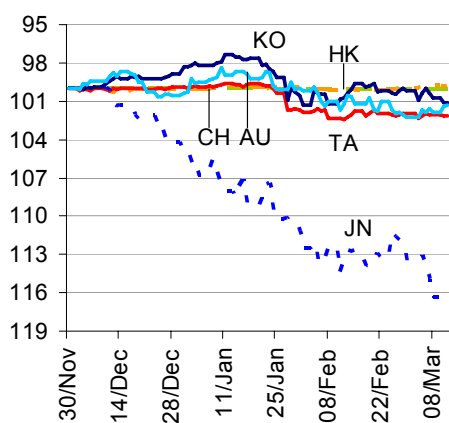
Source: BBVA Research and Bloomberg

Chart 2
Stock Markets



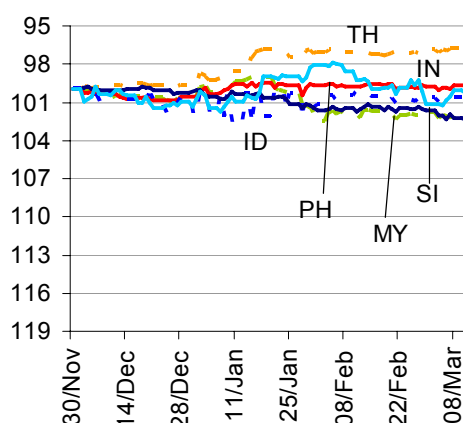
Source: BBVA Research and Bloomberg

Chart 3
Foreign Exchange Markets



Source: BBVA Research and Bloomberg

Chart 4
Foreign Exchange Markets



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